Barclays Bank UK PLC

Pillar 3 Report

31 December 2023

BARCLAYS

Contents

Barclays Bank UK PLC Pillar 3 Report

A glossary of terms and remuneration disclosures can be found at: home.barclays/investor-relations/reports-and-events/latest-financial-results

Forward-looking statements

Barclays Bank UK Group refers to Barclays Bank UK PLC together with its subsidiaries. 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.

Forward-looking statements

This document contains certain forward-looking statements with respect to the Barclays Bank UK Group. Barclays 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, business strategy, income levels, costs, assets and liabilities, impairment charges, provisions, capital leverage and other regulatory ratios, capital distributions (including policy on dividends 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), 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, regulations, governmental and regulatory policies, expectations and actions, voluntary codes of practices and the interpretation thereof, changes in International Financial Reporting Standards 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 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, pandemics and similar events beyond the Barclays Bank UK Group's control; the impact of competition in the banking and financial services industry; capital, liquidity, leverage and other regulatory rules and requirements applicable to past, current and future periods; macroeconomic and business conditions, including inflation, in the UK and in any systemically important economy which impacts the UK; volatility in credit and capital markets; market related risks such as changes in interest rates and foreign exchange rates; reforms to benchmark interest rates and indices; 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 conflicts in Ukraine and the Middle East on European and global macroeconomic conditions, political stability and financial markets; political elections; developments in the UK's relationship with the European Union (EU); the risk of cyberattacks, information or security breaches, technology failures or other operational disruptions and any subsequent impacts 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 within the Barclays Bank UK PLC 2023 Annual Report, which is available on barclays.com.

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.

Notes on basis of preparation

Disclosure background

Pillar 3 disclosures complement those disclosed in the Barclays Bank UK PLC 2023 Annual Report and provide additional information about Barclays Bank UK Group's risk profile, including its regulatory capital, risk weighted assets, liquidity and leverage exposures.

The Pillar 3 report is prepared in accordance with the Capital Requirements Regulation and Capital Requirements Directive (CRR and CRD V). In particular articles 431 to 455 of CRR specify the requirements of the Pillar 3 framework. Those regulations came into force on 1 January 2022, and were implemented by the Prudential Regulatory Authority (PRA) via the PRA Rulebook.

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.

From 1 January 2023, as mandated by the amended SS45/15, Barclays Bank UK PLC became subject to UK Leverage Ratio disclosure requirements on an individual basis in addition to the existing requirements in place for Barclays Bank UK Group. As a result, the leverage disclosures contained within this document are presented on both the Barclays Bank UK PLC and Barclays Bank UK Group consolidated basis. Leverage minimum requirements and buffers remain set at the Barclays Bank UK Group level.

The terms Risk Weighted Asset (RWA) and Risk Weighted Exposure Asset (RWEA) are used interchangeably throughout the document.The disclosures included in this report reflect the Barclays Bank UK Group's (the Bank's) interpretation of the current rules and guidance.

Future regulatory changes

On 23 May 2022, the FPC amended the assessment methodology of the Other-Systemically Important Institutions (O-SII) buffer to be based on average UK leverage exposure, rather than total assets, from 31 December 2022.This is in effect from the 2023 assessment and buffer applicable from 1 January 2025.

On 30 November 2022, the PRA published its consultation paper 'Implementation of the Basel 3.1 standards', which covers the remaining parts of the Basel III standards to be implemented in the UK.

On 27 September 2023, the PRA announced their intention to move the final Basel 3.1 standards implementation date by six months to 1 July 2025 and to reduce the transitional period to 4.5 years to ensure full implementation by 1 January 2030.

On 12 December 2023, the PRA published its Policy Statement 'Implementation of the Basel 3.1 standards near-final part 1' (PS17/23), which covers the Credit Valuation Adjustments (CVA), Counterparty Credit Risk (CCR), market risk and operational risk elements of the Basel 3.1 standards. A second near-final policy statement is expected in Q2 2024 which will cover: Credit Risk - Standardised (SA) and Internal Ratings Based approach (IRB), Credit Risk Mitigation (CRM), Output Floor, Reporting and Disclosure.

Presentation of risk data in the Pillar 3 disclosures versus the Annual Report and Accounts

This document discloses Barclays Bank UK Group's assets in terms of exposures and capital requirements. For the purposes of this document:

Credit losses

Where credit impairment or losses are disclosed within this document, Barclays Bank UK PLC has followed the IFRS definitions used in the Annual Report.

Scope of application

Where this document discloses credit exposures or capital requirements, Barclays Bank UK PLC has followed the scope and application of its Pillar 1 capital adequacy calculations (unless noted otherwise).

Definition of credit exposures

- Credit exposure, or 'Exposure at Default' (EAD) is defined as the estimate of the amount at risk in the event of a default (before any recoveries) or through the decline in value of an asset. This estimate takes account of contractual commitments related to undrawn amounts.
- In contrast, an asset on Barclays Bank UK Group's balance sheet is reported as a drawn balance only. This is one of the reasons why exposure values in the Pillar 3 report differ from asset values as reported in the Barclays Bank UK PLC 2023 Annual Report.

Table 4 provides a reconciliation between IFRS and EAD for credit risk,counterparty credit risk and securitisations.

Notes on basis of preparation (continued)

Policy, validation and sign off

Throughout the year ended 31 December 2023, and to date, Barclays Bank UK Group has operated a framework of disclosure controls and procedures to ensure the completeness and accuracy of the Pillar 3 disclosure.

Barclays Bank UK Group is committed to operating within a strong system of internal controls. A framework of disclosure controls and procedures are in place to support the approval of the external regulatory disclosures. Specific governance committees are responsible for examining the Barclays Bank UK Group's external reports and disclosures to ensure they have been subject to adequate verification and comply with applicable standards and legislation. These committees report their conclusions to the Barclays Bank UK PLC Board Audit Committee (BAC).

This governance process is in place to provide both management and the Board with sufficient opportunity to debate and challenge the Barclays Bank UK Group's disclosures before they are made public.

'We confirm that Barclays Bank UK PLC's Pillar 3 disclosures, to the best of our knowledge, comply with the updated Pillar 3 framework within the PRA Rulebook and have been prepared in compliance with Barclays' internal control framework.'

Claire Peel
Chief Financial Officer, Barclays Bank UK PLC

Matthew Stevens
Chief Risk Officer, Barclays Bank UK PLC

Notes on basis of preparation (continued)

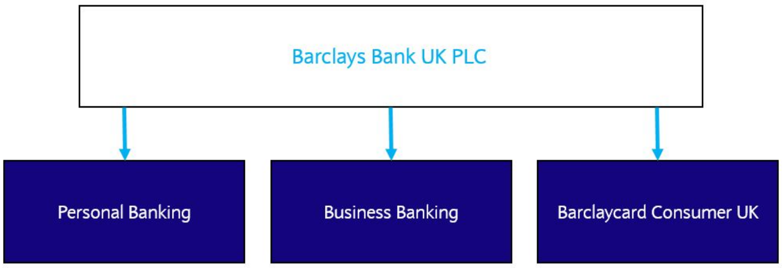
Risk and capital position review

Overview

Barclays Bank UK PLC 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.

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.

Scope of permission for calculation approaches

Barclays seeks permission from its regulators to use modelled approaches where possible to enable risk differentiation.

Barclays Bank UK PLC has regulatory approval to use its internal credit models in the calculation of the majority of its credit risk exposures. The following table summarises the principal portfolios within Barclays Bank UK Group that use the Standardised (STD) and Advanced Internal Rating-Based (AIRB) approaches as at 31 December 2023.

Table 1: The scope of the STD and AIRB approaches for credit and counterparty credit risk excluding credit valuation adjustment (CVA)

	Credit risk (see Table 9)	Counterparty credit risk excl. CVA (see Table 9)		
	RWA	RWA		
Business as at 31 December 2023	£m	£m	Advanced Internal Ratings Based (AIRB) approach	Standardised approach
Barclays Bank UK Group	**59,619**	**237**	• UK managed retail and wholesale portfolios • UK cards	• Minor legacy retail and wholesale portfolios • Further Education and Local Authority portfolios • High quality liquidity pool assets • UK Wealth Portfolio

Barclays Bank UK PLC's AIRB roll-out plans are discussed with regulators and updated based on an agreed schedule.

Table 2: Summary of the scope of application of regulatory methodologies for CVA, market and operational risk

As at 31 December 2023		
Risk Type	RWA (see Table 9) £m	Scope
Credit value adjustment	**304**	CVA for all contracts in scope as defined by article 382 of the CRR, Barclays Bank UK Group applies the STD approach.
Market risk	**274**	The capital charge for specific market risk is designed to protect against losses from adverse movements in the price of an individual security owing to factors related to the individual issuer. Barclays Bank UK Group does not have permission to use a model, therefore the standardised approach is applied.
Operational risk	**11,668**	Barclays Bank UK Group applies the Standardised Approach (TSA) for operational risk regulatory capital purposes.

Linkage between financial statement and regulatory risk

Table 3: LI1– Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories

This table outlines the differences in the basis of consolidation for accounting and regulatory purposes. It provides an allocation of the balance sheet line items reported under the scope of regulatory consolidation between the different regulatory risk frameworks. Information regarding the market risk valuation methodologies, independent price verifications process and procedures for valuation adjustments or reserves can be found in the management of market risk section from page 121.

			Carrying value of items				
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation[a]	Subject to the credit risk framework	Subject to the Counterparty Credit Risk (CCR) framework	Subject to the securitisation framework[b]	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from own funds[c]
As at 31 December 2023	£m	£m	£m	£m	£m	£m	£m
Assets							
Cash and balances at central banks	34,948	34,948	34,948	—	—	—	—
Cash collateral and settlement balances	5,507	5,507	5,123	277	—	—	107
Loans and advances at amortised cost	219,789	219,789	209,564	—	10,225	—	—
Reverse repurchase agreements and other similar	3,567	3,567	—	3,567	—	—	—
Trading portfolio assets	43	43	—	—	—	43	—
Financial assets at fair value through the income	1,715	1,715	1,715	—	—	—	—
Derivative financial instruments	1,566	1,566	—	1,566	—	—	—
Financial assets at fair value through other	20,409	20,409	20,409	—	—	—	—
Investments in subsidiaries, associates and joint	—	122	122	—	—	—	—
Goodwill and intangible assets	3,871	3,871	—	—	—	—	3,871
Property, plant and equipment	261	261	261	—	—	—	—
Current tax assets	—	—	—	—	—	—	—
Deferred tax assets	1,296	1,296	1,296	—	—	—	—
Retirement benefit assets	—	—	—	—	—	—	—
Other assets	587	593	593	—	—	—	—
Total assets	**293,559**	**293,687**	**274,031**	**5,410**	**10,225**	**43**	**3,978**
Liabilities[c]							
Deposits at amortised cost	241,218	241,294	—	—	—	—	241,294
Cash collateral and settlement balances	1,370	1,370	—	1,306	—	—	64
Repurchase agreements and other similar secured	15,265	15,265	—	261	—	—	15,004
Debt securities in issue	3,307	3,307	—	—	—	—	3,307
Subordinated liabilities	11,499	11,499	—	—	—	—	11,499
Trading portfolio liabilities	908	908	—	—	—	908	—
Financial liabilities designated at fair value	437	437	—	—	—	—	437
Derivative financial instruments	398	398	—	398	—	—	—
Current tax liabilities	540	527	—	—	—	—	527
Deferred tax liabilities	—	—	—	—	—	—	—
Retirement benefit liabilities	—	—	—	—	—	—	—
Other liabilities	1,629	1,622	—	—	—	—	1,622
Provisions	364	361	—	—	—	—	361
Total liabilities	**276,935**	**276,988**	**—**	**1,965**	**—**	**908**	**274,115**

Notes

The following points should be considered in conjunction with table LI1:

a. The balances shown in column 'Carrying values under scope of regulatory consolidation' do not equal the sum of those in the columns relating to the regulatory framework, as certain assets can be in scope for more than one regulatory framework. As such, assets included in line items for 'Financial assets at fair value through the income statement', and 'Derivative financial instruments' can be subject to credit risk, counterparty credit risk and market risk.

b The column 'Subject to the securitisation framework' includes non-trading book drawn positions for traditional and synthetic. Trading book securitisation positions are included in 'subject to the market risk framework'.

c For liabilities, balances shown in column 'Not subject to capital requirements or subject to deduction from own funds' are residual amount so that 'Carrying values under scope of regulatory consolidation' equal to the sum of those in the columns relating to the regulatory framework.

Linkage between financial statement and regulatory risk (continued)

Table 4: LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements

This table provides a reconciliation between assets carrying values under the regulatory scope of consolidation as per table 3 and the exposures used for regulatory purposes, split as per the regulatory risk framework.

Off-balance-sheet amounts: Under the credit risk framework, these balances principally consist of undrawn credit facilities before application of credit conversion factors (CCF). Under the counterparty credit risk framework, the off-balance sheet items principally consist of the exposure due to collateral posted in Securities Financing Transactions (SFTs)

Difference in netting rules: This reflects the additional benefits allowed per regulatory rules over and above the netting permitted under International Financial Reporting Standards (IFRS)

Differences due to consideration of provisions: The carrying value of assets is net of impairment. The regulatory exposure calculated under AIRB approach adds back the impairment

Differences due to credit risk mitigation (CRM) : Impact of CRM on the regulatory exposure value, such as collateralisation and guarantees

Differences due to credit conversion factor: Impact of the CCF on the off- balance sheet exposure

Differences due to securitisation with risk transfer: This reflects the exposures of synthetic securitisation trades which are derecognised as per accounting standard

Other differences: This reflects the difference between assets carrying values as defined per IFRS and the values defined per regulatory reporting purposes

Differences due to regulatory add-ons: This reflects regulatory add-ons relevant to the standardised approach to counterparty credit risk (SA-CCR), such as potential future add on (PFE) and Financial Collateral Comprehensive Method (FCCM) haircuts

			Items subject to			
	As at 31 December 2023	Total	Credit risk framework	Securitisation framework	CCR framework	Market risk framework
1	**Assets carrying value amount under the scope of regulatory consolidation (as per template LI1)**	**289,667**	**274,032**	**10,225**	**5,410**	**43**
2	**Liabilities carrying value amount under the regulatory scope of consolidation (as per template LI1)**	**(1,965)**	**—**	**—**	**(1,965)**	**(908)**
3	**Total net amount under the regulatory scope of consolidation**	**287,702**	**274,032**	**10,225**	**3,445**	**(865)**
4	**Off-balance-sheet amounts**	**85,036**	**83,477**	**—**	**1,559**	
5	Differences in valuations	**—**	**—**	**—**	**—**	
6	Differences due to different netting rules, other than those already included in row 2	**(4,844)**	**—**	**—**	**(4,844)**	
7	Differences due to consideration of provisions	**1,520**	**1,520**	**—**	**—**	
8	Differences due to the use of credit risk mitigation techniques (CRMs)	**(198)**	**(198)**	**—**	**—**	
9	Differences due to credit conversion factors	**(24,683)**	**(24,683)**	**—**	**—**	
10	Differences due to Securitisation with risk transfer	**—**	**—**	**—**	**—**	
11	Other differences	**(633)**	**(521)**	**(106)**	**(6)**	
11a	Difference due to Regulatory add-ons	**865**	**—**	**—**	**865**	
11b	Differences between input balance and modelled regulatory output	**1,159**	**1,159**	**—**	**—**	
12	**Exposure amounts considered for regulatory purposes**	**345,924**	**334,786**	**10,119**	**1,019**	

Table 5: LI3 Outline of the differences in the scopes of consolidation (entity by entity)

		Method of regulatory consolidation					
Name of the entity	Method of accounting consolidation	Full consolidation	Proportional consolidation	Equity Method	Neither consolidated nor deducted[a]	Deducted	Description of the entity
Barclays Insurance Services Company Limited	Fully consolidated				Y		Insurance and reinsurance activities

Note

a. Column 'Neither consolidated nor deducted': Exposure to and/or equity investment in these entities are risk weighted or deducted from capital subject to threshold.

Analysis of treasury and capital risk

Analysis of treasury and capital risk (continued)

Table 6: UK KM1 - Key metrics (KM1 / IFRS9-FL[a]) - Part 1

This table shows key regulatory metrics and ratios as well as related components such as own funds, RWAs, capital ratios, additional requirements based on Supervisory Review and Evaluation Process (SREP), capital buffer requirements, leverage ratio and liquidity coverage ratio.

Barclays Bank UK Group's capital, RWAs and leverage is calculated applying transitional relief for IFRS 9; no other transitional provisions in CRR as amended by CRR II are applicable. The table below therefore represents both transitional and fully loaded capital metrics which is equal to transitional capital and capital as if IFRS 9 or analogous Expected Credit Loss (ECL) transitional arrangements had not been applied.

			As at 31.12.23	As at 30.09.23	As at 30.06.23	As at 31.03.23	As at 31.12.22
KM1 ref	IFRS9 -FL ref		£m	£m	£m	£m	£m
		Available own funds (amounts)					
1	1	Common Equity Tier 1 (CET1) capital[b]	**10,638**	10,736	10,628	10,237	10,701
1a	2	Fully loaded common Equity Tier 1 (CET1) capital[c]	**10,638**	10,732	10,628	10,237	10,628
2	3	Tier 1 capital[b]	**13,067**	13,165	13,057	12,666	13,261
2a	4	Fully loaded tier 1 capital[c]	**13,067**	13,161	13,057	12,666	13,188
3	5	Total capital[b]	**15,596**	15,929	15,866	15,175	15,828
3a	6	Fully loaded total capital[c]	**15,596**	15,925	15,866	15,175	15,804
		Risk-weighted exposure amounts					
4	7	Total risk-weighted exposure amount[b]	**72,102**	71,881	71,489	73,235	72,719
4a	8	Fully loaded total risk-weighted exposure amount[c]	**72,102**	71,881	71,489	73,235	72,707
		Capital ratios (as a percentage of risk-weighted exposure amount)					
5	9	Common Equity Tier 1 ratio (%)[b]	**14.8%**	14.9%	14.9%	14.0%	14.7%
5a	10	Fully loaded common Equity Tier 1 ratio (%)[c]	**14.8%**	14.9%	14.9%	14.0%	14.6%
6	11	Tier 1 ratio (%)[b]	**18.1%**	18.3%	18.3%	17.3%	18.2%
6a	12	Fully loaded tier 1 ratio (%)[c]	**18.1%**	18.3%	18.3%	17.3%	18.1%
7	13	Total capital ratio (%)[b]	**21.6%**	22.2%	22.2%	20.7%	21.8%
7a	14	Fully loaded total capital ratio (%)[c]	**21.6%**	22.2%	22.2%	20.7%	21.7%
		Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)					
UK 7a		Additional CET1 SREP requirements (%)	**2.9%**	2.8%	2.8%	2.8%	2.8%
UK 7b		Additional AT1 SREP requirements (%)	**1.0%**	0.9%	0.9%	0.9%	0.9%
UK 7c		Additional T2 SREP requirements (%)	**1.3%**	1.3%	1.3%	1.3%	1.3%
UK 7d		Total SREP own funds requirements (%)	**13.2%**	13.0%	13.0%	13.0%	13.0%
		Combined buffer requirement (as a percentage of risk-weighted exposure amount)					
8		Capital conservation buffer (%)	**2.5%**	2.5%	2.5%	2.5%	2.5%
9		Institution specific countercyclical capital buffer (%)	**2.0%**	2.0%	1.0%	1.0%	1.0%
UK 10a		Other Systemically Important Institution buffer	**1.0%**	1.0%	1.0%	1.0%	1.0%
11		Combined buffer requirement (%)	**5.5%**	5.5%	4.5%	4.5%	4.5%
UK 11a		Overall capital requirements (%)	**18.7%**	18.5%	17.5%	17.5%	17.5%
12		CET1 available after meeting the total SREP own funds requirements (%)	**7.3 %**	7.6 %	7.5 %	6.7 %	7.4 %

Notes

a. From 1 January 2018, Barclays Bank UK Group elected to apply the IFRS 9 transitional arrangements of the Capital Requirements Regulation (CRR). The transitional relief on the 'day 1' impact on adoption of IFRS 9 and on increases in non-defaulted provisions between 'day 1' and 31 December 2019 was phased out over a five year period ending on 1 January 2023. On 27 June 2020, CRR was amended to extend the transitional period by two years and to introduce a new modified calculation. The transitional relief for increases in non-defaulted provisions between 1 January 2020 and the reporting date is also phased out over a five year period with 75% applicable for 2022; 50% for 2023; 25% for 2024 and with no transitional relief from 2025. As at 31 December 2023 transitional relief was £nil.

b. Transitional capital and RWAs are calculated applying the IFRS 9 transitional arrangements of the CRR as amended by CRR II.

c. Fully loaded capital and RWAs are calculated without applying the IFRS 9 transitional arrangements of the CRR as amended by CRR II.

The CET1 ratio increased to 14.8% (December 2022: 14.7%) as RWAs decreased to £72.1bn (December 2022: £72.7bn) whilst CET1 capital decreased by £0.1bn to £10.6bn (December 2022: £10.7bn). The decrease in RWAs is primarily due to reduction across lending portfolios partially offset by the acquisition of Kensington Mortgage Company (KMC).

Analysis of treasury and capital risk (continued)

Table 6: KM1 - Key metrics (KM1 / IFRS9-FL) - Part 2

KM1 Ref	IFRS9-FL ref		As at 31.12.23 £m	As at 30.09.23 £m	As at 30.06.23 £m	As at 31.03.23 £m	As at 31.12.22 £m
		Leverage ratio					
		Barclays Bank UK Group					
13	15	Total exposure measure excluding claims on central banks[a]	**250,163**	253,164	252,442	248,931	250,092
14	16	Leverage ratio excluding claims on central banks (%)[a,d]	**5.2 %**	5.2 %	5.2 %	5.1 %	5.3 %
		Additional leverage ratio disclosure requirements					
UK 14a	17	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)[b]	**5.2 %**	5.2 %	5.2 %	5.1 %	5.3 %
UK 14b		Leverage ratio including claims on central banks (%)[a]	**4.5 %**	4.4 %	4.3 %	4.2 %	4.3 %
UK 14c		Average leverage ratio excluding claims on central banks (%)[a,c]	**5.2 %**	5.2 %	5.2 %	5.1 %	5.3 %
UK 14d		Average leverage ratio including claims on central banks (%)[a,c]	**4.5 %**	4.4 %	4.3 %	4.2 %	4.3 %
UK 14e		Countercyclical leverage ratio buffer (%)	**0.7 %**	0.7 %	0.3 %	0.3 %	0.3 %
		Barclays Bank UK PLC					
13	15	Total exposure measure excluding claims on central banks[a]	**250,564**	253,462	252,686	249,218	
14	16	Leverage ratio excluding claims on central banks (%)[a]	**5.2 %**	5.2 %	5.2 %	5.1 %	
		Additional leverage ratio disclosure requirements					
UK 14a	17	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)[b]	**5.2 %**	5.2 %	5.2 %	5.1 %	
UK 14b		Leverage ratio including claims on central banks (%)[a]	**4.5 %**	4.4 %	4.3 %	4.2 %	
		Liquidity Coverage Ratio (LCR)[e]					
15		Total high-quality liquid assets (HQLA) (Weighted value)	**68,533**	72,344	76,341	79,425	81,791
UK 16a		Cash outflows - Total weighted value	**38,982**	41,483	43,193	44,228	45,306
UK 16b		Cash inflows - Total weighted value	**925**	838	1,009	1,127	1,340
16		Total net cash outflows (adjusted value)	**38,057**	40,645	42,184	43,101	43,966
17		Liquidity coverage ratio (%)	**180 %**	178 %	181 %	184 %	186 %
		Net Stable Funding Ratio[f]					
18		Total available stable funding	**258,620**	260,882	263,570	265,539	266,421
19		Total required stable funding	**156,588**	157,316	157,961	158,384	158,156
20		NSFR ratio (%)	**165 %**	166 %	167 %	168 %	168 %

Notes

a. Transitional leverage ratios are calculated applying the IFRS 9 transitional arrangements of the CRR as amended by CRR II.

b. Fully loaded leverage ratio is calculated without applying the IFRS 9 transitional arrangements of the CRR as amended by CRR II.

c. Average UK leverage ratio uses capital based on the last day of each month in the quarter and an exposure measure for each day in the quarter.

d. Although the leverage ratio is expressed in terms of T1 capital, the leverage ratio buffers and 75% of the minimum requirement must be covered solely with CET1 capital. The CET1 capital held against the 0.35% O-SII additional leverage ratio buffer (ALRB) was £0.9bn and against the 0.7% countercyclical leverage ratio buffer (CCLB) was £1.8bn.

e. Liquidity coverage ratio computed as a trailing average of 12 month-end observations to the reporting date.

f. Net Stable Funding Ratio is computed as a trailing average of the last four spot quarter end positions.

The UK leverage ratio of Barclays Bank UK Group decreased to 5.2% (December 2022: 5.3%) due to a £0.2bn decrease in Tier 1 Capital to £13.1 bn (December 2022: £13.3 bn).

The average LCR for the 12 months to 31 December 2023 decreased to 180% (December 2022: 186%), due to average HQLA decreasing by £13bn and average net cash outflows decreasing by £6bn.

As at 31 December 2023, the trailing average NSFR for the last four spot quarter end positions, remained broadly stable at 165% (December 2022: 168%), equivalent to a surplus of £102.0bn (December 2022: £108.3bn) above the 100% regulatory requirement.

Analysis of treasury and capital risk (continued)

Table 7: CC1 – Composition of regulatory own funds

This table shows the components of regulatory capital presented on both a transitional and fully loaded basis.

		Ref[†]	As at 31.12.23 Transitional Position £m	As at 31.12.23 Fully Loaded Position £m	As at 31.12.22 Transitional Position £m	As at 31.12.22 Fully Loaded Position £m
	Common Equity Tier 1 (CET1) capital: instruments and reserves					
1	Capital instruments and the related share premium accounts	*a*	**5**	**5**	5	5
	of which called up share capital and share premium		***5***	***5***	5	5
2	Retained earnings	*b*	**13,839**	**13,839**	13,492	13,492
3	Accumulated other comprehensive income (and other reserves)	*c*	**(1,049)**	**(1,049)**	(2,177)	(2,177)
UK-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	*b*	**957**	**957**	934	934
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**		**13,752**	**13,752**	12,254	12,254
	Common Equity Tier 1 (CET1) capital: regulatory adjustments					
7	Additional value adjustments		**(34)**	**(34)**	(48)	(48)
8	Intangible assets (net of related tax liability)[a]	*d, e, f, g*	**(3,968)**	**(3,968)**	(3,629)	(3,629)
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	*h*	**1,080**	**1,080**	2,146	2,146
12	Negative amounts resulting from the calculation of expected loss amounts		**(192)**	**(192)**	(73)	(73)
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	*g*	**—**	**—**	—	(17)
27a	Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments when relevant)[b]		**—**	**—**	51	(5)
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**		**(3,114)**	**(3,114)**	(1,553)	(1,626)
29	**Common Equity Tier 1 (CET1) capital**		**10,638**	**10,638**	10,701	10,628
	Additional Tier 1 (AT1) capital: instruments					
30	Capital instruments and the related share premium accounts	*i*	**2,429**	**2,429**	2,560	2,560
31	*of which: classified as equity under applicable accounting standards*		***2,429***	***2,429***	2,560	2,560
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**		**2,429**	**2,429**	2,560	2,560
	Additional Tier 1 (AT1) capital: regulatory adjustments					
44	**Additional Tier 1 (AT1) capital**		**2,429**	**2,429**	2,560	2,560
45	**Tier 1 capital (T1 = CET1 + AT1)**		**13,067**	**13,067**	13,261	13,188
	Tier 2 (T2) capital: instruments					
46	Capital instruments and the related share premium accounts	*j*	**2,529**	**2,529**	2,548	2,548
50	Credit risk adjustments		**—**	**—**	19	68
51	**Tier 2 (T2) capital before regulatory adjustments**		**2,529**	**2,529**	2,567	2,616
58	**Tier 2 (T2) capital**		**2,529**	**2,529**	2,567	2,616
59	**Total capital (TC = T1 + T2)**		**15,596**	**15,596**	15,828	15,804
60	**Total Risk exposure amount**		**72,102**	**72,102**	72,719	72,707
	Capital ratios and buffers					
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)		**14.8%**	**14.8%**	14.7%	14.6%
62	Tier 1 (as a percentage of total risk exposure amount)		**18.1%**	**18.1%**	18.2%	18.1%
63	Total capital (as a percentage of total risk exposure amount)		**21.6%**	**21.6%**	21.8%	21.7%
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)		**12.9%**	**12.9%**	11.8%	11.8%
65	*of which: capital conservation buffer requirement*		***2.5%***	***2.5%***	2.5%	2.5%
66	*of which: countercyclical buffer requirement*		***2.0%***	***2.0%***	*1.0%*	*1.0%*
UK-67a	*of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer*		***1.0%***	***1.0%***	*1.0%*	*1.0%*
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)		**7.3%**	**7.3%**	7.4%	7.3%
	Amounts below the thresholds for deduction (before risk weighting)					
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		**1**	**1**	1	1

Analysis of treasury and capital risk (continued)

			As at 31.12.23	As at 31.12.23	As at 31.12.22	As at 31.12.22
			Transitional Position	Fully Loaded Position	Transitional Position	Fully Loaded Position
		Ref[†]	£m	£m	£m	£m
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)		**45**	**45**	20	20
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)		**880**	**880**	1,062	1,065
	Applicable caps on the inclusions of provisions in Tier 2					
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)		**—**	**—**	19	68
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		**302**	**302**	324	324

Notes

†. The references (a) – (j) identify balance sheet components in Table 8: CC2 – Reconciliation of regulatory capital to balance sheet which are used in the calculation of regulatory capital.

a. Deferred tax liabilities on intangible assets are included as either a negative component of the deferred tax asset or a deferred tax liability on the balance sheet depending on the net deferred tax position of the bank at the time of reporting.

b. Other regulatory adjustments to CET1 capital include IFRS 9 transitional adjustments which was £nill as at 31st December 2023.

Analysis of treasury and capital risk (continued)

Table 8: CC2 – Reconciliation of regulatory own funds to balance sheet in the audited financial statements

These tables show the reconciliation between the balance sheet prepared for statutory and regulatory scope of consolidation. The amount shown under the regulatory scope of consolidation is not a RWA measure; it is based on an accounting measure and cannot be directly reconciled to other tables in this report.

As at 31 December 2023		Ref†	Balance sheet as in published financial statements £m	Under regulatory scope of consolidation £m
Assets				
1	Cash and balances at central banks		34,948	34,948
2	Cash collateral and settlement balances		5,507	5,507
3	Debt Securities at amortised cost		17,794	17,794
4	Loans and advances at amortised cost to Banks		1,213	1,213
5	Loans and advances at amortised cost to customers		200,782	200,782
6	Reverse repurchase agreements and other similar secured lending at amortised cost		3,567	3,567
7	Trading portfolio assets		43	43
8	Financial assets at fair value through the income statement		1,716	1,716
9	Derivative financial instruments		1,566	1,566
10	Financial assets at fair value through other comprehensive income		20,409	20,409
11	Investments in subsidiaries, associates and joint ventures	d	—	122
12	Goodwill and intangible assets		3,870	3,870
13	*Of which: goodwill*	e	3,837	3,837
14	*Of which: other intangibles (excluding MSRs)*	f	33	33
15	Property, plant and equipment		261	261
16	Deferred tax assets	g	1,296	1,296
17	Other assets		587	593
18	**Total assets**		293,559	293,687
Liabilities				
1	Deposits at amortised cost from banks		6	6
2	Deposits at amortised cost from customers		241,218	241,294
3	Cash collateral and settlement balances		1,370	1,370
4	Repurchase agreements and other similar secured borrowing at amortised cost		15,265	15,265
5	Debt securities in issue		3,307	3,307
6	Subordinated liabilities	j	11,499	11,499
7	Trading portfolio liabilities		908	908
8	Financial liabilities designated at fair value		196	196
9	Derivative financial instruments		398	398
10	Current tax liabilities		540	527
12	Provisions		364	361
13	Other liabilities		1,627	1,619
14	**Total liabilities**		276,698	276,750
Equity				
1	Called up share capital and share premium		5	5
2	*Of which: amount eligible for CET1*	a	5	5
3	Other equity instruments	i	2,429	2,429
4	Other reserves	c,h	(1,151)	(1,049)
5	Retained earnings	b	15,578	15,552
6	Total equity excluding non-controlling interests		16,861	16,937
7	Non-controlling interests		—	—
8	**Total equity**		16,861	16,937
9	**Total liabilities and equity**		293,559	293,687

Note
† The references (a) – (j) identify balance sheet components that are used in the calculation of regulatory capital in Table 7: Composition of regulatory capital on page 13.

Analysis of treasury and capital risk (continued)

Table 9: RWAs by risk type

This table shows RWAs by business and risk type.

	Credit risk[a]		Counterparty credit risk				Market risk			
	Std	AIRB	Std	AIRB	Settlement risk	CVA	Std	IMA	Operational risk	Total RWAs
As at 31 December 2023	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Barclays Bank UK Group	**8,876**	**50,743**	**237**	**—**	**—**	**304**	**274**	**—**	**11,668**	**72,102**
As at 31 December 2022										
Barclays Bank UK Group	5,606	54,716	348	—	0	735	233	—	11,081	72,719

Note

a. In Q3 2023, Credit risk RWAs of £2.3bn, related to deferred tax assets (DTAs) have been reclassified from IRB to STD with no impact to total RWAs.

Analysis of treasury and capital risk (continued)

Table 10: OV1 – Overview of risk weighted exposure amounts

The table shows RWAs and minimum capital requirement by risk type and approach.

		Risk weighted exposure amounts (RWEAs)			Total own funds requirements		
		As at 31.12.23	As at 30.09.23	As at 31.12.22	As at 31.12.23	As at 30.09.23	As at 31.12.22
		£m	£m	£m	£m	£m	£m
1	Credit risk (excluding CCR)[a]	**58,174**	58,684	58,885	**4,654**	4,695	4,711
2	*Of which the standardised approach*	***7,840***	*9,202*	*4,827*	***627***	*736*	*387*
4	*Of which: slotting approach*	***449***	*459*	*491*	***36***	*37*	*39*
5	*Of which the advanced IRB (AIRB) approach*	***49,885***	*49,023*	*53,567*	***3,991***	*3,922*	*4,285*
6	Counterparty credit risk - CCR	**541**	503	1,083	**44**	41	87
7	*Of which the standardised approach*	***169***	*159*	*225*	***14***	*13*	*18*
UK 8a	*Of which exposures to a CCP*	***33***	*22*	*16*	***3***	*2*	*1*
UK 8b	*Of which credit valuation adjustment - CVA*	***304***	*258*	*735*	***24***	*21*	*59*
9	*Of which other CCR*	***35***	*64*	*107*	***3***	*5*	*9*
15	Settlement risk	**—**	—	0	**—**	—	*0*
16	Securitisation exposures in the non-trading book (after the cap)	**1,445**	1,392	1,437	**116**	112	115
17	*Of which SEC-IRBA approach*	***409***	*432*	658	***33***	*35*	*53*
18	*Of which SEC-ERBA (including IAA)*	***50***	—	—	***4***	—	—
19	*Of which SEC-SA approach*	***986***	*960*	*779*	***79***	*77*	*62*
20	Position, foreign exchange and commodities risks (Market risk)	**274**	216	*233*	**22**	17	19
21	*Of which the standardised approach*	***274***	*216*	233	***22***	*17*	*19*
23	Operational risk	**11,668**	11,086	11,081	**933**	887	887
UK 23b	*Of which standardised approach*	***11,668***	*11,086*	11,081	***933***	*887*	*887*
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information only)	**2,314**	2,309	2,704	**185**	185	216
29	Total	**72,102**	71,881	72,719	**5,769**	5,752	5,819

Note

a. In Q3 2023, Credit risk RWAs of £2.3bn, related to DTAs have been reclassified from IRB to STD with no impact to total RWAs.

Overall RWAs remained stable at £72.1bn in the quarter (September 2023: £71.9bn).

Analysis of treasury and capital risk (continued)

Table 11: CR8 – RWEA flow statements of credit risk exposures under the advanced IRB approach

The total in this table shows the contribution of credit risk RWAs under the AIRB approach excluding Securitisation and non-credit obligation assets and hence will not directly reconcile to the credit risk AIRB RWAs in table 9.

		Three months ended 31.12.23	Twelve months ended 31.12.23
		£m	£m
1	**Risk weighted exposure amount as at the end of the previous reporting period**	**48,862**	**50,815**
2	Asset size	**(111)**	**(1,300)**
3	Asset quality	**225**	**1,719**
4	Model updates	**—**	**(2,600)**
5	Methodology and policy	**533**	**977**
6	Acquisitions and disposals	**—**	**(102)**
7	Foreign exchange movements	**—**	**—**
8	Other	**—**	**—**
9	**Risk weighted exposure amount as at the end of the reporting period**	**49,509**	**49,509**

Advanced credit risk RWAs increased by £0.6bn to £49.5bn in the quarter (September 2023: £48.9bn) driven by:

- A £0.5bn increase in methodology and policy primarily driven by recalibration of the post model adjustment (PMA) introduced to address the IRB roadmap changes

Advanced credit risk RWAs decreased by £1.3bn to £49.5bn in the year (December 2022: £50.8bn) driven by:

- A £1.3bn decrease in asset size primarily driven by reduction across lending portfolios
- A £1.7bn increase in asset quality primarily driven by House Price Index (HPI) refresh and changes in risk parameters
- A £2.6bn decrease in model updates primarily driven by capital Loss Given Default (LGD) model update for the mortgage portfolio to reflect the significant decrease in repossession volume during and post the COVID pandemic
- A £0.9bn increase in methodology and policy driven by recalibration of the PMA introduced to address the IRB roadmap changes

Analysis of treasury and capital risk (continued)

Leverage ratio and exposures

The following leverage tables show the components of the leverage ratio using the UK Leverage Ratio Framework (UKLRF) definition for leverage exposure and Tier 1 capital.

Table 12: LR1 - Summary of reconciliation of accounting assets and leverage ratio exposures

Barclays Bank UK Group [a]		As at 31.12.23 £m	As at 31.12.22 £m
1	Total assets as per published financial statements[c]	**293,559**	312,179
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	**128**	116
4	Adjustment for exemption of exposures to central banks	**(40,994)**	(59,778)
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	**—**	(58)
8	Adjustments for derivative financial instruments	**(870)**	185
9	Adjustment for securities financing transactions (SFTs)	**12**	3
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	**7,239**	8,193
11	Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	**(62)**	(95)
12	Other adjustments	**(8,849)**	(10,653)
13	**Total exposure measure**	**250,163**	250,092

Barclays Bank UK PLC[a,b]		As at 31.12.23 £m
1	Total assets as per published financial statements[d]	**294,104**
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	**(1)**
4	Adjustment for exemption of exposures to central banks	**(40,994)**
8	Adjustments for derivative financial instruments	**(865)**
9	Adjustment for securities financing transactions (SFTs)	**12**
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	**7,321**
11	Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	**(62)**
12	Other adjustments	**(8,951)**
13	**Total exposure measure**	**250,564**

Notes

a. Capital and leverage measures are calculated applying the IFRS 9 transitional arrangements of the CRR amended by CRR II,

b. No comparatives are provided for Barclays Bank UK PLC given this is the first reporting year.

c. The Barclays Bank UK Group total assets represents the Barclays Bank UK Group total assets as published in page 164 of the Barclays Bank UK PLC Annual Report.

d. The Barclays Bank UK PLC total assets represents the Barclays Bank UK PLC parent company total assets as published in page 167 of the Barclays Bank UK PLC Annual Report.

Analysis of treasury and capital risk (continued)

Table 13: LR2 - Leverage ratio common disclosure

This table shows the leverage ratio calculation and includes additional breakdowns for the leverage exposure measure.

Barclays Bank UK Group[a]		As at 31.12.23	As at 31.12.22
		£m	£m
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	**284,036**	304,562
3	Deductions of receivables assets for cash variation margin provided in derivatives	**(170)**	(415)
6	Asset amounts deducted in determining tier 1 capital (leverage)	**(4,194)**	(3,699)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**279,672**	300,448
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	**141**	33
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives	**554**	763
13	**Total derivatives exposures**	**695**	796
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales	**5,168**	2,547
15	Netted amounts of cash payables and cash receivables of gross SFT assets	**(1,601)**	(2,070)
16	Counterparty credit risk exposure for SFT assets	**12**	3
18	**Total securities financing transaction exposures**	**3,579**	480
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	**50,843**	59,073
20	Adjustments for conversion to credit equivalent amounts	**(43,604)**	(50,880)
21	General provisions deducted in determining tier 1 capital (leverage) and specific provisions associated with off-balance sheet exposures	**(28)**	(47)
22	**Off-balance sheet exposures**	**7,211**	8,146
Capital and total exposure measure			
23	**Tier 1 capital (leverage)**	**13,067**	13,261
24	Total exposure measure including claims on central banks	**291,157**	309,870
UK-24a	(-) Claims on central banks excluded	**(40,994)**	(59,778)
UK-24b	**Total exposure measure excluding claims on central banks**	**250,163**	250,092
Leverage ratio			
25	Leverage ratio excluding claims on central banks (%)	**5.2 %**	5.3 %
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	**5.2 %**	5.3%
UK-25c	Leverage ratio including claims on central banks (%)	**4.5 %**	4.3%
26	Regulatory minimum leverage ratio requirement (%)	**3.3 %**	3.3%
Additional leverage ratio disclosure requirements - leverage ratio buffers			
27	Leverage ratio buffer (%)	**1.1 %**	0.7%
UK-27a	*Of which: G-SII or O-SII additional leverage ratio buffer (%)*	***0.4 %***	*0.4%*
UK-27b	*Of which: countercyclical leverage ratio buffer (%)*	***0.7 %***	*0.3%*
Additional leverage ratio disclosure requirements - disclosure of mean values			
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	**2,643**	1,426
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	**3,567**	477
UK-31	Average total exposure measure including claims on central banks	**293,360**	310,486
UK-32	Average total exposure measure excluding claims on central banks	**251,762**	251,425
UK-33	Average leverage ratio including claims on central banks	**4.5 %**	4.3%
UK-34	Average leverage ratio excluding claims on central banks	**5.2 %**	5.3 %

Note

a. Capital and leverage measures are calculated applying the transitional arrangements of the CRR as amended by CRR II.

Analysis of treasury and capital risk (continued)

Barclays Bank UK PLC[a,b]

		As at 31.12.23
		£m
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	284,176
3	Deductions of receivables assets for cash variation margin provided in derivatives transactions	(170)
6	Asset amounts deducted in determining tier 1 capital (leverage)	(4,020)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	279,986
Derivative exposures		
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	142
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	558
13	**Total derivatives exposures**	700
Securities financing transaction (SFT) exposures		
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	5,168
15	Netted amounts of cash payables and cash receivables of gross SFT assets	(1,601)
16	Counterparty credit risk exposure for SFT assets	12
18	**Total securities financing transaction exposures**	3,579
Other off-balance sheet exposures		
19	Off-balance sheet exposures at gross notional amount	50,793
20	Adjustments for conversion to credit equivalent amounts	(43,472)
21	General provisions deducted in determining tier 1 capital (leverage) and specific provisions associated with off-balance sheet exposures	(28)
22	**Off-balance sheet exposures**	7,293
Capital and total exposure measure		
23	**Tier 1 capital (leverage)**	13,112
24	Total exposure measure including claims on central banks	291,558
UK-24a	(-) Claims on central banks excluded	(40,994)
UK-24b	**Total exposure measure excluding claims on central banks**	250,564
Leverage ratio		
25	Leverage ratio excluding claims on central banks (%)	5.2 %
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	5.2 %
UK-25c	Leverage ratio including claims on central banks (%)	4.5 %

Notes

a. Capital and leverage measures are calculated applying the IFRS 9 transitional arrangements of the CRR amended by CRR II.

b. No comparatives are provided for Barclays Bank UK PLC given this is the first reporting year.

Analysis of treasury and capital risk (continued)

Table 14: LR3 - Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

The table shows a breakdown of the on-balance sheet exposures excluding derivatives, SFTs and exempted exposures, by regulatory asset class.

Barclays Bank UK Group[a]

		As at 31.12.23	As at 31.12.22
		£m	£m
UK-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**242,872**	244,369
UK-2	Trading book exposures	**43**	54
UK-3	Banking book exposures, of which:	**242,829**	244,315
UK-4	Covered bonds	**1,169**	294
UK-5	Exposures treated as sovereigns	**25,645**	25,892
UK-6	Exposures to regional governments, MDB, international organisations and PSE not treated	**4,289**	4,622
UK-7	Institutions	**4,429**	4,111
UK-8	Secured by mortgages of immovable properties	**162,539**	161,551
UK-9	Retail exposures	**17,902**	18,086
UK-10	Corporates	**8,810**	10,897
UK-11	Exposures in default	**2,299**	2,195
UK-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	**15,747**	16,667

Barclays Bank UK PLC[a,b]

		As at 31.12.23
		£m
UK-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**243,012**
UK-2	Trading book exposures	**43**
UK-3	Banking book exposures, of which:	**242,969**
UK-4	Covered bonds	**1,169**
UK-5	Exposures treated as sovereigns	**25,635**
UK-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	**4,289**
UK-7	Institutions	**4,652**
UK-8	Secured by mortgages of immovable properties	**162,545**
UK-9	Retail exposures	**17,902**
UK-10	Corporates	**8,853**
UK-11	Exposures in default	**2,299**
UK-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	**15,625**

Notes

a. Capital and leverage measures are calculated applying the IFRS 9 transitional arrangements of the CRR amended by CRR II.

b. No comparatives are provided for Barclays Bank UK PLC given this is the first reporting year.

Analysis of treasury and capital risk (continued)

Table 15: LIQ1 - Liquidity coverage ratio

This table shows the level and components of the Liquidity Coverage Ratio (LCR).

Liquidity coverage ratio (average)		Total unweighted value (average)				Total weighted value (average)			
UK1a		31.12.23	30.09.23	30.06.23	31.03.23	31.12.23	30.09.23	30.06.23	31.03.23
UK1b	Number of data points used in calculation of averages[a]	12	12	12	12	12	12	12	12
High-quality liquid assets		£m	£m	£m	£m	£m	£m	£m	£m
1	Total high-quality liquid assets (HQLA)					68,533	72,344	76,341	79,425
Cash outflows									
2	**Retail deposits and deposits from small business customers, of which:**	202,528	208,811	214,825	218,998	15,480	16,051	16,609	16,996
3	Stable deposits	128,143	131,700	134,995	137,393	6,407	6,585	6,750	6,870
4	Less stable deposits	74,299	77,053	79,791	81,569	9,060	9,454	9,847	10,115
5	**Unsecured wholesale funding, of which:**	34,404	36,375	37,795	38,869	16,346	17,604	18,231	18,582
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	7,024	6,493	6,840	7,022	1,630	1,497	1,579	1,621
7	Non-operational deposits (all counterparties)[b]	23,176	24,970	25,895	26,669	10,512	11,195	11,592	11,783
8	Unsecured debt	4,204	4,912	5,060	5,178	4,204	4,912	5,060	5,178
9	**Secured wholesale funding**					48	34	34	35
10	**Additional requirements, of which:**	4,288	4,480	4,553	5,648	3,132	3,444	3,680	3,918
11	Outflows related to derivative exposures and other collateral requirements	3,426	3,523	3,648	3,756	2,947	3,159	3,399	3,627
12	Outflows related to loss of funding on debt products	42	146	146	104	42	146	146	104
13	Credit and liquidity facilities	820	811	759	1,788	143	139	135	187
14	**Other contractual funding obligations**	635	637	587	537	302	288	223	156
15	**Other contingent funding obligations**	52,630	54,774	56,688	56,873	3,674	4,062	4,416	4,541
16	**Total cash outflows**					38,982	41,483	43,193	44,228
Cash inflows									
17	**Secured lending (e.g. reverse repos)**	2,412	1,994	1,821	1,725	1	1	1	1
18	**Inflows from fully performing exposures**	594	342	591	826	386	263	386	474
19	Other cash inflows[c]	2,228	2,281	2,365	2,433	538	574	622	652
UK-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					—	—	—	—
UK-19b	(Excess inflows from a related specialised credit institution)					—	—	—	—
20	**Total cash inflows**	5,234	4,617	4,777	4,984	925	838	1,009	1,127
UK-20a	Fully exempt inflows	—	—	—	—	—	—	—	—
UK-20b	Inflows subject to 90% cap	—	—	—	—	—	—	—	—
UK-20c	Inflows subject to 75% cap	5,094	4,484	4,644	4,851	925	838	1,009	1,127
UK-21	**Liquidity buffer**					68,533	72,344	76,341	79,425
22	**Total net cash outflows**					38,057	40,645	42,184	43,101
23	**Liquidity coverage ratio (%) (average)**					180 %	178 %	181 %	184 %

Notes

a. Trailing average of 12 month-end observations to the reporting date.

b. Non-operational deposits in row 7 also includes excess operational deposits as defined under Article 27(4) of the Liquidity Coverage Ratio section of the PRA rulebook (CRR).

c. Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there is transfer restrictions or which are denominated in non-convertible currencies.

Analysis of treasury and capital risk (continued)

The average LCR for the 12 months to 31 December 2023 was 180% (September 2023: 178%), equivalent to a surplus of £30.5bn (September 2023: £31.7bn) above the 100% regulatory requirement. The decrease in HQLA was driven by lower deposit balances which led to a reduction in net stress outflows.

The composition of the liquidity pool is subject to limits set by the Board and the independent liquidity risk, credit risk and market risk functions. In addition, the investment of the liquidity pool is monitored for concentration risk by issuer, currency and asset type. Given the returns generated by these highly liquid assets, the risk and reward profile is continuously managed.

The strong deposit franchise is a primary funding source for Barclays Bank UK Group. Barclays Bank UK Group continued to issue in the shorter-term markets and maintain capacity to issue from secured funding programmes. This funding capacity enables Barclays Bank UK Group to maintain its 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.

Analysis of treasury and capital risk (continued)

Table 16: LIQ2 - Net Stable funding ratio (NSFR)

This table shows the net stable funding ratio that the bank requires to maintain a stable funding profile in relation to their on- and certain off-balance sheet activities.

	As at 31 December 2023	Unweighted value by residual maturity				
	(in currency amount)	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
Available stable funding (ASF) Items						
1	Capital items and instruments	13,157	283	801	12,839	26,396
2	*Own funds*	13,157	69	664	5,666	19,155
3	*Other capital instruments*		214	137	7,173	7,241
4	Retail deposits		205,682	6,793	3,804	201,766
5	Stable deposits		130,361	4,329	2,087	130,043
6	Less stable deposits		75,321	2,464	1,717	71,723
7	Wholesale funding:		36,545	129	16,611	30,458
8	Operational deposits		7,368	—	—	3,684
9	Other wholesale funding		29,177	129	16,611	26,774
10	Interdependent liabilities		—	—	—	—
11	Other liabilities:	54	3,115	—	—	
12	NSFR derivative liabilities	54				
13	All other liabilities and capital instruments not included in the above categories		3,115	—	—	—
14	**Total**					258,620
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					4,295
UK-15a	Assets encumbered for more than 12m in cover pool	—	199	—	—	170
16	Deposits held at other financial institutions for operational purposes		—	—	—	—
17	Performing loans and securities:		9,471	6,219	188,055	141,028
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		707	—	—	—
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		1,302	248	515	731
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		4,286	3,110	31,140	35,619
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		1,992	1,237	11,740	17,045
22	Performing residential mortgages, of which:		3,176	2,861	156,400	104,678
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		3,176	2,861	156,400	104,678
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		—	—	—	—
25	Interdependent assets		—	—	—	—
26	Other assets:		5,859	—	9,726	11,056
27	Physical traded commodities				—	—
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		1,300	—	—	1,105
29	NSFR derivative assets		—	—	—	—
30	NSFR derivative liabilities before deduction of variation margin posted		4,503	—	—	225
31	All other assets not included in the above categories		56	—	9,726	9,726
32	Off-balance sheet items[b]		776			39
33	**Total RSF**					156,588
34	**Net Stable Funding Ratio (%)[a]**					165 %

Notes

a. Net Stable Funding Ratio is computed as a trailing average of the last four spot quarter end positions.

b. Off-balance sheet items has been updated to reflect regulatory guidance provided in December 2022. This has been reflected prospectively for all four quarters in 2023 and for the 4th quarter in 2022.

Analysis of treasury and capital risk (continued)

Table 11: LIQ2 - Net Stable Funding Ratio (NSFR) (continued)

	As at 31 December 2022	Unweighted value by residual maturity				
	(in currency amount)	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
Available stable funding (ASF) Items						
1	Capital items and instruments	12,775	592	620	10,318	23,403
2	*Own funds* [b]	*12,775*	*375*	*375*	*5,574*	*18,536*
3	*Other capital instruments* [b]		*217*	*245*	*4,744*	*4,867*
4	Retail deposits		222,986	1,768	1,402	210,723
5	*Stable deposits*		139,814	1,039	846	134,656
6	*Less stable deposits*		83,172	729	556	76,067
7	Wholesale funding:		43,799	906	16,410	32,295
8	*Operational deposits*		7,034	—	—	3,517
9	*Other wholesale funding*		36,765	906	16,410	28,778
10	Interdependent liabilities		—	—	—	—
11	Other liabilities:	38	3,492	—	—	—
12	*NSFR derivative liabilities*	38				
13	*All other liabilities and capital instruments not included in the above categories*		3,492	—	—	—
14	**Total**					266,421
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					3,203
UK-15a	Assets encumbered for more than 12m in cover pool	—	93	—	—	79
16	Deposits held at other financial institutions for operational purposes		—	—	—	—
17	Performing loans and securities:		11,900	6,495	184,464	140,988
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut[b]		689	—	—	—
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions [b]		2,488	301	19,413	19,795
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which: [b]		5,238	3,073	11,577	18,132
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk [b]					
22	Performing residential mortgages, of which: [b]		3,485	3,120	153,473	103,060
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk [b]		3,485	3,120	153,473	103,060
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		—	—	—	—
25	Interdependent assets					
26	Other assets:	—	6,598	—	10,366	11,635
27	Physical traded commodities				—	—
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		1,171	—	—	996
29	*NSFR derivative assets*		10	—	—	10
30	*NSFR derivative liabilities before deduction of variation margin posted*		5,417	—	—	272
31	*All other assets not included in the above categories*		—	—	10,366	10,357
32	Off-balance sheet items[c]		45,016	—	—	2,251
33	**Total RSF**					158,156
34	**Net Stable Funding Ratio (%)**[a]					168 %

Notes
a. Net Stable Funding Ratio is computed as a trailing average of the last four spot quarter end positions.
b. The prior period comparative has been restated. This has no impact on the Net Stable Funding Ratio.
c. Off-balance sheet items has been updated to reflect regulatory guidance provided in December 2022. This has been reflected prospectively for all four quarters in 2023 and for the 4th quarter in 2022

The NSFR metric requires banks to maintain a stable funding profile taking into account both on- and certain off-balance sheet exposures over the medium to long term. The ratio is defined as the Available Stable Funding ('ASF') (capital and certain liabilities which are treated as stable sources of funding) relative to the Required Stable Funding ('RSF') (a measure of assets on the balance sheet and certain off-balance sheet exposures which may require longer term funding).

As at 31 December 2023, the trailing average NSFR for the last four spot quarter end positions, remained broadly stable at 165% (December 2022: 168%), equivalent to a surplus of £102.0bn (December 2022: £108.3bn) above the 100% regulatory requirement.

Analysis of treasury and capital risk (continued)

Interest rate risk in the banking book

The table below shows the impact on the Bank's economic value of equity (EVE) from the six Basel Standard Outlier interest rate shock scenarios defined by Rule 9.7 of the PRA Rulebook.

For net interest income (NII) there are two prescribed parallel shocks. An immediate parallel shock of +/-250bps is applied to GBP, and +/-200bps to USD and EUR. Other currencies are shocked as per regulatory guidelines (prescribed by Rule 9.11). This metric is a risk evaluation of the Bank's balance sheet and does not factor in the impact of management and mitigating actions expected in the respective interest rate environments.

Table 17: IRRBB1 - Quantitative information on IRRBB

	In reporting currency	ΔEVE		ΔNII		Tier 1 capital	
	Period	31.12.23	30.06.23	31.12.23	30.06.23	31.12.23	30.06.23
		£m	£m	£m	£m	£m	£m
10	Parallel shock up	**(1,013)**	(1,324)	**384**	108		
20	Parallel shock down	**113**	541	**(759)**	(378)		
30	Steepener shock	**(305)**	(335)				
40	Flattener shock	**(214)**	(368)				
50	Short rates shock up	**(700)**	(1,068)				
60	Short rates shock down	**102**	256				
70	**Maximum**	**(1,013)**	(1,324)	**(759)**	(378)		
80	**Tier 1 capital**					**13,067**	13,057

The maximum EVE loss under the six scenarios was £(1,013)m under the parallel up scenario as of December 2023 (June 2023: £(1,324)m).

The material driver of the parallel up scenario is the sensitivity of the Bank's structural hedging of its equity position and the interest rate positions held within the liquidity pool.

The maximum one year loss in NII was £(759)m as of December 2023 (June 2023: £(378)m) . The material driver of the parallel down scenario is the Bank's exposure to timing of pricing changes to deposits across Retail and Business Banking.

The average repricing maturity assigned to non-maturing deposits is 20 months, with the longest repricing maturity assigned to any portfolio of non-maturing deposits being 120 months. This is calculated using a simple weighted average maturity including all non-maturing deposits, regardless of hedging treatment.

Analysis of treasury and capital risk (continued)

Table 18: PV1 - Prudent valuation adjustments (PVA)[a,b]

This table below provides a granular breakdown of the Prudent Valuation Adjustment (PVA). PVA is a Common Equity Tier 1 capital deduction. CRR Articles 34 &105 define regulatory principles that are applied to all fair valued assets and liabilities in order to determine a prudent valuation. PVA is the difference between the financial statement fair valuation and the prudent valuation.

		Risk category					Category level AVA - Valuation uncertainty				
		Equity	Interest Rates	Foreign exchange	Credit	Commodities	Unearned credit spreads AVA	Investment and funding costs AVA	Total category level post-diversification [c]	Of which: Total core approach in the trading book [ab]	Of which: Total core approach in the banking book [ab]
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
As at 31 December 2023											
1	Market price uncertainty	**—**	**11**	**—**	**9**	**—**	**—**	**30**	**25**	**—**	**25**
3	Close-out cost	**—**	**4**	**—**	**—**	**—**	**—**	**—**	**2**	**—**	**2**
4	Concentrated positions	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
5	Early termination	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
6	Model risk	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
7	Operational risk	**—**	**1**	**—**	**2**	**—**	**—**	**—**	**3**	**—**	**3**
10	Future administrative costs	**—**	**4**	**—**	**—**	**—**	**—**	**—**	**4**	**4**	**—**
12	Total Additional Valuation	**—**	**20**	**—**	**11**	**—**	**—**	**30**	**34**	**4**	**30**

		Risk category					Category level AVA - Valuation uncertainty				
		Equity	Interest Rates	Foreign exchange	Credit	Commodities	Unearned credit spreads AVA	Investment and funding costs AVA	Total category level post-diversification [c]	Of which: Total core approach in the trading book [ab]	Of which: Total core approach in the banking book [ab]
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
As at 31 December 2022											
1	Market price uncertainty	—	22	—	—	—	—	61	42	11	31
3	Close-out cost	—	3	—	—	—	—	—	2	2	—
4	Concentrated positions	—	—	—	—	—	—	—	—	—	—
5	Early termination	—	—	—	—	—	—	—	—	—	—
6	Model risk	—	—	—	—	—	—	—	—	—	—
7	Operational risk	—	1	—	3	—	—	—	4	1	3
10	Future administrative costs	—	—	—	—	—	—	—	—	—	—
12	Total Additional Valuation	—	26	—	3	—	—	61	48	14	34

Notes

a. Significant contributors to PVA include trading book derivative portfolios and banking book loans held at fair value. Banking book PVA include loans made to Education, Social Housing and Local Authority counterparties.

b. A diversification reduction factor of 50% is applied to uncertainty after all regulatory exclusions and offsets, where permitted by CRR.

Analysis of credit risk

Analysis of credit risk

Analysis of capital requirements and exposures for credit risk

Table 19: CR4 - Standardised credit risk exposure and CRM effect

This table shows the impact of CRM and credit conversion factors (CCF) on exposure values, broken down by regulatory exposure class. This table includes exposures subject to the standardised approach only.

The term 'before CCF and CRM' means the original gross exposures before the application of credit conversion factors and before the application of risk mitigation techniques.

		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
		£m	£m	£m	£m	£m	%
As at 31 December 2023							
1	Central governments or central banks	**63,271**	**26,274**	**69,000**	**33,672**	**2,201**	**2%**
2	Regional governments or local authorities	**4,747**	**—**	**4,848**	**—**	**769**	**16%**
3	Public sector entities	**1,209**	**—**	**411**	**—**	**82**	**20%**
4	Multilateral development banks	**1,173**	**—**	**1,173**	**—**	**—**	**—**
5	International organisations	**89**	**—**	**89**	**—**	**—**	**—**
6	Institutions	**4,429**	**402**	**4,252**	**38**	**904**	**21%**
7	Corporates	**1,100**	**496**	**794**	**13**	**371**	**46%**
8	Retail	**4,788**	**3,533**	**1,027**	**1**	**755**	**73%**
9	Secured by mortgages on immovable property	**4,993**	**240**	**4,993**	**38**	**2,156**	**43%**
10	Exposures in default	**880**	**2**	**282**	**1**	**365**	**129%**
11	Exposures associated with particularly high risk	**1**	**—**	**1**	**—**	**1**	**150%**
12	Covered bonds	**1,169**	**—**	**1,169**	**—**	**123**	**11%**
13	Institutions and corporates with a short-term credit assessment	**—**	**—**	**—**	**—**	**—**	**—**
14	Collective investment undertakings	**—**	**—**	**—**	**—**	**—**	**—**
15	Equity	**45**	**—**	**45**	**—**	**113**	**250%**
16	Other items	**—**	**—**	**—**	**—**	**—**	**—**
17	**Total**	**87,894**	**30,947**	**88,084**	**33,763**	**7,840**	**6%**
As at 31 December 2022							
1	Central governments or central banks	82,422	27,787	90,913	36,379	—	0%
2	Regional governments or local authorities	4,990	—	5,168	—	815	16%
3	Public sector entities	1,704	3	526	1	105	20%
4	Multilateral development banks	1,157	—	1,157	—	—	—
5	International organisations	—	—	—	—	—	—
6	Institutions	4,108	344	3,769	38	819	22%
7	Corporates	2,907	1,555	2,432	506	946	32%
8	Retail	6,286	3,532	832	—	622	75%
9	Secured by mortgages on immovable property	2,427	412	2,428	—	918	38%
10	Exposures in default	1,143	1	217	—	271	125%
11	Exposures associated with particularly high risk	8	—	8	—	12	150%
12	Covered bonds	294	—	294	—	29	10%
13	Institutions and corporates with a short-term credit assessment	—	—	—	—	—	—
14	Collective investment undertakings	—	—	—	—	—	—
15	Equity	20	—	20	—	49	250%
16	Other items	944	—	944	—	241	26%
17	**Total**	108,410	33,634	108,708	36,924	4,827	3%

Standardised credit risk RWAs increased by £3.0bn to £7.8bn (December 2022: £4.8bn), primarily driven by:

- Central governments or central banks RWAs increased to £2.2bn due to the Q3 2023 reclassification of DTAs from Other non credit-obligation assets partially offset by a reduction in Q4 2023
- Secured by mortgages on immovable property RWAs increased by £1.2bn to £2.2bn primarily due to the acquisition of KMC
- Corporate RWAs decreased by £0.5bn to £0.4bn primarily due to reduction in lending activities

Analysis of credit risk (continued)

Table 20: CR5 – Standardised approach

This table shows exposure at default post-CCF and CRM, broken down by Credit Exposure Class and risk weight. This table includes exposures subject to the standardised approach only.

		Risk weight																
As at 31 December 2023		0 %	2 %	4 %	10 %	20 %	35 %	50 %	70 %	75 %	100 %	150 %	250 %	370 %	1250 %	Others	Total	Of which unrated
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1	Central governments or central banks[a]	**101,792**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**880**	**—**	**—**	**—**	**102,672**	**880**
2	Regional government or local authorities	**1,002**	**—**	**—**	**—**	**3,846**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**4,848**	**3,846**
3	Public sector entities	**—**	**—**	**—**	**—**	**411**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**411**	**360**
4	Multilateral development banks	**1,173**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,173**	**—**
5	International organisations	**89**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**89**	**—**
6	Institutions	**—**	**—**	**—**	**—**	**4,136**	**—**	**153**	**—**	**—**	**1**	**—**	**—**	**—**	**—**	**—**	**4,290**	**4**
7	Corporates	**—**	**—**	**—**	**—**	**359**	**—**	**264**	**—**	**—**	**183**	**1**	**—**	**—**	**—**	**—**	**807**	**182**
8	Retail	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,028**	**—**	**—**	**—**	**—**	**—**	**—**	**1,028**	**1,028**
9	Secured by mortgages on immovable property	**—**	**—**	**—**	**—**	**—**	**4,395**	**—**	**—**	**14**	**622**	**—**	**—**	**—**	**—**	**—**	**5,031**	**5,031**
10	Exposures in default	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**118**	**165**	**—**	**—**	**—**	**—**	**283**	**283**
11	Exposures associated with particularly high risk	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1**	**—**	**—**	**—**	**—**	**1**	**1**
12	Covered bonds	**—**	**—**	**—**	**1,107**	**62**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,169**	**—**
13	Institutions and corporates with a short-term credit assessment	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
14	Unit or shares in collective investment undertakings	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
15	Equity	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**45**	**—**	**—**	**—**	**45**	**45**
16	Other items	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
17	**Total**	**104,056**	**—**	**—**	**1,107**	**8,814**	**4,395**	**417**	**—**	**1,042**	**924**	**167**	**925**	**—**	**—**	**—**	**121,847**	**11,660**

Note

a. Credit risk exposure of £0.9bn relating to DTAs reclassified from other non credit-obligation asset class under IRB approach to Central Governments or central banks under STD approach.

Analysis of credit risk (continued)

Table 20: CR5 – Standardised approach (continued)

		Risk weight																
As at 31 December 2022		0 %	2 %	4 %	10 %	20 %	35 %	50 %	70 %	75 %	100 %	150 %	250 %	370 %	1250 %	Others	Total	Of which unrated
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1	Central governments or central banks	127,292	—	—	—	—	—	—	—	—	—	—	—	—	—	—	127,292	—
2	Regional government or local authorities	1,091	—	—	—	4,077	—	—	—	—	—	—	—	—	—	—	5,168	3,967
3	Public sector entities	—	—	—	—	527	—	—	—	—	—	—	—	—	—	—	527	511
4	Multilateral development banks	1,157	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,157	—
5	International organisations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
6	Institutions	—	—	—	—	3,616	—	191	—	—	—	—	—	—	—	—	3,807	—
7	Corporates	457	—	—	—	1,414	—	767	—	—	300	—	—	—	—	—	2,938	758
8	Retail	—	—	—	—	—	—	—	—	832	—	—	—	—	—	—	832	832
9	Secured by mortgages on immovable property	—	—	—	—	—	2,303	—	—	8	117	—	—	—	—	—	2,428	2,428
10	Exposures in default	—	—	—	—	—	—	—	—	—	108	109	—	—	—	—	217	217
11	Exposures associated with particularly high risk	—	—	—	—	—	—	—	—	—	—	8	—	—	—	—	8	8
12	Covered bonds	—	—	—	294	—	—	—	—	—	—	—	—	—	—	—	294	—
13	Institutions and corporates with a short-term credit assessment	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
14	Unit or shares in collective investment undertakings	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
15	Equity	—	—	—	—	—	—	—	—	—	—	—	20	—	—	—	20	20
16	Other items	528	—	—	—	218	—	—	—	—	198	—	—	—	—	—	944	944
17	**Total**	130,525	—	—	294	9,852	2,303	958	—	840	723	117	20	—	—	—	145,632	9,685

Standardised Credit Risk Exposure Post-CCF and CRM decreased by £23.8bn to £121.8bn (December 2022: £145.6bn), primarily driven by:

- Central Government or central banks within the 0% risk weight category decreased due to a reduction in the liquidity pool
- Other items decreased due to a change in treatment of non-credit obligation exposures
- Corporates decreased primarily due to reduction in lending activities
- Secured by mortgages on immovable property increased primarily due to the acquisition of KMC

Analysis of credit risk (continued)

Table 21: CR7 – IRB approach – Effect on the RWEAs of credit derivatives used as CRM techniques

This table shows the effect of credit derivatives on the AIRB credit risk approach and will not directly reconcile to the credit risk AIRB RWAs in table 9.

		Pre-credit derivatives risk weighted exposure amount		Actual risk weighted exposure amount	
		As at 31 December 2023	As at 31 December 2022	As at 31 December 2023	As at 31 December 2022
		£m	£m	£m	£m
5	**Exposures under AIRB**	**49,060**	50,326	**49,060**	50,326
6	Central governments and central banks	**—**	—	**—**	—
7	Institutions	**33**	38	**33**	38
8	Corporates[a]	**6,873**	6,453	**6,873**	6,453
8.1	of Corporates - which SMEs	**5,734**	5,173	**5,734**	5,173
8.2	of which Corporates - Specialised lending	**—**	—	**—**	—
9	Retail	**42,154**	43,835	**42,154**	43,835
9.1	*of which Retail – SMEs - Secured by immovable property collateral*	**—**	—	**—**	—
9.2	*of which Retail – non-SMEs - Secured by immovable property collateral*	***23,693***	*25,436*	***23,693***	*25,436*
9.3	*of which Retail – Qualifying revolving*	***12,076***	*11,799*	***12,076***	*11,799*
9.4	*of which Retail – SMEs - Other*	***2,883***	*2,892*	***2,883***	*2,892*
9.5	*of which Retail – Non-SMEs- Other*	***3,502***	*3,708*	***3,502***	*3,708*
10	**Total**	**49,060**	*50,326*	**49,060**	*50,326*

Note

a. Corporate specialised lending exposures under the slotting approach is excluded from this table and disclosed separately in CR10.

Analysis of credit risk (continued)

Table 22: CR7-A – IRB approach – Disclosure of the extent of the use of CRM techniques

This table shows the extent of the use of CRM techniques broken down by exposure classes under the IRB approach. The exposure classes capture both secured and unsecured balances, resulting in the CRM coverage percentages being calculated on an aggregate basis.

A-IRB			Credit risk Mitigation techniques											Credit risk Mitigation methods in the calculation of RWEAs	
			Funded credit Protection (FCP)									Unfunded credit Protection (UFCP)			
		Total exposures	Part of exposures covered by Financial Collaterals	Part of exposures covered by Other eligible collaterals	Part of exposures covered by Immovable property Collaterals	Part of exposures covered by Receivables	Part of exposures covered by Other physical collateral	Part of exposures covered by Other funded credit protection	Part of exposures covered by Cash on deposit	Part of exposures covered by Life insurance policies	Part of exposures covered by Instruments held by a third party	Part of exposures covered by Guarantees	Part of exposures covered by Credit Derivatives	RWEA post all CRM assigned to the obligor exposure class	RWEA with substitution effects
As at 31 December 2023		£m	%	%	%	%	%	%	%	%	%	%	%	£m	£m
1	Central governments and central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2	Institutions	36	—	67.4%	67.4%	—	—	—	—	—	—	—	—	33	33
3	Corporates	8,019	0.1%	84.9%	84.7%	0.2%	0.0%	—	—	—	—	1.1%	—	6,873	6,873
3.1	*Of which Corporates – SMEs*	*5,191*	*0.1%*	*91.1%*	*90.8%*	*0.3%*	*0.0%*	—	—	—	—	*1.6%*	—	*5,734*	*5,734*
3.2	*Of which Corporates – Specialised lending*	—	—	—	—	—	—	—	—	—	—	—	—	—	—
3.3	*Of which Corporates – Other*	*2,828*	*0.0%*	*73.4%*	*73.4%*	—	*0.0%*	—	—	—	—	*0.0%*	—	*1,139*	*1,139*
4	Retail	203,255	0.0%	209.7%	209.7%	—	0.0%	—	—	—	—	0.0%	—	42,154	42,154
4.1	*Of which Retail – Immovable property SMEs*	—	—	—	—	—	—	—	—	—	—	—	—	—	—
4.2	*Of which Retail – Immovable property non-SMEs*	*165,206*	—	*255.8%*	*255.8%*	—	—	—	—	—	—	—	—	*23,693*	*23,693*
4.3	*Of which Retail – Qualifying revolving*	*27,600*	—	—	—	—	—	—	—	—	—	—	—	*12,076*	*12,076*
4.4	*Of which Retail – Other SMEs*	*6,817*	*0.0%*	*53.4%*	*53.4%*	—	*0.1%*	—	—	—	—	*0.2%*	—	*2,883*	*2,883*
4.5	*Of which Retail – Other non-SMEs*	*3,632*	—	—	—	—	—	—	—	—	—	—	—	*3,502*	*3,502*
5	**Total**	**211,310**	**0.0%**	**204.9%**	**204.9%**	**0.0%**	**0.0%**	—	—	—	—	**0.1%**	—	**49,060**	**49,060**

Analysis of credit risk (continued)

Table 22: CR7-A – IRB approach – Disclosure of the extent of the use of CRM techniques (continued)

	A-IRB		Credit risk Mitigation techniques											Credit risk Mitigation methods in the calculation of RWEAs	
			Funded credit Protection (FCP)									Unfunded credit Protection (UFCP)			
		Total exposures	Part of exposures covered by Financial Collaterals	Part of exposures covered by Other eligible collaterals	Part of exposures covered by Immovable property Collaterals	Part of exposures covered by Receivables	Part of exposures covered by Other physical collateral	Part of exposures covered by Other funded credit protection	Part of exposures covered by Cash on deposit	Part of exposures covered by Life insurance policies	Part of exposures covered by Instruments held by a third party	Part of exposures covered by Guarantees	Part of exposures covered by Credit Derivatives	RWEA post all CRM assigned to the obligor exposure class	RWEA with substitution effects
	As at 31 December 2022	£m	%	%	%	%	%	%	%	%	%	%	%	£m	£m
1	Central governments and central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2	Institutions	39	—	61.0%	61.0%	—	—	—	—	—	—	—	—	38	38
3	Corporates	8,624	0.1%	74.6%	74.3%	0.2%	0.0%	—	—	—	—	1.1%	—	6,453	6,453
3.1	*Of which Corporates – SMEs*	*5,744*	*0.2%*	*71.4%*	*70.9%*	*0.4%*	*0.0%*	—	—	—	—	*1.6%*	—	*5,173*	*5,173*
3.2	*Of which Corporates – Specialised lending*	—	—	—	—	—	—	—	—	—	—	—	—	—	—
3.3	*Of which Corporates – Other*	*2,880*	*0.0%*	*81.1%*	*81.1%*	—	*0.0%*	—	—	—	—	*0.0%*	—	*1,280*	*1,280*
4	Retail	208,442	0.0%	230.8%	230.8%	—	0.0%	—	—	—	—	0.0%	—	43,835	43,835
4.1	*Of which Retail – Immovable property SMEs*	—	—	—	—	—	—	—	—	—	—	—	—	—	—
4.2	*Of which Retail – Immovable property non-SMEs*	*168,839*	—	*282.8%*	*282.8%*	—	—	—	—	—	—	—	—	*25,436*	*25,436*
4.3	*Of which Retail – Qualifying revolving*	*28,325*	—	—	—	—	—	—	—	—	—	—	—	*11,799*	*11,799*
4.4	*Of which Retail – Other SMEs*	*7,267*	*0.0%*	*50.9%*	*50.8%*	—	*0.1%*	—	—	—	—	*0.4%*	—	*2,892*	*2,892*
4.5	*Of which Retail – Other non-SMEs*	*4,011*	—	—	—	—	—	—	—	—	—	—	—	*3,708*	*3,708*
5	**Total**	217,105	0.0 %	224.6 %	224.6 %	0.0 %	0.0 %	— %	— %	— %	— %	0.1 %	—	50,326	50,326

Other eligible collaterals exposure cover decreased by 19.7% to 204.9% (December 2022: 224.6%) primarily driven by HPI refresh and reduction in lending.

Analysis of credit risk (continued)

Credit quality analysis of standardised exposures

Credit rating agencies

Under the standardised approach, ratings assigned by External Credit Assessment Institutions (ECAIs) are used in the calculation of RWAs. Ratings from an ECAI may be used where the ECAI is a rating agency that:

- Has been recognised as an ECAI per the list published by the Financial Conduct Authority (FCA); and
- Has been nominated for use by Barclays.

Barclays uses ratings assigned by the following agencies for credit risk calculations:

- Standard & Poor's
- Moody's
- Fitch
- DBRS
- Kroll Bond Rating Agency

These ratings are used in the calculation of risk weights for central governments and central banks, institutions, corporate and securitisation exposure classes[a].

Rated and unrated counterparties

The following section summarises the rules governing standardised calculations for non-securitised exposures.

Each exposure must be assigned to one of six credit quality steps if a rating is available, as per the PRA Banking & Resolution index, detailed in the table below. After being assigned to a specific quality step, exposure class and maturity are then used to determine the risk weight percentage. The following tables are a simplified version of the risk weight allocation process.

Table 23: Relationship of long-term external credit ratings to credit quality steps under the standardised approach for non-securitised exposures

Credit Quality Step	Standard and Poor's	Moody's	Fitch
Credit Quality Step 1	AAA+ to AA-	Aaa1 to Aa3	AAA+ to AA-
Credit Quality Step 2	A+ to A-	A1 to A3	A+ to A-
Credit Quality Step 3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-
Credit Quality Step 4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-
Credit Quality Step 5	B+ to B-	B1 to B3	B+ to B-
Credit Quality Step 6	CCC+ and below	Caa1 and below	CCC+ and below

Note

a. DBRS and Kroll Bond Rating Agency are used to calculate risk weights for securitisation exposures only. Please see page 125 for further details.

Analysis of credit risk (continued)

Table 24: Credit quality steps and risk weights under the standardised approach

This table shows the prescribed risk weights associated with credit quality steps.

Credit Quality Step		Institutions (includes banks)			
		Sovereign method	Credit assessment method		
	Corporates	Sovereign method	Maturity > 3 months	Maturity 3 months or less	Central governments or central banks
Credit Quality Step 1	**20%**	**20%**	**20%**	**20%**	**0%**
Credit Quality Step 2	**50%**	**50%**	**50%**	**20%**	**20%**
Credit Quality Step 3	**100%**	**100%**	**50%**	**20%**	**50%**
Credit Quality Step 4	**100%**	**100%**	**100%**	**50%**	**100%**
Credit Quality Step 5	**150%**	**100%**	**100%**	**50%**	**100%**
Credit Quality Step 6	**150%**	**150%**	**150%**	**150%**	**150%**

Exposures to international organisations are assigned a 0% risk weight.

Exposures fully and completely secured by residential property (which considers, amongst other criteria, the size of the loan relative to the value of the property) are generally assigned a risk weight of 35%. Other retail exposures are assigned a risk weight of 75%.

The unsecured portion of a past due exposure is assigned a risk weight of either 150% or 100%, depending on the specific credit risk adjustments recognised.

High risk items are assigned a risk weight of 150%.

Analysis of credit risk (continued)

Credit quality analysis of IRB exposures

The following section provides a breakdown of inputs for the calculations of risk weighted assets. Please note there may be more volatility in risk weights and risk factors at a granular level of wholesale exposures, especially in minimum exposure categories often due to the addition or removal of relatively large exposures when the risk factor deviates from the category average. This happens in the normal course of business,following new lending, repayments, or syndications. For more information on IRB models see page 120.

Table 25: Internal default grade probabilities and mapping to external ratings

The table below illustrates the approximate relationship between external rating agency grades and the Probability of Default (PD) bands for wholesale exposures. The internal Default Grade (DG) bands are based on Through The Cycle (TTC) PD. Note that this relationship is dynamic, and therefore, varies over time, region and industry.

EBA PD Range %	Internal DG Band	Default Probability >Min	Mid	<=Max	Financial statements 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,A2,A3	A+
	4	0.05%	0.08%	0.10%		A1,A2,A3	A,A-
	5	0.10%	0.13%	0.15%		Baa1	BBB+
0.15 to < 0.25	6	0.15%	0.18%	0.20%	Strong	Baa2	BBB
	7	0.20%	0.23%	0.25%		Baa3	BBB
0.25 to < 0.50	8	0.25%	0.28%	0.30%	Strong	Baa3	BBB-
	9	0.30%	0.35%	0.40%		Baa3	BBB-
	10	0.40%	0.45%	0.50%		Ba1	BB+
0.50 to < 0.75	11	0.50%	0.55%	0.60%	Strong	Ba1	BB+
	12	0.60%	0.68%	0.75%	Satisfactory	Ba1,Ba2	BB, BB-
0.75 to < 2.50	12	0.75%	0.98%	1.20%	Satisfactory	Ba1,Ba2, Ba3	BB, BB-
	13	1.20%	1.38%	1.55%		Ba3	BB-
	14	1.55%	1.85%	2.15%		Ba3	B+
	15	2.15%	2.33%	2.50%		B1	B+
2.50 to < 10.00	15	2.50%	2.60%	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%	9.32%	10.00%		B3, Caa1	B-
10.00 to < 100.00	19	10.00%	10.67%	11.35%	Satisfactory	B3, Caa1	CCC+
	20	11.35%	15.00%	18.65%	Higher Risk	Caa2	CCC+,CCC,C
	21	18.65%	30.00%	99.99%		Caa3, Ca, C	CC-, CC+ ,CC, C
100.00 (Default)	22	100 %	100 %	100 %	Credit Impaired	D	D

Analysis of credit risk (continued)

Table 26: CR6-A – Scope of the use of IRB and SA approaches

This table shows exposure and percentages covered by the IRB and standardised approaches, as well as exposure subject to the permanent partial use and to a roll out plan.

		Exposure value as defined in Article 166 CRR for exposures subject to IRB approach	Total exposure value for exposures subject to the Standardised approach and to the IRB approach	Percentage of total exposure value subject to the permanent partial use of the SA	Percentage of total exposure value subject to IRB Approach	Percentage of total exposure value subject to a roll-out plan
As at 31 December 2023		**£m**	**£m**	**%**	**%**	**%**
1	Central governments or central banks[a]	**—**	**96,791**	**83.9%**	**—**	**16.1%**
1.1	*Of which Regional governments or local authorities*		***4,762***	***82.2%***	**—**	***17.8%***
1.2	*Of which Public sector entities*		***1,222***	***87.4%***	**—**	***12.6%***
2	Institutions	**30**	**5,962**	**9.4%**	**0.5%**	**90.1%**
3	Corporates	**9,257**	**11,249**	**2.6%**	**82.3%**	**15.1%**
3.1	*Of which Corporates - Specialised lending, excluding slotting approach*		**—**	**—**	**—**	**—**
3.2	*Of which Corporates - Specialised lending under slotting approach*	**799**	***799***	**—**	***100.0%***	**—**
4	Retail	**222,029**	**236,251**	**—**	**94.0%**	**6.0%**
4.1	*of which Retail – Secured by real estate SMEs*		**—**	**—**	**—**	**—**
4.2	*of which Retail – Secured by real estate non-SMEs*		***172,065***	**—**	***97.0%***	***3.0%***
4.3	*of which Retail – Qualifying revolving*		***49,740***	**—**	***91.2%***	***8.8%***
4.4	*of which Retail – Other SMEs*		***10,079***	**—**	***61.7%***	***38.3%***
4.5	*of which Retail – Other non-SMEs*		***4,367***	**—**	***83.2%***	***16.8%***
5	Equity	**—**	**46**	**—**	**—**	**100.0%**
6	Other non-credit obligation assets	**1,254**	**1,254**	**—**	**100.0%**	**—**
7	**Total**	**232,570**	**351,553**	**23.3%**	**66.2%**	**10.5%**

		Exposure value as defined in Article 166 CRR for exposures subject to IRB approach	Total exposure value for exposures subject to the Standardised approach and to the IRB approach	Percentage of total exposure value subject to the permanent partial use of the SA	Percentage of total exposure value subject to IRB Approach	Percentage of total exposure value subject to a roll-out plan
As at 31 December 2022		**£m**	**£m**	**%**	**%**	**%**
1	Central governments or central banks	—	118,085	82.3%	—	17.7%
1.1	*Of which Regional governments or local authorities*		*4,993*	*84.6%*	—	*15.4%*
1.2	*Of which Public sector entities*		*1,727*	*86.3%*	—	*13.7%*
2	Institutions	35	4,782	8.9%	0.7%	90.4%
3	Corporates	10,076	15,103	10.5%	66.7%	22.8%
3.1	*Of which Corporates - Specialised lending, excluding slotting approach*		—	—	—	—
3.2	*Of which Corporates - Specialised lending under slotting approach*		*904*	—	*100.0%*	—
4	Retail	231,224	244,596	—	94.5%	5.5%
4.1	*of which Retail – Secured by real estate SMEs*		*4*	—	—	*100.0%*
4.2	*of which Retail – Secured by real estate non-SMEs*		*174,739*	—	*98.4%*	*1.6%*
4.3	*of which Retail – Qualifying revolving*		*52,965*	—	*91.9%*	*8.1%*
4.4	*of which Retail – Other SMEs*		*12,137*	—	*55.0%*	*45.0%*
4.5	*of which Retail – Other non-SMEs*		*4,751*	—	*84.4%*	*15.6%*
5	Equity	—	28	71.6%	—	28.4%
6	Other non-credit obligation assets	1,648	2,592	36.4%	63.6%	—
7	**Total**	242,983	385,186	26.0%	63.1%	10.9%

Note

a. Credit risk exposure of £0.9bn relating to DTAs reclassified from other non credit-obligation asset class under IRB approach to Central Governments or central banks under STD approach.

Analysis of credit risk (continued)

AIRB obligor grade disclosure

The following tables show credit risk exposure at default post-CRM for the advanced IRB approach for portfolios within the banking book. Separate tables are provided for the following credit exposure classes: institutions (Table 28), corporates-other (Table 29),corporates-SME (Table 30), retail SME (Table 31), secured retail - non SME (Table 32), revolving retail (Table 33) and other retail-non SME (Table 34).

Barclays' Model Risk Management group reviews and approves the application of post model adjustments to models that do not fully reflect the risk of the underlying exposures.

Table 27: CR6 – IRB approach – Total Portfolios

	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD	Number of obligors	Exposure weighted average LGD	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
As at 31 December 2023	£m	£m	%	£m	%		%		£m	%	£m	£m
Total (all exposure classes)	**185,093**	**45,425**	**55.1%**	**210,916**		**22,485,527**		**4**	**49,060**	**23.3%**	**1,692**	**(1,546)**
As at 31 December 2022												
Total (all exposure classes)	187,273	53,157	54.9%	216,502		23,380,437		4	50,326	23.2%	1,559	(1,601)

Further information on the key drivers for the RWA density are provided in Table 28 - Table 34.

Analysis of credit risk (continued)

Table 28: CR6 – IRB approach – Credit risk exposures by exposure class and PD range for institutions

PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF[a]	Exposure post CCF and post CRM	Exposure weighted average PD	Number of obligors	Exposure weighted average LGD	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
As at 31 December 2023	£m	£m	%	£m	%		%		£m	%	£m	£m
0.00 to <0.15	0	—	—	1	0.1%	3	40.8%	1	0	15.4%	0	—
0.00 to <0.10	—	—	—	*1*	*0.1%*	*2*	*47.4%*	*1*	*0*	*14.7%*	*0*	—
0.10 to <0.15	*0*	—	—	*0*	*0.1%*	*1*	*32.1%*	*1*	*0*	*16.4%*	*0*	—
0.15 to <0.25	0	—	—	0	0.2%	2	47.1%	2	0	44.8%	0	0
0.25 to <0.50	0	0	314.4%	0	0.4%	1	47.1%	2	0	56.9%	0	0
0.50 to <0.75	2	0	433.3%	3	0.7%	7	37.4%	3	2	66.2%	0	0
0.75 to <2.50	11	2	278.1%	15	1.6%	20	32.5%	3	11	78.6%	0	0
0.75 to <1.75	*7*	*1*	*338.5%*	*10*	*1.3%*	*18*	*34.0%*	*3*	*7*	*75.3%*	*0*	*0*
1.75 to <2.5	*4*	*1*	*160.9%*	*5*	*2.2%*	*2*	*29.1%*	*4*	*4*	*85.7%*	*0*	*0*
2.50 to <10.00	10	1	206.5%	11	3.9%	5	33.4%	3	13	114.4%	0	0
2.5 to <5	*8*	*1*	*179.6%*	*9*	*3.3%*	*4*	*33.3%*	*3*	*10*	*110.8%*	*0*	*0*
5 to <10	*2*	*0*	*429.1%*	*2*	*6.4%*	*1*	*34.0%*	*3*	*3*	*130.0%*	*0*	*0*
10.00 to <100.00	2	0	2,522.7%	2	28.2%	4	30.4%	3	2	152.8%	0	0
10 to <20	*1*	*0*	*4,909.9%*	*1*	*16.4%*	*2*	*38.7%*	*3*	*1*	*192.5%*	*0*	*0*
20 to <30	*0*	—	—	*0*	*23.4%*	*1*	*77.7%*	*1*	*0*	*420.6%*	*0*	*0*
30.00 to <100.00	*1*	*0*	*415.0%*	*1*	*43.6%*	*1*	*17.8%*	*3*	*1*	*90.6%*	*0*	*0*
100.00 (Default)	3	0	44.8%	3	100.0%	2	13.7%	4	4	125.8%	0	0
Subtotal (exposure class)	**28**	**3**	**298.8%**	**35**	**12.2%**	**44**	**31.9%**	**3**	**32**	**94.3%**	**0**	**0**

Analysis of credit risk (continued)

Table 28: CR6 – IRB approach – Credit risk exposures by exposure class and PD range for institutions (continued)

PD range As at 31 December 2022	On-balance sheet exposures £m	Off-balance-sheet exposures pre-CCF £m	Exposure weighted average CCF[a] %	Exposure post CCF and post CRM £m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors £m	Density of risk weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
0.00 to <0.15	0	—	—	0	0.1%	5	35.2%	3	0	15.5%	0	0
0.00 to <0.10	*—*	*—*	*—*	*0*	*0.1%*	*4*	*53.5%*	*1*	*0*	*17.0%*	*0*	*—*
0.10 to <0.15	*0*	*—*	*—*	*0*	*0.1%*	*1*	*23.2%*	*4*	*0*	*14.6%*	*0*	*0*
0.15 to <0.25	—	0	79.8%	0	0.2%	1	56.9%	1	0	35.5%	0	0
0.25 to <0.50	0	0	176.0%	0	0.5%	1	42.8%	2	0	50.0%	0	0
0.50 to <0.75	1	0	463.1%	1	0.6%	10	57.4%	3	1	102.5%	0	0
0.75 to <2.50	14	1	220.4%	18	1.5%	36	30.4%	3	14	74.8%	0	0
0.75 to <1.75	*7*	*1*	*236.0%*	*10*	*1.1%*	*28*	*33.8%*	*3*	*8*	*72.4%*	*0*	*0*
1.75 to <2.5	*7*	*0*	*180.7%*	*8*	*2.1%*	*8*	*26.3%*	*4*	*6*	*77.7%*	*0*	*0*
2.50 to <10.00	4	0	341.3%	5	3.8%	7	39.1%	3	7	129.2%	0	0
2.5 to <5	*4*	*0*	*287.8%*	*4*	*3.2%*	*6*	*36.9%*	*3*	*5*	*119.0%*	*0*	*0*
5 to <10	*0*	*0*	*526.0%*	*1*	*6.6%*	*1*	*49.3%*	*2*	*2*	*176.8%*	*0*	*0*
10.00 to <100.00	2	0	1,065.8%	2	27.9%	6	32.0%	4	4	175.9%	0	0
10 to <20	*1*	*0*	*5,415.5%*	*1*	*17.0%*	*3*	*43.4%*	*4*	*3*	*248.6%*	*0*	*0*
20 to <30	*0*	*—*	*—*	*0*	*23.3%*	*1*	*8.3%*	*5*	*0*	*49.1%*	*0*	*0*
30.00 to <100.00	*1*	*0*	*73.3%*	*1*	*44.3%*	*2*	*29.6%*	*2*	*1*	*147.3%*	*0*	*0*
100.00 (Default)	10	1	0.9%	10	100.0%	3	12.2%	3	12	128.7%	0	0
Subtotal (exposure class)	31	2	183.4%	36	29.0%	69	28.2%	3	38	103.2%	0	0

Note
a. CCF is calculated on a weighted average basis and also reflects where the modelled EAD is higher than the on- and off-balance sheet exposures pre CCF.

The RWA density associated with institutions decreased by 8.9% to 94.3% (December 2022: 103.2%) primarily driven by immaterial movements across PD bands.

Analysis of credit risk (continued)

Table 29: CR6 – IRB approach – Credit risk exposures by exposure class and PD range for corporates - other

PD range As at 31 December 2023	On-balance sheet exposures £m	Off-balance-sheet exposures pre-CCF £m	Exposure weighted average CCF[a] %	Exposure post CCF and post CRM £m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors £m	Density of risk weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
0.00 to <0.15	**2,089**	**27**	**63.6%**	**2,114**	**0.1%**	**137**	**16.5%**	**5**	**766**	**36.3%**	**0**	**(1)**
0.00 to <0.10	***1,707***	***27***	***63.0%***	***1,730***	***0.1%***	***121***	***17.7%***	***5***	***633***	***36.6%***	***0***	***(1)***
0.10 to <0.15	***382***	***—***	***—***	***384***	***0.1%***	***16***	***10.8%***	***5***	***133***	***34.7%***	***0***	***0***
0.15 to <0.25	**526**	**48**	**51.1%**	**552**	**0.2%**	**45**	**10.1%**	**5**	**220**	**39.8%**	**0**	**(1)**
0.25 to <0.50	**8**	**—**	**—**	**10**	**0.4%**	**73**	**26.2%**	**3**	**4**	**36.9%**	**0**	**0**
0.50 to <0.75	**2**	**0**	**4,496.9%**	**6**	**0.6%**	**163**	**37.6%**	**2**	**3**	**53.1%**	**0**	**0**
0.75 to <2.50	**21**	**1**	**819.4%**	**27**	**1.5%**	**237**	**30.3%**	**3**	**21**	**78.1%**	**0**	**0**
0.75 to <1.75	***14***	***0***	***3,472.6%***	***18***	***1.2%***	***187***	***29.1%***	***3***	***12***	***67.2%***	***0***	***0***
1.75 to <2.5	***7***	***1***	***254.3%***	***9***	***2.1%***	***50***	***33.0%***	***4***	***9***	***101.1%***	***0***	***0***
2.50 to <10.00	**79**	**14**	**75.3%**	**91**	**5.1%**	**100**	**20.5%**	**4**	**93**	**102.7%**	**2**	**(35)**
2.5 to <5	***15***	***11***	***79.8%***	***24***	***3.5%***	***54***	***33.3%***	***3***	***15***	***61.4%***	***0***	***(1)***
5 to <10	***64***	***3***	***59.8%***	***67***	***5.8%***	***46***	***15.9%***	***4***	***78***	***117.7%***	***2***	***(34)***
10.00 to <100.00	**6**	**0**	**13,518.5%**	**6**	**21.4%**	**15**	**21.0%**	**4**	**7**	**117.7%**	**0**	**0**
10 to <20	***5***	***0***	***21,568.5%***	***5***	***15.0%***	***9***	***22.9%***	***4***	***6***	***129.8%***	***0***	***0***
20 to <30	***0***	***—***	***—***	***0***	***24.3%***	***2***	***60.7%***	***1***	***0***	***328.3%***	***0***	***0***
30.00 to <100.00	***1***	***0***	***5,674.0%***	***1***	***53.2%***	***4***	***10.4%***	***4***	***1***	***53.4%***	***0***	***0***
100.00 (Default)	**23**	**2**	**0.6%**	**21**	**100.0%**	**12**	**11.8%**	**3**	**25**	**118.4%**	**0**	**(2)**
Subtotal (exposure class)	**2,754**	**92**	**69.4%**	**2,827**	**1.1%**	**782**	**15.5%**	**5**	**1,139**	**40.3%**	**2**	**(39)**

Analysis of credit risk (continued)

Table 29: CR6 – IRB approach – Credit risk exposures by exposure class and PD range for corporates - other (continued)

PD range As at 31 December 2022	On-balance sheet exposures £m	Off-balance-sheet exposures pre-CCF £m	Exposure weighted average CCF[a] %	Exposure post CCF and post CRM £m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors £m	Density of risk weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
0.00 to <0.15	2,574	180	60.6%	2,695	0.1%	200	10.5%	5	1,065	39.5%	2	(1)
0.00 to <0.10	*2,299*	*180*	*60.5%*	*2,418*	*0.0%*	*178*	*10.5%*	*5*	*881*	*36.4%*	*1*	*(1)*
0.10 to <0.15	*275*	*—*	*—*	*277*	*0.1%*	*22*	*10.0%*	*5*	*184*	*66.5%*	*1*	*0*
0.15 to <0.25	1	0	517,595.8%	2	0.2%	69	20.7%	3	0	16.4%	0	—
0.25 to <0.50	2	—	—	3	0.4%	78	43.0%	1	4	124.5%	0	0
0.50 to <0.75	10	—	—	14	0.6%	213	24.5%	3	6	41.9%	0	0
0.75 to <2.50	37	3	255.9%	44	1.5%	412	27.4%	4	35	81.4%	0	0
0.75 to <1.75	*21*	*3*	*210.7%*	*27*	*1.1%*	*334*	*28.2%*	*4*	*17*	*65.5%*	*0*	*0*
1.75 to <2.5	*16*	*0*	*2,326.6%*	*17*	*2.0%*	*78*	*26.3%*	*4*	*18*	*106.0%*	*0*	*0*
2.50 to <10.00	30	9	99.6%	39	4.6%	157	25.4%	3	53	137.3%	0	0
2.5 to <5	*17*	*7*	*96.4%*	*24*	*3.4%*	*101*	*23.4%*	*3*	*36*	*150.2%*	*0*	*0*
5 to <10	*13*	*2*	*111.5%*	*15*	*6.6%*	*56*	*28.6%*	*3*	*17*	*116.6%*	*0*	*0*
10.00 to <100.00	3	3	63.9%	4	29.1%	20	26.0%	3	6	122.2%	0	0
10 to <20	*2*	*3*	*59.9%*	*3*	*14.5%*	*10*	*30.4%*	*3*	*5*	*153.5%*	*0*	*0*
20 to <30	*0*	*0*	*2,503.2%*	*0*	*27.7%*	*2*	*19.5%*	*4*	*0*	*108.9%*	*0*	*0*
30.00 to <100.00	*1*	*0*	*39,380.1%*	*1*	*63.9%*	*8*	*16.9%*	*4*	*1*	*50.8%*	*0*	*0*
100.00 (Default)	78	0	30.9%	71	100.0%	30	36.6%	3	108	153.2%	17	(32)
Subtotal (exposure class)	2,735	195	68.3%	2,872	2.6%	1,179	11.7%	5	1,277	44.5%	19	(33)

Note
a. CCF is calculated on a weighted average basis and also reflects where the modelled EAD is higher than the on- and off-balance sheet exposures pre CCF.

The RWA density associated with corporates other decreased by 4.2% to 40.3% (December 2022: 44.5%) primarily due to changes in risk parameters.

Analysis of credit risk (continued)

Table 30: CR6 – IRB approach – Credit risk exposures by exposure class and PD range for corporates - SME

PD range As at 31 December 2023	On-balance sheet exposures £m	Off-balance-sheet exposures pre-CCF £m	Exposure weighted average CCF %	Exposure post CCF and post CRM £m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors £m	Density of risk weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
0.00 to <0.15	443	14	73.0%	455	0.1%	161	11.2%	5	183	40.1%	0	(29)
0.00 to <0.10	*370*	*12*	*81.3%*	*382*	*0.1%*	*125*	*10.6%*	*5*	*144*	*37.7%*	*0*	*(21)*
0.10 to <0.15	*73*	*2*	*18.5%*	*73*	*0.1%*	*36*	*14.2%*	*5*	*39*	*53.0%*	*0*	*(8)*
0.15 to <0.25	78	36	35.0%	91	0.2%	33	17.0%	4	32	35.0%	0	(7)
0.25 to <0.50	432	95	16.5%	443	0.4%	222	20.9%	3	167	37.7%	1	(1)
0.50 to <0.75	570	105	25.0%	586	0.6%	472	21.6%	4	233	39.8%	2	(1)
0.75 to <2.50	1,924	212	25.7%	1,947	1.4%	1,625	24.4%	4	1,810	92.9%	33	(15)
0.75 to <1.75	*1,399*	*173*	*23.9%*	*1,414*	*1.2%*	*1,314*	*24.0%*	*4*	*1,214*	*85.8%*	*19*	*(5)*
1.75 to <2.5	*525*	*39*	*34.1%*	*533*	*2.1%*	*311*	*25.4%*	*4*	*596*	*111.8%*	*14*	*(10)*
2.50 to <10.00	825	64	29.1%	834	4.5%	509	28.1%	3	1,637	196.3%	94	(54)
2.5 to <5	*569*	*39*	*33.9%*	*576*	*3.4%*	*336*	*28.3%*	*3*	*992*	*172.3%*	*40*	*(13)*
5 to <10	*256*	*25*	*21.5%*	*258*	*6.9%*	*173*	*27.4%*	*3*	*645*	*250.0%*	*54*	*(41)*
10.00 to <100.00	303	17	19.8%	302	20.9%	153	26.6%	3	499	165.3%	84	(16)
10 to <20	*207*	*12*	*24.7%*	*208*	*14.2%*	*105*	*26.4%*	*3*	*280*	*134.6%*	*27*	*(11)*
20 to <30	*41*	*4*	*3.3%*	*40*	*23.9%*	*16*	*26.9%*	*2*	*39*	*97.9%*	*3*	*(3)*
30.00 to <100.00	*55*	*1*	*18.4%*	*54*	*44.7%*	*32*	*27.4%*	*3*	*180*	*334.8%*	*54*	*(2)*
100.00 (Default)	457	41	6.0%	452	100.0%	108	12.9%	3	1,173	259.5%	158	(10)
Subtotal (exposure class)	5,032	584	24.6%	5,110	11.5%	3,283	22.2%	4	5,734	112.2%	372	(133)

Analysis of credit risk (continued)

Table 30: CR6 – IRB approach – Credit risk exposures by exposure class and PD range for corporates - SME (continued)

PD range As at 31 December 2022	On-balance sheet exposures £m	Off-balance-sheet exposures pre-CCF £m	Exposure weighted average CCF %	Exposure post CCF and post CRM £m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors £m	Density of risk weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
0.00 to <0.15	452	72	63.5%	500	0.1%	306	13.4%	4	159	31.8%	0	0
0.00 to <0.10	*343*	*71*	*63.9%*	*390*	*0.1%*	*243*	*13.8%*	*4*	*112*	*28.7%*	*0*	*0*
0.10 to <0.15	*109*	*1*	*43.8%*	*110*	*0.1%*	*63*	*12.1%*	*5*	*47*	*42.9%*	*0*	*0*
0.15 to <0.25	99	29	40.7%	111	0.2%	64	17.0%	4	41	37.1%	0	0
0.25 to <0.50	411	101	20.8%	418	0.4%	299	22.7%	3	150	35.9%	1	(2)
0.50 to <0.75	631	121	19.5%	628	0.6%	642	21.6%	4	216	34.5%	2	(2)
0.75 to <2.50	2,216	254	23.8%	2,212	1.4%	2,497	23.4%	3	1,582	71.6%	35	(45)
0.75 to <1.75	*1,676*	*208*	*22.0%*	*1,669*	*1.2%*	*2,013*	*23.3%*	*3*	*1,100*	*65.9%*	*21*	*(21)*
1.75 to <2.5	*540*	*46*	*31.9%*	*543*	*2.1%*	*484*	*23.6%*	*3*	*482*	*88.8%*	*14*	*(24)*
2.50 to <10.00	878	76	33.0%	882	4.7%	724	30.1%	3	1,481	167.9%	104	(81)
2.5 to <5	*573*	*51*	*31.0%*	*572*	*3.4%*	*488*	*28.6%*	*3*	*866*	*151.4%*	*45*	*(40)*
5 to <10	*305*	*25*	*37.0%*	*310*	*7.0%*	*236*	*32.9%*	*3*	*615*	*198.4%*	*59*	*(41)*
10.00 to <100.00	267	15	16.6%	259	19.9%	202	31.0%	3	458	177.1%	89	(91)
10 to <20	*180*	*11*	*17.4%*	*174*	*14.3%*	*147*	*31.5%*	*3*	*264*	*151.7%*	*30*	*(38)*
20 to <30	*41*	*2*	*8.6%*	*41*	*24.0%*	*21*	*29.2%*	*3*	*44*	*107.6%*	*3*	*(51)*
30.00 to <100.00	*46*	*2*	*18.4%*	*44*	*38.6%*	*34*	*30.5%*	*3*	*150*	*343.0%*	*56*	*(2)*
100.00 (Default)	587	35	0.4%	562	100.0%	213	15.2%	3	1,086	193.1%	106	(51)
Subtotal (exposure class)	5,541	703	27.1%	5,572	12.4%	4,947	22.7%	3	5,173	92.9%	337	(272)

The RWA density associated with corporates SME increased by 19.3% to 112.2% (December 2022: 92.9%) primarily due to a recalibration of the PMA introduced to address the IRB roadmap changes.

Analysis of credit risk (continued)

Table 31: CR6 – IRB approach – Credit risk exposures by exposure class and PD range for retail - SME

PD range As at 31 December 2023	On-balance sheet exposures £m	Off-balance-sheet exposures pre-CCF £m	Exposure weighted average CCF[a] %	Exposure post CCF and post CRM £m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Risk weighted exposure amount after supporting factors £m	Density of risk weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
0.00 to <0.15	10	1	19,097.6%	227	0.1%	140,101	47.1%	21	9.0%	0	0
0.00 to <0.10	*4*	*0*	*109,611.5%*	*171*	*0.1%*	*110,367*	*45.8%*	*13*	*7.5%*	*0*	*0*
0.10 to <0.15	*6*	*1*	*5,113.4%*	*56*	*0.1%*	*29,734*	*51.1%*	*8*	*13.4%*	*0*	*0*
0.15 to <0.25	15	6	555.8%	46	0.2%	15,122	41.7%	7	15.1%	0	0
0.25 to <0.50	167	92	136.0%	288	0.4%	55,354	32.2%	54	18.8%	0	0
0.50 to <0.75	378	153	145.5%	576	0.6%	94,053	33.0%	139	24.2%	1	0
0.75 to <2.50	1,940	730	117.3%	2,659	1.5%	405,670	36.8%	954	35.9%	15	(9)
0.75 to <1.75	*1,248*	*507*	*129.5%*	*1,808*	*1.2%*	*306,624*	*36.7%*	*616*	*34.1%*	*8*	*(4)*
1.75 to <2.5	*692*	*223*	*89.7%*	*851*	*2.1%*	*99,046*	*37.0%*	*338*	*39.7%*	*7*	*(5)*
2.50 to <10.00	1,430	355	123.1%	1,801	4.6%	216,478	39.8%	882	49.0%	33	(19)
2.5 to <5	*960*	*276*	*106.9%*	*1,204*	*3.5%*	*141,579*	*38.5%*	*554*	*46.0%*	*16*	*(11)*
5 to <10	*470*	*79*	*179.4%*	*597*	*6.9%*	*74,899*	*42.3%*	*328*	*55.0%*	*17*	*(8)*
10.00 to <100.00	359	30	236.6%	422	23.9%	48,083	35.3%	257	60.8%	33	(10)
10 to <20	*187*	*13*	*386.6%*	*235*	*13.6%*	*31,472*	*40.5%*	*148*	*63.0%*	*13*	*(4)*
20 to <30	*49*	*4*	*231.8%*	*56*	*24.2%*	*6,255*	*30.6%*	*35*	*61.3%*	*4*	*(1)*
30.00 to <100.00	*123*	*13*	*87.5%*	*131*	*42.1%*	*10,356*	*28.0%*	*74*	*56.5%*	*16*	*(5)*
100.00 (Default)	528	31	31.9%	486	100.0%	52,545	23.8%	569	117.2%	70	(220)
Subtotal (exposure class)	4,827	1,398	141.0%	6,505	11.0%	1,027,406	36.4%	2,883	44.3%	152	(258)

Analysis of credit risk (continued)

Table 31: CR6 – IRB approach – Credit risk exposures by exposure class and PD range for retail SME (continued)

PD range As at 31 December 2022	On-balance sheet exposures £m	Off-balance-sheet exposures pre-CCF £m	Exposure weighted average CCF[a] %	Exposure post CCF and post CRM £m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Risk weighted exposure amount after supporting factors £m	Density of risk weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
0.00 to <0.15	21	4	6425.3%	260	0.1%	155,583	45.3%	22	8.6 %	0	0
0.00 to <0.10	*7*	*1*	*15310.1%*	*188*	*0.1%*	*121,628*	*44.3%*	*13*	*7.2 %*	*0*	*0*
0.10 to <0.15	*14*	*3*	*2317.2%*	*72*	*0.1%*	*33,955*	*47.9%*	*9*	*12.4 %*	*0*	*0*
0.15 to <0.25	44	24	176.8%	85	0.2%	19,700	32.5%	10	11.3 %	0	0
0.25 to <0.50	257	167	84.1%	376	0.4%	56,944	31.2%	65	17.3 %	0	0
0.50 to <0.75	358	206	119.6%	566	0.6%	104,739	35.0%	141	24.8 %	1	(1)
0.75 to <2.50	2,037	771	115.3%	2,713	1.5%	443,601	36.5%	957	35.3 %	14	(17)
0.75 to <1.75	*1,314*	*582*	*119.1%*	*1,860*	*1.2%*	*335,564*	*36.9%*	*630*	*33.8 %*	*8*	*(9)*
1.75 to <2.5	*723*	*189*	*103.8%*	*853*	*2.1%*	*108,037*	*35.5%*	*327*	*38.4 %*	*6*	*(8)*
2.50 to <10.00	1,657	256	163.9%	1,983	4.6%	216,717	38.5%	939	47.4 %	35	(25)
2.5 to <5	*1,140*	*196*	*139.6%*	*1,343*	*3.5%*	*141,483*	*37.9%*	*608*	*45.3 %*	*18*	*(15)*
5 to <10	*517*	*60*	*243.6%*	*640*	*6.9%*	*75,234*	*39.6%*	*331*	*51.8 %*	*17*	*(10)*
10.00 to <100.00	373	28	286.6%	443	24.0%	51,998	37.1%	285	64.2 %	38	(14)
10 to <20	*199*	*13*	*456.7%*	*253*	*13.6%*	*33,919*	*40.2%*	*161*	*63.5 %*	*14*	*(6)*
20 to <30	*53*	*3*	*289.1%*	*62*	*24.0%*	*7,357*	*38.8%*	*48*	*76.7 %*	*6*	*(2)*
30.00 to <100.00	*121*	*12*	*104.1%*	*128*	*44.7%*	*10,722*	*30.3%*	*76*	*59.6 %*	*18*	*(6)*
100.00 (Default)	432	35	31.7%	419	100.0%	21,698	17.1%	473	113.0 %	34	(150)
Subtotal (exposure class)	5,179	1,491	138.8%	6,845	9.7%	1,070,980	35.8%	2,892	42.2 %	122	(207)

Note
a. CCF is calculated on a weighted average basis and also reflects where the modelled EAD is higher than the on- and off-balance sheet exposures pre CCF.

The RWA density associated with retail SMEs increased by 2.1% to 44.3% (December 2022: 42.2%) primarily due to increase in defaulted exposures.

Analysis of credit risk (continued)

Table 32: CR6 – IRB approach – Credit risk exposures by exposure class and PD range for secured retail - non SME

PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD	Number of obligors	Exposure weighted average LGD	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
As at 31 December 2023	£m	£m	%	£m	%		%	£m	%	£m	£m
0.00 to <0.15	19,842	1,530	80.7%	21,220	0.1%	63,246	8.6%	387	1.8%	2	0
0.00 to <0.10	*14,440*	*1,002*	*80.7%*	*15,352*	*0.1%*	*42,033*	*7.9%*	*204*	*1.3%*	*1*	*0*
0.10 to <0.15	*5,402*	*528*	*80.8%*	*5,868*	*0.1%*	*21,213*	*10.4%*	*183*	*3.1%*	*1*	*0*
0.15 to <0.25	8,899	991	61.9%	9,572	0.2%	53,384	11.1%	464	4.8%	2	0
0.25 to <0.50	44,341	2,731	52.4%	46,026	0.4%	275,852	8.8%	2,870	6.2%	16	(4)
0.50 to <0.75	36,884	1,085	63.4%	37,840	0.6%	211,140	11.2%	4,075	10.8%	26	(10)
0.75 to <2.50	34,588	1,244	76.9%	35,820	1.3%	203,383	14.7%	8,240	23.0%	66	(24)
0.75 to <1.75	*29,057*	*1,079*	*75.7%*	*30,095*	*1.1%*	*170,314*	*14.8%*	*6,440*	*21.4%*	*49*	*(17)*
1.75 to <2.5	*5,531*	*165*	*84.9%*	*5,725*	*2.1%*	*33,069*	*14.5%*	*1,800*	*31.4%*	*17*	*(7)*
2.50 to <10.00	7,892	177	84.4%	8,144	4.8%	43,803	14.4%	3,954	48.6%	54	(26)
2.5 to <5	*4,836*	*134*	*87.5%*	*5,015*	*3.5%*	*27,449*	*15.2%*	*2,235*	*44.6%*	*26*	*(12)*
5 to <10	*3,056*	*43*	*74.7%*	*3,129*	*7.0%*	*16,354*	*13.2%*	*1,719*	*54.9%*	*28*	*(14)*
10.00 to <100.00	5,210	191	59.5%	5,379	28.9%	30,277	10.1%	2,943	54.7%	148	(45)
10 to <20	*2,611*	*86*	*62.3%*	*2,687*	*13.2%*	*14,853*	*10.4%*	*1,518*	*56.5%*	*37*	*(14)*
20 to <30	*904*	*34*	*74.0%*	*939*	*24.3%*	*5,797*	*11.1%*	*634*	*67.6%*	*25*	*(8)*
30.00 to <100.00	*1,695*	*71*	*49.1%*	*1,753*	*55.4%*	*9,627*	*9.1%*	*791*	*45.1%*	*86*	*(23)*
100.00 (Default)	1,204	2	—	1,204	100.0%	7,920	10.0%	758	63.0%	88	(88)
Subtotal (exposure class)	158,860	7,951	65.2%	165,205	2.4%	889,005	11.1%	23,691	14.3%	402	(197)

Analysis of credit risk (continued)

Table 32: CR6 – IRB approach – Credit risk exposures by exposure class and PD range for secured retail - non SME (continued)

PD range As at 31 December 2022	On-balance sheet exposures £m	Off-balance-sheet exposures pre-CCF £m	Exposure weighted average CCF %	Exposure post CCF and post CRM £m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Risk weighted exposure amount after supporting factors £m	Density of risk weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
0.00 to <0.15	19,592	2,349	78.0%	21,468	0.1%	62,457	10.6%	475	2.2 %	2	0
0.00 to <0.10	*14,509*	*1,702*	*78.0%*	*15,871*	*0.1%*	*43,261*	*9.8%*	*259*	*1.6 %*	*1*	*0*
0.10 to <0.15	*5,083*	*647*	*78.1%*	*5,597*	*0.1%*	*19,196*	*12.9%*	*216*	*3.9 %*	*1*	*0*
0.15 to <0.25	9,667	1,398	64.1%	10,585	0.2%	61,942	12.3%	554	5.2 %	3	(1)
0.25 to <0.50	36,396	2,979	58.9%	38,274	0.4%	221,354	10.1%	2,644	6.9 %	15	(3)
0.50 to <0.75	41,291	1,868	59.6%	42,579	0.6%	252,875	10.5%	4,283	10.1 %	28	(3)
0.75 to <2.50	38,434	2,564	78.1%	40,605	1.3%	233,090	15.0%	9,570	23.6 %	79	(18)
0.75 to <1.75	32,495	2,317	78.0%	34,436	1.1%	195,724	14.7%	7,407	21.5 %	58	(13)
1.75 to <2.5	5,939	247	79.3%	6,169	2.0%	37,366	16.6%	2,163	35.0 %	21	(5)
2.50 to <10.00	8,959	386	80.7%	9,320	4.5%	51,803	15.3%	4,461	47.9 %	60	(14)
2.5 to <5	6,452	301	81.7%	6,734	3.4%	37,226	16.5%	3,155	46.9 %	38	(9)
5 to <10	2,507	85	77.2%	2,586	7.3%	14,577	12.1%	1,306	50.5 %	22	(5)
10.00 to <100.00	4,852	145	76.8%	4,995	29.0%	29,056	9.1%	2,469	49.4 %	123	(27)
10 to <20	2,544	76	68.1%	2,608	14.7%	14,255	9.2%	1,325	50.8 %	35	(8)
20 to <30	749	33	76.6%	779	25.0%	4,994	9.5%	453	58.2 %	18	(1)
30.00 to <100.00	1,559	36	95.2%	1,608	54.1%	9,807	8.6%	691	43.0 %	70	(18)
100.00 (Default)	1,013	3	—	1,013	100.0%	7,404	8.9%	980	96.8 %	29	(50)
Subtotal (exposure class)	160,204	11,692	68.6%	168,839	2.3%	919,981	11.8%	25,436	15.1 %	339	(116)

The RWA density associated with secured retail non SMEs decreased by 0.8% to 14.3% (December 2022: 15.1%) primarily driven by a reduction due to capital LGD model update for the mortgage portfolio and reduction in exposures, partially offset by changes in risk parameters, IRB repair PMA and HPI refresh.

Analysis of credit risk (continued)

Table 33: CR6 – IRB approach – Credit risk exposures by exposure class and PD range for revolving retail

PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF[a]	Exposure post CCF and post CRM	Exposure weighted average PD	Number of obligors	Exposure weighted average LGD	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
As at 31 December 2023	**£m**	**£m**	**%**	**£m**	**%**		**%**	**£m**	**%**	**£m**	**£m**
0.00 to <0.15	665	12,249	69.3%	9,149	0.1%	12,723,653	74.3%	406	4.4%	7	(5)
0.00 to <0.10	*260*	*8,044*	*83.3%*	*6,963*	*0.1%*	*11,021,635*	*73.2%*	*246*	*3.5%*	*4*	*(3)*
0.10 to <0.15	*405*	*4,205*	*42.4%*	*2,186*	*0.1%*	*1,702,018*	*78.0%*	*160*	*7.3%*	*3*	*(2)*
0.15 to <0.25	743	5,419	36.2%	2,703	0.2%	1,533,051	78.8%	284	10.5%	5	(4)
0.25 to <0.50	1,211	6,352	36.7%	3,542	0.4%	1,632,609	79.7%	608	17.2%	12	(13)
0.50 to <0.75	824	2,970	35.6%	1,883	0.6%	772,698	80.5%	450	23.9%	10	(11)
0.75 to <2.50	3,066	6,123	36.2%	5,279	1.4%	1,827,962	82.2%	2,598	49.2%	71	(100)
0.75 to <1.75	*2,198*	*4,966*	*35.0%*	*3,937*	*1.2%*	*1,404,377*	*81.8%*	*1,697*	*43.1%*	*44*	*(55)*
1.75 to <2.5	*868*	*1,157*	*41.0%*	*1,342*	*2.1%*	*423,585*	*83.3%*	*901*	*67.1%*	*27*	*(45)*
2.50 to <10.00	2,644	2,031	69.9%	4,063	4.6%	1,170,045	84.0%	4,734	116.5%	185	(282)
2.5 to <5	*1,665*	*1,669*	*65.0%*	*2,750*	*3.5%*	*791,791*	*83.6%*	*2,642*	*96.1%*	*92*	*(137)*
5 to <10	*979*	*362*	*92.3%*	*1,313*	*6.9%*	*378,254*	*84.9%*	*2,092*	*159.3%*	*93*	*(145)*
10.00 to <100.00	564	96	177.6%	734	23.0%	261,491	84.9%	1,757	239.5%	167	(220)
10 to <20	*358*	*67*	*175.3%*	*475*	*13.4%*	*162,457*	*84.9%*	*1,024*	*215.7%*	*61*	*(101)*
20 to <30	*84*	*14*	*189.9%*	*111*	*24.1%*	*42,164*	*84.8%*	*277*	*250.8%*	*23*	*(31)*
30.00 to <100.00	*122*	*15*	*176.8%*	*148*	*52.6%*	*56,870*	*84.9%*	*456*	*307.2%*	*83*	*(88)*
100.00 (Default)	247	158	—	247	100.0%	160,647	74.8%	1,239	500.5%	156	(159)
Subtotal (exposure class)	**9,964**	**35,398**	**49.8%**	**27,600**	**2.6%**	**20,082,156**	**79.1%**	**12,076**	**43.8%**	**613**	**(794)**

Analysis of credit risk (continued)

Table 33: CR6 – IRB approach – Credit risk exposures by exposure class and PD range for revolving retail (continued)

PD range As at 31 December 2022	On-balance sheet exposures £m	Off-balance-sheet exposures pre-CCF £m	Exposure weighted average CCF[a] %	Exposure post CCF and post CRM £m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Risk weighted exposure amount after supporting factors £m	Density of risk weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
0.00 to <0.15	696	15,541	58.0%	9,706	0.1%	12,065,847	74.6%	432	4.4 %	7	(5)
0.00 to <0.10	*294*	*10,366*	*65.8%*	*7,114*	*0.1%*	*9,951,391*	*73.4%*	*247*	*3.5 %*	*4*	*(3)*
0.10 to <0.15	*402*	*5,175*	*42.3%*	*2,592*	*0.1%*	*2,114,456*	*77.8%*	*185*	*7.1 %*	*3*	*(2)*
0.15 to <0.25	712	6,198	41.2%	3,263	0.2%	2,433,109	78.1%	347	10.6 %	6	(5)
0.25 to <0.50	1,160	6,572	38.4%	3,682	0.4%	1,885,237	79.5%	626	17.0 %	13	(15)
0.50 to <0.75	808	2,995	35.7%	1,876	0.6%	837,185	79.9%	444	23.7 %	10	(13)
0.75 to <2.50	2,845	5,662	37.8%	4,983	1.4%	1,883,174	81.7%	2,436	48.9 %	67	(113)
0.75 to <1.75	*2,039*	*4,595*	*36.7%*	*3,723*	*1.2%*	*1,406,224*	*81.4%*	*1,595*	*42.8 %*	*42*	*(63)*
1.75 to <2.5	*806*	*1,067*	*42.6%*	*1,260*	*2.1%*	*476,950*	*82.7%*	*841*	*66.7 %*	*25*	*(50)*
2.50 to <10.00	2,517	1,847	69.9%	3,807	4.6%	1,220,906	83.7%	4,415	116.0 %	173	(293)
2.5 to <5	*1,556*	*1,522*	*63.9%*	*2,528*	*3.4%*	*837,325*	*83.3%*	*2,390.2*	*94.6 %*	*83*	*(142)*
5 to <10	*961*	*325*	*97.9%*	*1,279*	*6.9%*	*383,581*	*84.5%*	*2,025*	*158.3 %*	*90*	*(151)*
10.00 to <100.00	575	95	178.4%	747	23.1%	278,858	84.6%	1,784	238.9 %	168	(231)
10 to <20	*365*	*65*	*178.2%*	*482*	*13.4%*	*171,090*	*84.5%*	*1,029*	*213.5 %*	*61*	*(111)*
20 to <30	*87*	*14*	*191.6%*	*114*	*24.0%*	*46,616*	*84.5%*	*285*	*249.8 %*	*23*	*(37)*
30.00 to <100.00	*123*	*16*	*167.6%*	*151*	*53.2%*	*61,152*	*84.6%*	*470*	*311.8 %*	*84*	*(83)*
100.00 (Default)	261	163	—	261	100.0%	242,910	81.7%	1,315	503.5 %	158	(172)
Subtotal (exposure class)	9,574	39,073	48.0%	28,325	2.5%	20,847,226	78.8%	11,799	41.7 %	602	(847)

Note
a. CCF is calculated on a weighted average basis and also reflects where the modelled EAD is higher than the on- and off-balance sheet exposures pre CCF.

The RWA density associated with revolving retail increased by 2.1% to 43.8% (December 2022: 41.7%) primarily due to a reduction in balances within lower PD bands and changes in the risk parameters.

Analysis of credit risk (continued)

Table 34: CR6 – IRB approach – Credit risk exposures by exposure class and PD range for other retail - non SME

PD range As at 31 December 2023	On-balance sheet exposures £m	Off-balance-sheet exposures pre-CCF £m	Exposure weighted average CCF %	Exposure post CCF and post CRM £m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Risk weighted exposure amount after supporting factors £m	Density of risk weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
0.00 to <0.15	186	1	2.4%	186	0.1%	42,038	73.5%	41	22.3%	0	0
0.00 to <0.10	*67*	*1*	*2.4%*	*67*	*0.1%*	*21,684*	*72.0%*	*11*	*16.4%*	*0*	*0*
0.10 to <0.15	*119*	*—*	*—*	*119*	*0.1%*	*20,354*	*74.3%*	*30*	*25.6%*	*0*	*0*
0.15 to <0.25	273	0	2.0%	273	0.2%	43,294	74.5%	97	35.6%	0	0
0.25 to <0.50	554	—	—	554	0.4%	74,530	75.3%	301	54.2%	2	(1)
0.50 to <0.75	395	0	23.5%	395	0.6%	49,124	75.8%	342	86.6%	2	(2)
0.75 to <2.50	1,134	—	—	1,134	1.4%	131,873	76.5%	1,147	101.1%	13	(13)
0.75 to <1.75	*860*	*—*	*—*	*860*	*1.2%*	*100,655*	*76.4%*	*820*	*95.3%*	*8*	*(8)*
1.75 to <2.5	*274*	*—*	*—*	*274*	*2.1%*	*31,218*	*76.9%*	*327*	*119.2%*	*5*	*(5)*
2.50 to <10.00	732	—	—	732	4.7%	83,639	77.4%	977	133.4%	28	(27)
2.5 to <5	*487*	*—*	*—*	*487*	*3.5%*	*55,293*	*77.2%*	*633*	*129.9%*	*14*	*(14)*
5 to <10	*245*	*—*	*—*	*245*	*7.0%*	*28,346*	*77.7%*	*344*	*140.4%*	*14*	*(13)*
10.00 to <100.00	297	—	—	297	27.2%	37,118	77.7%	536	180.6%	67	(45)
10 to <20	*177*	*—*	*—*	*177*	*13.6%*	*21,631*	*77.9%*	*331*	*186.6%*	*23*	*(18)*
20 to <30	*46*	*—*	*—*	*46*	*24.2%*	*5,633*	*77.9%*	*90*	*197.0%*	*9*	*(6)*
30.00 to <100.00	*74*	*—*	*—*	*74*	*61.9%*	*9,854*	*77.2%*	*115*	*155.8%*	*35*	*(21)*
100.00 (Default)	60	—	—	60	100.0%	21,270	76.6%	62	102.2%	35	(35)
Subtotal (exposure class)	3,631	1	2.5%	3,631	5.4%	482,886	76.2%	3,503	96.4%	147	(123)

Analysis of credit risk (continued)

Table 34: CR6 – IRB approach – Credit risk exposures by exposure class and PD range for other retail - non SME (continued)

PD range As at 31 December 2022	On-balance sheet exposures £m	Off-balance-sheet exposures pre-CCF £m	Exposure weighted average CCF %	Exposure post CCF and post CRM £m	Exposure weighted average PD %	Number of obligors	Exposure weighted average LGD %	Risk weighted exposure amount after supporting factors £m	Density of risk weighted exposure amount %	Expected loss amount £m	Value adjustments and provisions £m
0.00 to <0.15	336	1	2.3%	336	0.1%	65,087	73.6%	71	21.3 %	0	0
0.00 to <0.10	*160*	*1*	*2.3%*	*160*	*0.1%*	*37,667*	*72.9%*	*26*	*16.4 %*	*0*	*0*
0.10 to <0.15	*176*	—	—	*176*	*0.1%*	*27,420*	*74.3%*	*45*	*25.8 %*	*0*	*0*
0.15 to <0.25	311	—	—	311	0.2%	50,615	74.2%	115	36.9 %	0	0
0.25 to <0.50	649	—	—	649	0.4%	85,062	75.2%	352	54.3 %	2	(2)
0.50 to <0.75	434	—	—	434	0.6%	53,592	75.7%	387	89.1 %	2	(3)
0.75 to <2.50	1,195	—	—	1,195	1.4%	138,075	76.4%	1,215	101.7 %	14	(15)
0.75 to <1.75	*909*	—	—	*909*	*1.2%*	*105,602*	*76.3%*	*869*	*95.7 %*	*9*	*(9)*
1.75 to <2.5	*286*	—	—	*286*	*2.1%*	*32,473*	*76.8%*	*346*	*120.8 %*	*5*	*(6)*
2.50 to <10.00	736	—	—	736	4.6%	84,674	77.3%	994	135.1 %	28	(30)
2.5 to <5	*496*	—	—	*496*	*3.5%*	*56,548*	*77.2%*	*653*	*131.7 %*	*14*	*(16)*
5 to <10	*240*	—	—	*240*	*7.0%*	*28,126*	*77.6%*	*341*	*142.1 %*	*14*	*(14)*
10.00 to <100.00	291	—	—	291	27.9%	37,314	77.8%	529	181.9 %	67	(51)
10 to <20	*172*	—	—	*172*	*13.5%*	*21,197*	*77.9%*	*327*	*190.1 %*	*22*	*(27)*
20 to <30	*43*	—	—	*43*	*24.2%*	*5,624*	*77.9%*	*84*	*197.1 %*	*8*	*(5)*
30.00 to <100.00	*76*	—	—	*76*	*62.6%*	*10,493*	*77.5%*	*118*	*154.9 %*	*37*	*(19)*
100.00 (Default)	59	—	—	59	100.0%	21,691	76.8%	45	75.0 %	23	(23)
Subtotal (exposure class)	4,011	1	2.5%	4,011	4.9%	536,110	76.0%	3,708	92.5 %	136	(124)

The RWA density associated with other retail non SME increased by 3.9% to 96.4% (December 2022: 92.5%) primarily due to a reduction in balances within lower PD bands.

Analysis of credit risk (continued)

Table 35: CR10 – Specialised lending and equity exposures under the simple risk weighted approach

Slotting, also known as specialised lending, is an approach that is applied to financing of individual projects where the repayment is highly dependent on the performance of the underlying pool or collateral. It uses a standard set of rules for the calculation of RWAs, based upon an assessment of factors such as the financial strength of the counterparty. The requirements for the application of the Slotting approach are detailed in CRR article 153.

	Specialised lending : Income-producing real estate and high volatility commercial real estate (Slotting approach)						
Regulatory categories	Remaining maturity	On-balance sheet exposure	Off-balance sheet exposure	Risk weight	Exposure value	Risk weighted exposure amount	Expected loss amount
As at 31 December 2023		£m	£m	%	£m	£m	£m
Category 1	Less than 2.5 years	**68**	**20**	**50 %**	**77**	**30**	**—**
	Equal to or more than 2.5 years	**127**	**1**	**70 %**	**129**	**71**	**1**
Category 2	Less than 2.5 years	**149**	**13**	**70 %**	**153**	**83**	**1**
	Equal to or more than 2.5 years	**238**	**2**	**90 %**	**241**	**171**	**2**
Category 3	Less than 2.5 years	**42**	**—**	**115 %**	**42**	**38**	**1**
	Equal to or more than 2.5 years	**45**	**—**	**115 %**	**45**	**40**	**1**
Category 4	Less than 2.5 years	**2**	**—**	**250 %**	**2**	**4**	**0**
	Equal to or more than 2.5 years	**7**	**—**	**250 %**	**7**	**12**	**1**
Category 5	Less than 2.5 years	**50**	**1**	**—**	**50**	**—**	**25**
	Equal to or more than 2.5 years	**34**	**—**	**—**	**34**	**—**	**17**
Total	Less than 2.5 years	**311**	**34**	**—**	**324**	**155**	**27**
	Equal to or more than 2.5 years	**451**	**3**	**—**	**456**	**294**	**22**

Regulatory categories	Remaining maturity	On-balance sheet exposure	Off-balance sheet exposure	Risk weight	Exposure value	Risk weighted exposure amount	Expected loss amount
As at 31 December 2022		£m	£m	%	£m	£m	£m
Category 1	Less than 2.5 years	97	15	50 %	98	39	—
	Equal to or more than 2.5 years	203	—	70 %	204	113	1
Category 2	Less than 2.5 years	152	24	70 %	156	85	1
	Equal to or more than 2.5 years	253	—	90 %	253	177	2
Category 3	Less than 2.5 years	28	—	115 %	29	26	1
	Equal to or more than 2.5 years	28	—	115 %	28	27	1
Category 4	Less than 2.5 years	6	—	250 %	6	11	0
	Equal to or more than 2.5 years	7	—	250 %	7	13	1
Category 5	Less than 2.5 years	48	5	—	48	—	24
	Equal to or more than 2.5 years	38	—	—	38	—	19
Total	Less than 2.5 years	331	44	—	337	161	26
	Equal to or more than 2.5 years	529	—	—	530	330	23

Analysis of credit risk (continued)

Table 36: CR1 - Performing and non-performing exposures and related provisions

This table provides an overview of the credit quality of on and off balance sheet non-performing exposures and related impairments, provisions and valuation adjustments by portfolio and exposure class.

		Gross carrying amount/nominal						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
			Of which Stage 1	Of which Stage 2		Of which Stage 2	Of which Stage 3		Of which Stage 1	Of which Stage 2		Of which Stage 2	Of which Stage 3			
	As at 31 December 2023	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
005	**Cash balances at central banks and other demand deposits**[a]	34,861	34,861	—	—	—	—	—	—	—	—	—	—	—	—	—
010	**Loans and advances**	211,038	182,878	26,445	3,401	27	3,375	(1,076)	(292)	(784)	(580)	—	(580)	—	186,117	2,639
020	*Central banks*	*6,048*	*6,047*	—	—	—	—	—	—	—	—	—	—	—	—	—
030	*General governments*	*3,822*	*3,759*	*57*	—	—	—	*(15)*	*(4)*	*(11)*	—	—	—	—	*3,786*	—
040	*Credit institutions*	*3,796*	*3,796*	—	—	—	—	—	—	—	—	—	—	—	*3,178*	—
050	*Other financial corporations*	*680*	*653*	*27*	*12*	—	*12*	*(2)*	*(2)*	—	*(1)*	—	*(1)*	—	*490*	*9*
060	*Non-financial corporations*	*20,086*	*14,126*	*4,252*	*1,324*	—	*1,324*	*(195)*	*(102)*	*(93)*	*(255)*	—	*(255)*	—	*16,493*	*996*
070	*Of which SMEs*	*13,645*	*9,590*	*4,055*	*1,311*	—	*1,311*	*(180)*	*(98)*	*(83)*	*(251)*	—	*(251)*	—	*10,957*	*492*
080	*Households*	*176,606*	*154,497*	*22,109*	*2,065*	*27*	*2,039*	*(864)*	*(184)*	*(680)*	*(324)*	—	*(324)*	—	*162,170*	*1,634*
090	**Debt securities**	38,208	37,684	525	—	—	—	(5)	(4)	(1)	—	—	—	—	141	—
100	*Central banks*	*26*	*26*	—	—	—	—	—	—	—	—	—	—	—	—	—
110	*General governments*	*23,541*	*23,541*	—	—	—	—	*(1)*	*(1)*	—	—	—	—	—	—	—
120	*Credit institutions*	*6,061*	*5,537*	*525*	—	—	—	*(1)*	—	*(1)*	—	—	—	—	*141*	—
130	*Other financial corporations*	*8,424*	*8,424*	—	—	—	—	*(3)*	*(3)*	—	—	—	—	—	—	—
140	*Non-financial corporations*	*156*	*156*	—	—	—	—	—	—	—	—	—	—	—	—	—
150	**Off-balance-sheet exposures**	50,291	48,053	2,238	190	—	190	(28)	(10)	(18)	—	—	—		4,271	15
160	*Central banks*	*660*	*660*	—	—	—	—	—	—	—	—	—	—		*0*	—
170	*General governments*	—	—	—	—	—	—	—	—	—	—	—	—		—	—
180	*Credit institutions*	—	—	—	*1*	—	*1*	—	—	—	—	—	—		—	—
190	*Other financial corporations*	*8*	*7*	*1*	—	—	—	—	—	—	—	—	—		—	—
200	*Non-financial corporations*	*2,220*	*1,883*	*337*	*44*	—	*44*	—	—	—	—	—	—		*190*	*11*
210	*Households*	*47,403*	*45,503*	*1,900*	*145*	—	*145*	*(28)*	*(10)*	*(18)*	—	—	—		*4,081*	*4*
220	**Total**	334,398	303,476	29,208	3,591	27	3,565	(1,109)	(306)	(803)	(580)	—	(580)	—	190,529	2,654

Note

a. Loans at fair value through profit and loss are included in the total performing and non-performing exposures but no staging analysis is provided as these instruments are not eligible for staging.

Analysis of credit risk (continued)

Table 36: CR1 - Performing and non-performing exposures and related provisions (continued)

		Gross carrying amount/nominal						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
			Of which Stage 1	Of which Stage 2		Of which Stage 2	Of which Stage 3		Of which Stage 1	Of which Stage 2		Of which Stage 2	Of which Stage 3			
	As at 31 December 2022	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
005	Cash balances at central banks and other demand deposits[a]	54,090	54,090	—	—	—	—	—	—	—	—	—	—	—	—	—
010	Loans and advances	210,614	181,001	27,634	3,487	4	3,483	(1,152)	(339)	(813)	(556)	(2)	(554)	—	185,414	2,618
020	*Central banks*	*5,571*	*5,571*	—	—	—	—	—	—	—	—	—	—	—	—	—
030	*General governments*	*3,967*	*3,944*	*14*	—	—	—	*(4)*	*(2)*	*(2)*	—	—	—	—	*3,954*	—
040	*Credit institutions*	*1,336*	*1,336*	—	—	—	—	*(1)*	*(1)*	—	—	—	—	—	*477*	—
050	*Other financial corporations*	*298*	*244*	*54*	*12*	—	*12*	*(3)*	*(2)*	*(1)*	*(2)*	—	*(2)*	—	*116*	*9*
060	*Non-financial corporations*	*23,762*	*15,525*	*6,266*	*1,651*	—	*1,651*	*(296)*	*(150)*	*(146)*	*(252)*	—	*(252)*	—	*19,481*	*1,219*
070	*Of which SMEs*	*16,334*	*10,370*	*5,964*	*1,630*	—	*1,630*	*(266)*	*(146)*	*(120)*	*(251)*	—	*(251)*	—	*13,535*	*553*
080	*Households*	*175,680*	*154,381*	*21,300*	*1,824*	*4*	*1,820*	*(848)*	*(184)*	*(664)*	*(302)*	*(2)*	*(300)*	—	*161,386*	*1,390*
090	Debt securities	38,510	38,006	504	—	—	—	(3)	(2)	(1)	—	—	—	—	299	—
100	*Central banks*	*48*	*48*	—	—	—	—	—	—	—	—	—	—	—	—	—
110	*General governments*	*24,423*	*24,423*	—	—	—	—	*(1)*	*(1)*	—	—	—	—	—	—	—
120	*Credit institutions*	*5,923*	*5,419*	*504*	—	—	—	*(1)*		*(1)*	—	—	—	—	*299*	—
130	*Other financial corporations*	*7,780*	*7,780*	—	—	—	—	*(1)*	*(1)*	—	—	—	—	—	—	—
140	*Non-financial corporations*	*336*	*336*	—	—	—	—	—	—	—	—	—	—	—	—	—
150	Off-balance-sheet exposures	58,593	53,902	4,691	289	—	289	(47)	(9)	(38)	—	—	—		4,717	15
160	*Central banks*	*810*	*810*	—	—	—	—	—	—	—	—	—	—		*150*	—
170	*General governments*	—	—	—	—	—	—	—	—	—	—	—	—		—	—
180	*Credit institutions*	*100*	*100*	—	—	—	—	—	—	—	—	—	—		—	—
190	*Other financial corporations*	*11*	*9*	*2*	—	—	—	—	—	—	—	—	—		—	—
200	*Non-financial corporations*	*2,531*	*2,114*	*417*	*53*	—	*53*	—	—	—	—	—	—		*200*	*13*
210	*Households*	*55,141*	*50,869*	*4,272*	*236*	—	*236*	*(47)*	*(9)*	*(38)*	—	—	—		*4,367*	*2*
220	Total	361,807	326,999	32,829	3,776	4	3,772	(1,202)	(350)	(852)	(556)	(2)	(554)	—	190,430	2,633

Note
a. Loans at fair value through profit and loss are included in the total performing and non-performing exposures but no staging analysis is provided as these instruments are not eligible for staging.

Decrease in Cash balances with Central bank and other demand deposits by £19.2bn to £34.9bn (December 2022: £54.1bn) due to decrease in deposits.

Analysis of credit risk (continued)

Table 37: CR1-A - Maturity of exposures

This table shows the on- and off-balance sheet net credit risk exposures by residual contractual maturity, split by either loans and advances or debt securities. The amounts shown are based on IFRS accounting values according to the regulatory scope of consolidation.

		Net Exposure Value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
As at 31 December 2023		£m	£m	£m	£m	£m	£m
1	Loans and advances	**52,941**	**11,650**	**19,020**	**179,625**	**—**	**263,236**
2	Debt securities	**—**	**6,689**	**20,435**	**11,079**	**—**	**38,203**
3	**Total**	**52,941**	**18,339**	**39,455**	**190,704**	**—**	**301,439**
As at 31 December 2022							
1	Loans and advances	61,457	10,153	21,382	178,234	—	271,226
2	Debt securities	—	9,726	19,886	8,895	—	38,507
3	Total	61,457	19,879	41,268	187,129	—	309,733

Loans and advances decreased by £8.0bn to £263.2bn (December 2022: £271.2bn) driven by a decrease in off-balance sheet commitments and net repayments in loans and advances.

Table 38: CR2 - Changes in the stock of non-performing loans and advances[a]

This table shows information on changes in the institutions stock of on balance sheet non-performing loans and advances. The amounts shown are based on IFRS accounting values according to the regulatory scope of consolidation.

		Gross carrying amount
As at 31 December 2023		£m
010	Initial stock of non-performing loans and advances	**3,487**
020	Inflows to non-performing portfolios	**2,645**
030	Outflows from non-performing portfolios	**(529)**
040	Outflows due to write-offs	**(295)**
050	Outflow due to other situations[a]	**(1,907)**
060	Final stock of non-performing loans and advances	**3,401**

Note

a. Other changes include repayments and disposals and other adjustments, partly offset by a net increase in the non-performing exposure on existing loans and debt securities.

Analysis of credit risk (continued)

Table 39: CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

This table shows a breakdown of on-balance sheet unsecured and secured credit risk exposures secured by various methods of collateral for both loans and advances and debt securities. The amounts shown are based on IFRS accounting values according to the regulatory scope of consolidation.

		Unsecured carrying amount	Secured carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
As at 31 December 2023		£m	£m	£m	£m	£m
1	Loans and advances	60,544	188,756	179,550	9,206	—
2	Debt securities	38,067	141	—	141	—
3	**Total**	**98,611**	**188,897**	**179,550**	**9,347**	**—**
4	*Of which non-performing exposures*	*762*	*2,639*	*2,143*	*496*	—
5	*Of which defaulted*	*762*	*2,639*	—	—	—
As at 31 December 2022						
1	Loans and advances	80,159	188,032	176,442	11,590	—
2	Debt securities	38,211	299	—	299	—
3	Total	118,370	188,331	176,442	11,889	—
4	*Of which non-performing exposures*	*869*	*2,618*	*1,969*	*649*	—
5	*Of which defaulted*	*869*	*2,618*	—	—	—

Decrease in unsecured loans and advances by £19.7bn to £60.5bn (December 2022: £80.2bn) due to decrease in deposits.

Analysis of credit risk (continued)

Table 40: CQ1 - Credit quality of forborne exposures

This table provides an overview of the quality of on- and off-balance sheet forborne exposures. The amounts shown are based on IFRS accounting values according to the regulatory scope of consolidation.

		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
			Non-performing forborne						
		Performing forborne		Of which defaulted	Of which impaired	On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
As at 31 December 2023		£m	£m	£m	£m	£m	£m	£m	£m
005	**Cash balances at central banks and other demand deposits**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
010	**Loans and Advances[a]**	**663**	**834**	**658**	**654**	**(68)**	**(126)**	**1,006**	**643**
020	*Central banks*	—	—	—	—	—	—	—	—
030	*General governments*	—	—	—	—	—	—	—	—
040	*Credit institutions*	—	—	—	—	—	—	—	—
050	*Other financial corporations*	*1*	*2*	*1*	*1*	—	—	*2*	*2*
060	*Non-financial corporations*	*386*	*468*	*317*	*317*	*(20)*	*(36)*	*650*	*432*
070	*Households*	*276*	*364*	*340*	*336*	*(48)*	*(90)*	*354*	*209*
080	**Debt securities**	—	—	—	—	—	—	—	—
090	**Loan commitments given**	**101**	**46**	**41**	**41**	**—**	**—**	**5**	**2**
100	**Total**	**764**	**880**	**699**	**695**	**(68)**	**(126)**	**1,011**	**645**
As at 31 December 2022									
005	Cash balances at central banks and other demand deposits	—	—	—	—	—	—	—	—
010	*Loans and Advances[a]*	640	885	756	667	(75)	(149)	990	593
020	*Central banks*	—	—	—	—	—	—	—	—
030	*General governments*	—	—	—	—	—	—	—	—
040	*Credit institutions*	—	—	—	—	—	—	—	—
050	*Other financial corporations*	*1*	*2*	—	—	—	—	*2*	*1*
060	*Non-financial corporations*	*360*	*563*	*460*	*403*	*(22)*	*(41)*	*729*	*459*
070	Households	*279*	*320*	*296*	*264*	*(53)*	*(108)*	*259*	*133*
080	Debt securities	—	—	—	—	—	—	—	—
090	Loan commitments given	117	49	41	40	—	—	8	2
100	Total	757	934	797	707	(75)	(149)	998	595

Note

a. A review of forbearance programmes across Barclays UK in 2023 resulted in:

- Identification of a segment of written off balances inflating the forbearance stock, UK cards 2022 balances have been updated to reflect a decrease of £74m with a corresponding decrease in ECL of £2m.
- 'Breathing Space', a 1–2-month cessation of interest and customer contact to allow businesses to talk to all creditors, now being included within Business Banking for the first time, UK Business Banking 2022 balances have been updated to reflect an increase of £222m with a corresponding increase in ECL of £11m.

Analysis of credit risk (continued)

Table 41: CQ3 - Credit quality of performing and non-performing exposures by past due days

This table provides an overview of the credit quality of performing and non-performing exposures by past due days. The amounts shown are based on IFRS accounting values according to the regulatory scope of consolidation.

		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 year ≤ 5 years	Past due > 5 year ≤ 7 years	Past due > 7 years	Of which defaulted
As at 31 December 2023		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
005	**Cash balances at central banks and other demand deposits**	**34,861**	**34,861**	—	—	—	—	—	—	—	—	—	—
010	**Loans and advances**	**211,038**	**210,365**	**673**	**3,401**	**1,320**	**574**	**516**	**420**	**428**	**46**	**97**	**3,401**
020	*Central banks*	***6,048***	***6,048***	—	—	—	—	—	—	—	—	—	—
030	*General governments*	***3,822***	***3,822***	—	—	—	—	—	—	—	—	—	—
040	*Credit institutions*	***3,796***	***3,796***	—	—	—	—	—	—	—	—	—	—
050	*Other financial corporations*	***680***	***680***	—	***12***	***2***	***3***	***3***	***3***	***1***	—	—	***12***
060	*Non-financial corporations*	***20,086***	***20,082***	***4***	***1,324***	***266***	***232***	***260***	***263***	***230***	***33***	***40***	***1,324***
070	*Of which SMEs*	***13,645***	***13,641***	***4***	***1,311***	***266***	***232***	***260***	***261***	***219***	***33***	***40***	***1,311***
080	*Households*	***176,606***	***175,937***	***669***	***2,065***	***1,052***	***339***	***253***	***154***	***197***	***13***	***57***	***2,065***
090	**Debt securities**	**38,208**	**38,208**	—	—	—	—	—	—	—	—	—	—
100	*Central banks*	***26***	***26***	—	—	—	—	—	—	—	—	—	—
110	*General governments*	***23,541***	***23,541***	—	—	—	—	—	—	—	—	—	—
120	*Credit institutions*	***6,061***	***6,061***	—	—	—	—	—	—	—	—	—	—
130	*Other financial corporations*	***8,424***	***8,424***	—	—	—	—	—	—	—	—	—	—
140	*Non-financial corporations*	***156***	***156***	—	—	—	—	—	—	—	—	—	—
150	**Off-balance-sheet exposures**	**50,291**			**190**								**190**
160	*Central banks*	***660***			—								—
170	*General governments*	—			—								—
180	*Credit institutions*	—			***1***								***1***
190	*Other financial corporations*	***8***			—								—
200	*Non-financial corporations*	***2,220***			***44***								***44***
210	*Households*	***47,403***			***145***								***145***
220	**Total**	**334,398**	**283,434**	**673**	**3,591**	**1,320**	**574**	**516**	**420**	**428**	**46**	**97**	**3,591**

Analysis of credit risk (continued)

Table 41: CQ3 - Credit quality of performing and non-performing exposures by past due days (continued)

		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 year ≤ 5 years	Past due > 5 year ≤ 7 years	Past due > 7 years	Of which defaulted
As at 31 December 2022		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
005	Cash balances at central banks and other demand deposits	54,090	54,090	—	—	—	—	—	—	—	—	—	—
010	Loans and advances	210,614	210,053	561	3,487	1,419	522	610	556	241	43	96	3,487
020	*Central banks*	*5,571*	*5,571*	—	—	—	—	—	—	—	—	—	—
030	*General governments*	*3,967*	*3,967*	—	—	—	—	—	—	—	—	—	—
040	*Credit institutions*	*1,336*	*1,336*	—	—	—	—	—	—	—	—	—	—
050	*Other financial corporations*	*298*	*298*	—	*12*	*1*	*3*	*3*	*4*	*1*	—	—	*12*
060	*Non-financial corporations*	*23,762*	*23,758*	*4*	*1,651*	*366*	*289*	*445*	*337*	*139*	*34*	*41*	*1,651*
070	*Of which SMEs*	*16,334*	*16,330*	*4*	*1,630*	*366*	*282*	*442*	*326*	*139*	*34*	*41*	*1,630*
080	*Households*	*175,680*	*175,123*	*557*	*1,824*	*1,052*	*230*	*162*	*215*	*101*	*9*	*55*	*1,824*
090	Debt securities	38,510	38,510	—	—	—	—	—	—	—	—	—	—
100	*Central banks*	*48*	*48*	—	—	—	—	—	—	—	—	—	—
110	*General governments*	*24,423*	*24,423*	—	—	—	—	—	—	—	—	—	—
120	*Credit institutions*	*5,923*	*5,923*	—	—	—	—	—	—	—	—	—	—
130	*Other financial corporations*	*7,780*	*7,780*	—	—	—	—	—	—	—	—	—	—
140	*Non-financial corporations*	*336*	*336*	—	—	—	—	—	—	—	—	—	—
150	Off-balance-sheet exposures	58,593			289								289
160	*Central banks*	*810*			—								—
170	*General governments*	—			—								—
180	*Credit institutions*	*100*			—								—
190	*Other financial corporations*	*11*			—								—
200	*Non-financial corporations*	*2,531*			*53*								*53*
210	*Households*	*55,141*			*236*								*236*
220	Total	361,807	302,653	561	3,776	1,419	522	610	556	241	43	96	3,776

Analysis of credit risk (continued)

Table 42: CQ4 - Quality of non-performing exposures by geography

This table shows the credit quality of on-balance sheet and off-balance sheet exposure for loans and advances, debt securities derivatives and equity instruments by geography. The amounts shown are based on IFRS accounting values according to the regulatory scope of consolidation.

	Gross carrying/Nominal amount	of which: non-performing					
			of which: defaulted	of which: subject to impairment	Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantee given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
As at 31 December 2023	£m	£m	£m	£m	£m	£m	£m
On-balance sheet exposures	**288,826**	**3,401**	**3,401**	**285,794**	**(1,661)**		**—**
UNITED KINGDOM	***264,733***	***3,323***	***3,323***	***261,706***	***(1,652)***		—
JAPAN	***7,507***	***0***	***0***	***7,507***	***(1)***		—
UNITED STATES	***6,584***	***4***	***4***	***6,584***	***(1)***		—
CANADA	***3,409***	***2***	***2***	***3,409***	***0***		—
Other Countries	***6,593***	***72***	***72***	***6,588***	***(7)***		—
Off-balance sheet exposures	**50,481**	**190**	**190**			**(28)**	
UNITED KINGDOM	***50,455***	***189***	***189***			***(28)***	
Other Countries	***26***	***1***	***1***			—	
Total	**339,307**	**3,591**	**3,591**	**285,794**	**(1,661)**	**(28)**	**—**

As at 31 December 2022	£m	£m	£m	£m	£m	£m	£m
On-balance sheet exposures	**307,131**	**3,487**	**3,487**	**304,722**	**(1,712)**		**—**
UNITED KINGDOM	276,620	3,408	3,408	274,211	(1,703)		—
JAPAN	15,072	0	0	15,072	0		—
UNITED STATES	5,101	3	3	5,101	0		—
CANADA	3,720	0	0	3,720	0		—
Other Countries	6,618	76	76	6,618	(9)		—
Off-balance sheet exposures	**58,882**	**289**	**289**			**(47)**	
UNITED KINGDOM	58,825	287	287			(47)	
Other Countries[a]	57	2	2			—	
Total	**366,013**	**3,776**	**3,776**	**304,722**	**(1,712)**	**(47)**	**—**

Note

a. Countries that have more than 1% of the total gross exposure are disclosed in the table and countries with <1% gross exposure are aggregated within 'other countries'.

Analysis of credit risk (continued)

Table 43: CQ5 - Credit quality of loans and advances to non-financial corporations by industry

This table shows the credit quality of loans and advances on balance sheet exposure to non-financial corporations by industry types. The amounts shown are based on IFRS accounting values according to the regulatory scope of consolidation.

		Gross carrying amount					
			of which: non-performing				
				of which: defaulted	of which: loans and advances subject to impairment	Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
As at 31 December 2023		**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
010	Agriculture, forestry and fishing	**3,624**	**319**	**319**	**3,621**	**(104)**	**—**
020	Mining and quarrying	**6**	**—**	**—**	**6**		**—**
030	Manufacturing	**526**	**44**	**44**	**526**	**(19)**	**—**
040	Electricity, gas, steam and air conditioning supply	**27**	**2**	**2**	**27**	**(1)**	**—**
050	Water supply	**32**	**2**	**2**	**32**	**(1)**	**—**
060	Construction	**1,016**	**87**	**87**	**981**	**(39)**	**—**
070	Wholesale and retail trade	**1,711**	**137**	**137**	**1,711**	**(55)**	**—**
080	Transport and storage	**357**	**35**	**35**	**357**	**(12)**	**—**
090	Accommodation and food service activities	**860**	**127**	**127**	**860**	**(27)**	**—**
100	Information and communication	**316**	**31**	**31**	**316**	**(12)**	**—**
110	Financial and insurance activities	**37**	**2**	**2**	**37**	**(1)**	**—**
120	Real estate activities	**9,211**	**259**	**259**	**7,670**	**(82)**	**—**
130	Professional, scientific and technical activities	**733**	**66**	**66**	**733**	**(24)**	**—**
140	Administrative and support service activities	**838**	**56**	**56**	**838**	**(23)**	**—**
150	Public administration and defense, compulsory social security	**27**	**—**	**—**	**27**	**—**	**—**
160	Education	**489**	**33**	**33**	**361**	**(10)**	**—**
170	Human health services and social work activities	**962**	**53**	**53**	**961**	**(19)**	**—**
180	Arts, entertainment and recreation	**280**	**28**	**28**	**280**	**(8)**	**—**
190	Other services	**358**	**43**	**43**	**358**	**(13)**	**—**
200	**Total**	**21,410**	**1,324**	**1,324**	**19,702**	**(450)**	**—**
As at 31 December 2022		**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
10	Agriculture, forestry and fishing	3,822	365	365	3,820	(147)	—
20	Mining and quarrying	8	—	—	8	—	—
30	Manufacturing	698	58	58	698	(19)	—
40	Electricity, gas, steam and air conditioning supply	33	4	4	33	(1)	—
50	Water supply	45	4	4	45	(1)	—
60	Construction	1,448	145	145	1,401	(35)	—
70	Wholesale and retail trade	2,126	170	170	2,126	(52)	—
80	Transport and storage	496	60	60	496	(12)	—
90	Accommodation and food service activities	1,154	167	167	1,154	(30)	—
100	Information and communication	433	42	42	433	(12)	—
110	Financial and insurance activities	—	—	—	—	—	—
120	Real estate activities	10,033	265	265	8,264	(123)	—
130	Professional, scientific and technical activities	1,028	90	90	1,028	(26)	—
140	Administrative and support service activities	1,545	88	88	1,545	(23)	—
150	Public administration and defense, compulsory social security	49	—	—	49	—	—
160	Education	558	31	31	412	(14)	—
170	Human health services and social work activities	1,069	64	64	1,065	(27)	—
180	Arts, entertainment and recreation	345	41	41	345	(11)	—
190	Other services	521	58	58	521	(14)	—
200	**Total**	**25,411**	**1,652**	**1,652**	**23,443**	**(547)**	**—**

Decrease in total gross carrying amount by £4.0bn to £21.4bn (December 2022: £25.4bn) primarily due to repayments.

Analysis of counterparty credit risk

Counterparty credit risk exposures

Counterparty credit risk (CCR) is the risk related to a counterparty defaulting before the final transaction settlement. Barclays Bank UK Group calculates the exposures subject to CCR using two methods: SA-CCR and Financial Collateral Comprehensive Method (FCCM).

Table 44: CCR1 – Analysis of CCR exposure by approach

This table provides a comprehensive view of the methods used to calculate CCR regulatory requirements (excluding central clearing counterparties) and the main parameters used within each method.

		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
As at 31 December 2023		£m	£m	£m		£m	£m	£m	£m
1	SA-CCR (for derivatives)	**89**	**262**		**1.4**	**2,428**	**492**	**492**	**169**
4	Financial collateral comprehensive method (for SFTs)					**5,597**	**172**	**172**	**35**
6	**Total**					**8,025**	**664**	**664**	**204**
As at 31 December 2022		£m	£m	£m		£m	£m	£m	£m
1	SA-CCR (for derivatives)	39	306		1.4	866	483	483	225
4	Financial collateral comprehensive method (for SFTs)					6,164	536	536	107
6	**Total**					7,030	1,019	1,019	332

Analysis of counterparty credit risk (continued)

Table 45: CCR3 – Standardised approach – CCR exposures by regulatory exposure class and risk weights

This table shows exposure at default, broken down by exposure class and risk weight. This table includes exposures subject to the standardised approach only.

	Exposure classes	Risk weight											
		0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	Total exposure value
As at 31 December 2023		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1	Central governments or central banks	**19**	—	—	—	—	—	—	—	—	—	—	**19**
2	Regional government or local authorities	—	—	—	—	—	—	—	—	—	—	—	—
3	Public sector entities	—	—	—	—	—	—	—	—	—	—	—	—
4	Multilateral development banks	—	—	—	—	—	—	—	—	—	—	—	—
5	International organisations	—	—	—	—	—	—	—	—	—	—	—	—
6	Institutions	—	**315**	—	—	**395**	**249**	—	—	—	—	—	**959**
7	Corporates	—	—	—	—	—	—	—	—	**1**	—	—	**1**
8	Retail	—	—	—	—	—	—	—	—	—	—	—	—
9	Institutions and corporates with a short-term credit assessment	—	—	—	—	—	—	—	—	—	—	—	—
10	Other items	—	—	—	—	—	—	—	—	—	—	—	—
11	**Total exposure value**	**19**	**315**	—	—	**395**	**249**	—	—	**1**	—	—	**979**
As at 31 December 2022													
1	Central governments or central banks	—	—	—	—	—	—	—	—	—	—	—	—
2	Regional government or local authorities	—	—	—	—	—	—	—	—	—	—	—	—
3	Public sector entities	—	—	—	—	—	—	—	—	—	—	—	—
4	Multilateral development banks	—	—	—	—	—	—	—	—	—	—	—	—
5	International organisations	—	—	—	—	—	—	—	—	—	—	—	—
6	Institutions	—	203	—	—	593	424	—	—	—	—	—	1,220
7	Corporates	—	—	—	—	—	—	—	—	1	—	—	1
8	Retail	—	—	—	—	—	—	—	—	—	—	—	—
9	Institutions and corporates with a short-term credit assessment	—	—	—	—	—	—	—	—	—	—	—	—
10	Other items	—	—	—	—	—	—	—	—	—	—	—	—
11	**Total exposure value**	—	**203**	—	—	**593**	**424**	—	—	**1**	—	—	**1,221**

Analysis of counterparty credit risk (continued)

Table 46: CCR5 – Composition of collateral for CCR exposures

This table shows the types of collateral posted or received to support or reduce CCR exposures relating to derivative transactions or SFTs, including transactions cleared through a CCP.

		Collateral used in derivative transactions				Collateral used in SFTs	
		Fair value of collateral received		Fair value of posted collateral			
		Segregated	Unsegregated	Segregated	Unsegregated	Fair value of collateral received	Fair value of posted collateral
As at 31 December 2023		£m	£m	£m	£m	£m	£m
1	Cash	**—**	**1,308**	**—**	**4,032**	**—**	**—**
2	Debt	**1**	**17**	**1,151**	**—**	**4,762**	**1,559**
3	Equity	**—**	**—**	**—**	**—**	**—**	**—**
4	Others	**—**	**—**	**—**	**—**	**979**	**—**
5	**Total**	**1**	**1,325**	**1,151**	**4,032**	**5,741**	**1,559**
As at 31 December 2022		£m	£m	£m	£m	£m	£m
1	Cash	—	432	—	5,174	—	—
2	Debt	1	11	1,298	—	2,054	4,611
3	Equity	—	—	—	—	—	—
4	Others	—	—	—	—	471	—
5	**Total**	1	443	1,298	5,174	2,525	4,611

Table 47: CCR8 - Exposures to CCPs

This table provides a breakdown of Barclays' exposures and RWAs to CCPs.

		As at 31 December 2023		As at 31 December 2022	
		Exposure value	RWEA	Exposure value	RWEA
		£m	£m	£m	£m
1	Exposures to QCCPs (total)		**33**		16
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	**315**	**6**	203	4
3	(i) OTC derivatives	**245**	**5**	182	4
4	(ii) Exchange-traded derivatives	**—**	**—**	—	—
5	(iii) SFTs	**70**	**1**	21	—
6	(iv) Netting sets where cross-product netting has been approved	**—**	**—**	—	—
7	Segregated initial margin	**1,150**		1,297	
8	Non-segregated initial margin	**—**	**—**	—	—
9	Prefunded default fund contributions	**41**	**27**	24	12
10	Unfunded default fund contributions	**480**	**—**	480	—

Credit valuation adjustments (CVA)

CVA measures the risk from mark-to-market (MTM) losses due to deterioration in the credit quality of a counterparty to over-the-counter derivative transactions with Barclays Bank UK Group. It is a complement to the counterparty credit risk charge, that accounts for the risk of outright default of a counterparty.

Table 48: CCR2 - Transactions subject to own funds requirements for CVA risk

Barclays Bank UK Group uses the standardised approach to calculate CVA capital charge: This approach takes account of the external credit rating of each counterparty, EAD from the calculation of the CCR and the effective maturity.

Credit valuation adjustment (CVA) capital charge		Exposure Value	RWEA
	As at 31 December 2023	£m	£m
4	Transactions subject to the Standardised method	**468**	**304**
5	**Total transactions subject to own funds requirements for CVA risk**	**468**	**304**

		Exposure value	RWEA
	As at 31 December 2022	£m	£m
4	Transactions subject to the Standardised method	480	735
5	**Total transactions subject to own funds requirements for CVA risk**	480	735

CVA RWA decreased by £0.4bn to £0.3bn (December 2022: £0.7bn) primarily driven by maturity of FX forward trades.

Analysis of market risk

Table 49: MR1 – Market risk under the standardised approach

This table shows the RWAs and capital requirements for standardised market risk split between outright products, options and securitisation. This table includes exposures subject to the standardised approach only.

		As at 31 December 2023	As at 31 December 2022
		RWEAs	RWEAs
		£m	£m
	Outright products		
1	Interest rate risk (general and specific)	**96**	30
2	Equity risk (general and specific)	**—**	—
3	Foreign exchange risk	**178**	203
4	Commodity risk	**—**	—
9	**Total**	**274**	233

Analysis of securitisation exposures

Table 50: SEC1 - Securitisation exposures in the non-trading book

This table shows the non-trading book securitisation exposure split by exposure type and associated regulatory capital requirements.

		Institution acts as originator							Institution acts as sponsor				Institution acts as investor			
		Traditional				Synthetic		Sub-total	Traditional		Synthetic	Sub-total	Traditional		Synthetic	Sub-total
		STS		Non-STS					STS	Non-STS			STS	Non-STS		
			of which SRT		of which SRT		of which SRT									
As at 31 December 2023		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1	**Total exposures**	**482**	**482**	**5,942**	**158**	**2,574**	**2,574**	**8,998**	**—**	**—**	**—**	**—**	**1,917**	**5,021**	**—**	**6,938**
2	Retail (total)	**482**	**482**	**5,942**	**158**	**—**	**—**	**6,424**	**—**	**—**	**—**	**—**	**1,917**	**5,021**	**—**	**6,938**
3	Residential mortgage	**482**	**482**	**643**	**158**	**—**	**—**	**1,125**	**—**	**—**	**—**	**—**	**1,917**	**5,021**	**—**	**6,938**
4	Credit card	**—**	**—**	**5,299**	**—**	**—**	**—**	**5,299**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
5	Other retail exposures	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
6	Re-securitisation	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
7	Wholesale (total)	**—**	**—**	**—**	**—**	**2,574**	**2,574**	**2,574**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
8	Loans to corporates	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
9	Commercial mortgage	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
10	Lease and receivables	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
11	*Other wholesale*	**—**	**—**	**—**	**—**	***2,574***	***2,574***	***2,574***	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
12	Re-securitisation	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
As at 31 December 2022		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1	Total exposures	—	—	8,034	489	3,929	3,929	11,963	—	—	—	—	1,144	4,429	—	5,573
2	Retail (total)	—	—	8,034	489	—	—	8,034	—	—	—	—	1,144	4,429	—	5,573
3	residential mortgage	—	—	988	489	—	—	988	—	—	—	—	1,144	4,429	—	5,573
4	credit card	—	—	7,046	—	—	—	7,046	—	—	—	—	—	—	—	—
5	other retail exposures	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
6	re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
7	Wholesale (total)	—	—	—	—	3,929	3,929	3,929	—	—	—	—	—	—	—	—
8	loans to corporates	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9	commercial mortgage	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
10	lease and receivables	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
11	*other wholesale*	—	—	—	—	*3,929*	*3,929*	*3,929*	—	—	—	—	—	—	—	—
12	Re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

The value of securitised assets in the banking book, where Barclays Bank UK Group acts as originator, EAD decreased by £3.0bn to £9.0bn (December 2022: £12.0bn) primarily due to asset amortisation.

The value of securitised assets in the banking book, where Barclays Bank UK Group is the Investor, EAD has increased by £1.3bn to £6.9bn (December 2022: £5.6bn) primarily due to an increase in investments.

Analysis of securitisation exposures (continued)

Table 51: SEC3 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor

This table shows the non-trading book securitisation exposures, where the institution acts as originator or as sponsor.

		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWEA (by regulatory approach)				Capital charge after cap			
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions
As at 31 December 2023		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1	**Total exposures**	**3,181**	—	—	—	—	**2,727**	—	**454**	—	**409**	—	**45**	—	**33**	—	**4**	—
2	Traditional transactions	**601**	—	—	—	—	**147**	—	**454**	—	**22**	—	**45**	—	**2**	—	**4**	—
3	Securitisation	**601**	—	—	—	—	**147**	—	**454**	—	**22**	—	**45**	—	**2**	—	**4**	—
4	Retail underlying	**601**	—	—	—	—	**147**	—	**454**	—	**22**	—	**45**	—	**2**	—	**4**	—
5	*Of which STS*	**454**	—	—	—	—	—	—	**454**	—	—	—	**45**	—	—	—	**4**	—
6	Wholesale	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
7	*Of which STS*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8	Re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9	Synthetic transactions	**2,580**	—	—	—	—	**2,580**	—	—	—	**387**	—	—	—	**31**	—	—	—
10	Securitisation	**2,580**	—	—	—	—	**2,580**	—	—	—	**387**	—	—	—	**31**	—	—	—
11	Retail underlying	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
12	Wholesale	***2,580***	—	—	—	—	***2,580***	—	—	—	***387***	—	—	—	***31***	—	—	—
13	Re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
As at 31 December 2022		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1	Total exposures	4,388	—	—	—	—	4,388	—	—	—	658	—	—	—	53	—	—	—
2	Traditional transactions	459	—	—	—	—	459	—	—	—	69	—	—	—	6	—	—	—
3	Securitisation	459	—	—	—	—	459	—	—	—	69	—	—	—	6	—	—	—
4	Retail underlying	459	—	—	—	—	459	—	—	—	69	—	—	—	6	—	—	—
5	Of which STS	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
6	*Wholesale*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
7	Of which STS	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8	*Re-securitisation*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9	*Synthetic transactions*	3,929	—	—	—	—	3,929	—	—	—	589	—	—	—	47	—	—	—
10	*Securitisation*	3,929	—	—	—	—	3,929	—	—	—	589	—	—	—	47	—	—	—
11	*Retail underlying*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
12	*Wholesale*	3,929	—	—	—	—	3,929	—	—	—	589	—	—	—	47	—	—	—
13	*Re-securitisation*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

The value of securitised assets in the banking book, where Barclays Bank UK Group acts as originator, EAD decreased by £1.2bn to £3.2bn (December 2022: £4.4bn) primarily due to asset amortisation.

Analysis of securitisation exposures (continued)

Table 52: SEC4 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor

This table shows the non-trading book securitisation exposures, where the institution acts as investor.

		Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWEA (by regulatory approach)				Capital charge after cap			
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions
As at 31 December 2023		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1	**Total exposures**	**6,938**	—	—	—	—	—	**248**	**6,690**	—	—	**50**	**941**	—	—	**4**	**75**	—
2	Traditional transactions	**6,938**	—	—	—	—	—	**248**	**6,690**	—	—	**50**	**941**	—	—	**4**	**75**	—
3	Securitisation	**6,938**	—	—	—	—	—	**248**	**6,690**	—	—	**50**	**941**	—	—	**4**	**75**	—
4	Retail underlying	**6,938**	—	—	—	—	—	**248**	**6,690**	—	—	**50**	**941**	—	—	**4**	**75**	—
5	*Of which STS*	***1,916***	—	—	—	—	—	—	***1,916***	—	—	—	***192***	—	—	—	***15***	—
6	Wholesale	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
7	*Of which STS*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8	Re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9	Synthetic transactions	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
10	Securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
11	Retail underlying	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
12	Wholesale	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
13	Re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
As at 31 December 2022		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1	**Total exposures**	5,573	—	—	—	—	—	—	5,573	—	—	—	779	—	—	—	62	—
2	Traditional transactions	5,573	—	—	—	—	—	—	5,573	—	—	—	779	—	—	—	62	—
3	Securitisation	5,573	—	—	—	—	—	—	5,573	—	—	—	779	—	—	—	62	—
4	Retail underlying	5,573	—	—	—	—	—	—	5,573	—	—	—	779	—	—	—	62	—
5	*Of which STS*	1,144	—	—	—	—	—	—	1,144	—	—	—	114	—	—	—	9	—
6	Wholesale	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
7	*Of which STS*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8	Re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9	Synthetic transactions	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
10	Securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
11	Retail underlying	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
12	Wholesale	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
13	Re-securitisation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

The value of securitised assets in the banking book, where Barclays Bank UK Group is the Investor, EAD has increased by £1.3bn to £6.9bn (December 2022: £5.6bn) primarily due to an increase in investments.

Analysis of securitisation exposures (continued)

Table 53: SEC5 - Exposures securitised by the institution - Exposures in default and specific credit risk adjustments

This table shows the outstanding nominal amounts where the institution acts as originator or as sponsor together with those exposures that are deemed as defaulted, where specific credit risk adjustments have been raised.

		Exposures securitised by the institution - Institution acts as originator or as sponsor		
		Total outstanding nominal amount		Total amount of specific credit risk adjustments made during the period
			Of which exposures in default	
As at 31 December 2023		**£m**	**£m**	**£m**
1	**Total exposures**	**9,282**	**13**	**—**
2	Retail (total)	**6,560**	**13**	**—**
3	*residential mortgage*	***1,262***	**—**	**—**
4	*credit card*	***5,298***	***13***	**—**
5	other retail exposures	**—**	**—**	**—**
6	re-securitisation	**—**	**—**	**—**
7	Wholesale (total)	**2,722**	**—**	**—**
8	*loans to corporates*	**—**	**—**	**—**
9	*commercial mortgage*	**—**	**—**	**—**
10	*lease and receivables*	**—**	**—**	**—**
11	*other wholesale*	***2,722***	**—**	**—**
12	re-securitisation	**—**	**—**	**—**
As at 31 December 2022		**£m**	**£m**	**£m**
1	Total exposures	12,171	24	—
2	Retail (total)	8,100	24	—
3	*residential mortgage*	*1,054*	—	—
4	*credit card*	*7,046*	*24*	—
5	other retail exposures	—	—	—
6	re-securitisation	—	—	—
7	Wholesale (total)	4,071	—	—
8	loans to corporates	—	—	—
9	commercial mortgage	—	—	—
10	lease and receivables	—	—	—
11	*other wholesale*	*4,071*	—	—
12	re-securitisation	—	—	—

The value of exposures securitised, where Barclays Bank UK Group acts as either originator or sponsor, has decreased by £2.9bn to £9.3bn (December 2022: £12.2bn) primarily due to asset amortisation.

Analysis of operational risk

Table 54: OR1 - Operational risk own funds requirements and risk-weighted exposure amounts[a]

The following table details the Group's operational risk RWAs. Barclays Bank UK Group has approval from the PRA to calculate its operational risk capital requirement using TSA.

See pages 136 to 140 for information on operational risk management.

		Relevant indicator				
		Year-3	Year-2	Last year	Own funds requirements	Risk weighted exposure amount
	Banking activities	£m	£m	£m	£m	£m
1	Banking activities subject to basic indicator approach (BIA)	**—**	**—**	**—**	**—**	**—**
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	**6,603**	**7,554**	**7,699**	**933**	**11,668**
3	Subject to TSA:	**6,603**	**7,554**	**7,699**		
4	Subject to ASA:					
5	Banking activities subject to advanced measurement approaches AMA	**—**	**—**	**—**	**—**	**—**
	Banking activities	£m	£m	£m	£m	£m
1	Banking activities subject to basic indicator approach (BIA)	—	—	—	—	—
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	6,640	6,603	7,557	886	11,081
3	Subject to TSA:	6,640	6,603	7,557		
4	Subject to ASA:	—	—	—		
5	Banking activities subject to advanced measurement approaches AMA	—	—	—	—	—

Operational risk RWAs increased by £0.6bn to £11.7bn (December 2022: £11.1bn) primarily driven by the inclusion of higher 2023 income compared to 2020.

Capital set aside for operational risk is intended to cover the losses resulting from human errors, inadequate or failed internal processes and systems or external events. To assess minimum capital requirements for operational risk, the TSA is applied. Under TSA, banks are required to hold regulatory capital for operational risk equal to the annual average, calculated over a rolling three-year period, of the relevant income indicator, multiplied by a conversion percentage factor specific to business lines in accordance with the regulatory requirements.

Operational risk profile

During 2023, total operational risk losses[a] fell to £84m (2022: £88m) while the number of recorded events for 2023 remained broadly stable at 2,046 (2022: 2,032). The total operational risk losses for the year were mainly driven by events falling within the Execution, Delivery & Process Management and External Fraud categories, which tend to be high volume but low impact events.

Within operational risk, there are a large number of smaller value risk events. In 2023, 84% (2022: 86%) 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% (2022: 42%) 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.

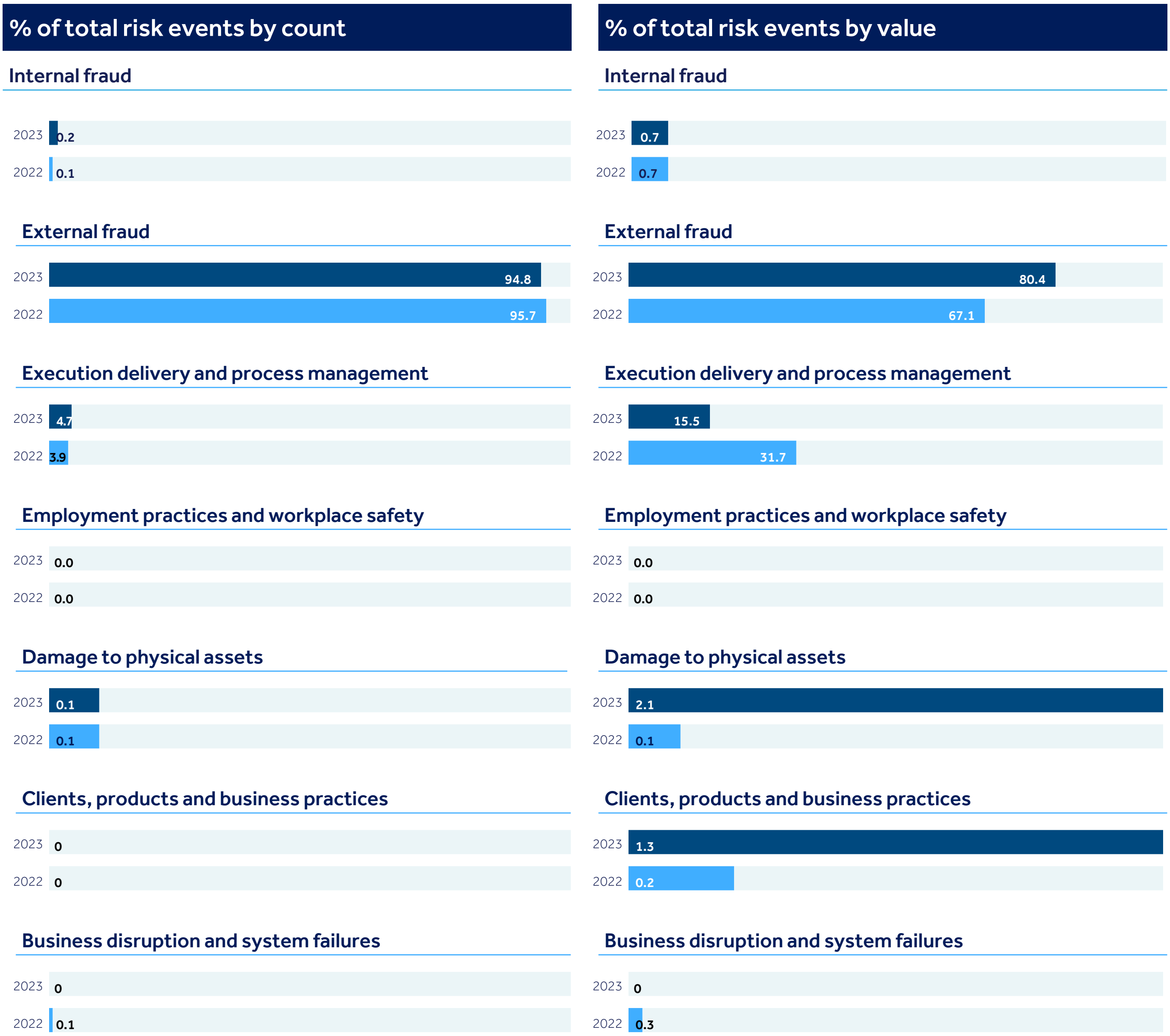
Note

a. The data disclosed includes operational risk losses for reportable events having net impact of > £10,000 and excludes events that are compliance or legal risk, aggregate and boundary events. A boundary event is an operational risk event that results in a credit risk impact.

Analysis of operational risk (continued)

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

Operational risk events by BASEL event category[a]



Note

a. The data disclosed includes operational risk losses for reportable events having net impact of > £10,000 and excludes events that are compliance or legal risk, aggregate and boundary events. A boundary event is an operational risk event that results in a credit risk impact.

- External Fraud remains the category with the highest frequency of events at 95% of total events in 2023 (2022: 96%) with number of events decreasing to 1,940 (2022: 1,945). Losses increased to £68m accounting for 80% of total losses (2022: £59m / 67%). 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 2023 including those from events with impact < £10,000 amounted to £119m (2022: £123m).
- Execution, Delivery and Process Management impacts decreased to £13m (2022: £28m), accounting for 16% of overall operational risk losses (2022: 32%). 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 96 (2022: 80), accounting for 5% of total events (2022: 4%).

Investment continues to be made in improving the control environment across the Barclays Bank UK Group. Specific 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. Additionally, Barclays Bank UK Group continues to invest in its processing infrastructure to manage the risk of processing errors as well as ensuring scalability of operations.

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.

Analysis of operational risk (continued)

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.

Risk management strategy, governance and risk culture

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 the 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 guides the organisation of risk management processes
- risk appetite requirements: this helps define the level of risk Barclays Bank UK PLC are willing to undertake in its business
- risk management and segregation of duties: the ERMF defines a Three Lines of Defence model
- roles and responsibilities for risk management and governance structure

The ERMF is complemented by frameworks, policies and standards that are mainly aligned to individual principal risks. Similar to the ERMF, these documents are approved by the relevant Group owners, and are modified via addenda where needed for application in Barclays Bank UK Group :

- 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 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, etc. The first line is responsible for identifying and managing the risks in which they are engaged in, 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 Barclays Bank UK Group 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 proactively identifying, communicating and providing legal advice on applicable laws, rules and regulations. 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 compliance risks, as well as with respect to the legal 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, compliance risk, reputation risk and legal risk. Note that 'compliance risk' replaced 'conduct risk' in 2023 with an expanded definition; see page 83 for more information.

Each of the principal risks is overseen by an accountable executive at the Barclays Group level who is responsible for overseeing and/or assigning responsibilities for the framework, policies and standards that set out associated responsibilities and expectations, and detail the related requirements around risk management. In addition, certain risks span across more 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 PLC Board cannot approve a higher risk appetite than that determined by the Barclays PLC Board without the approval of the Barclays PLC Board but may choose to operate at a lower level of risk appetite than that approved by the Barclays PLC Board. The Barclays Group's 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 management strategy, governance and risk culture (continued)

Roles and responsibilities in the management of risk

Certain roles within Barclays Bank UK PLC carry specific responsibilities and accountabilities with respect to risk management and the ERMF. These include the following:

Barclays Bank UK PLC Chief Executive Officer (CEO)

The Barclays Bank UK PLC CEO is accountable for leading the development of Barclays Bank UK's strategy and business plans that align to the Purpose, Values and Mindset within the approved risk appetite, and for managing and organising executive management to drive their execution. Managing the Bank's financial and operational performance within the approved Risk Appetite is ultimately the CEO's responsibility.

Specifically, a crucial role of the Barclays Bank UK CEO is to appoint the most senior risk owners at the executive level including the Barclays Bank UK PLC Chief Risk Officer and the Barclays Bank UK PLC General Counsel, in line with applicable governance requirements. They must work with them to embed a strong risk culture within the legal entity, with particular regard to the identification, escalation and management of risk matters.

Barclays Bank UK PLC Chief Risk Officer (CRO)

Barclays Bank UK PLC CRO leads the Risk Function for the legal entity. Specific accountabilities include:

- oversight of the application of the ERMF in Barclays Bank UK.
- recommendation of Barclays Bank UK's risk appetite, in line with the relevant Group allocation, to the Barclays Bank UK Board for approval
- operation and maintenance of a comprehensive risk management framework for Barclays Bank UK to monitor and manage the risk profile against the approved risk appetite. This includes oversight of the following principal risks: Credit Risk, Market Risk, Climate Risk, Model Risk and Operational Risk
- using their mandate to identify and assign actions to be taken by Barclays Bank UK management to comply with the ERMF and remain within risk appetite. This extends to suspension or stopping decisions as necessary
- provision of accurate, transparent and timely reporting of the Risk Profile of Barclays Bank UK
- bringing a risk perspective to compensation decisions

Barclays Bank UK PLC Chief Compliance Officer

The Barclays Bank UK PLC Chief Compliance Officer is accountable to the Barclays Bank UK PLC CEO to lead the Compliance Function. Specific accountabilities include:

- leadership and oversight of the Compliance function for the Barclays Bank UK PLC
- overseeing that the Barclays Bank UK PLC's compliance and reputation risks are effectively managed and escalated to the Board where appropriate
- overseeing the adoption of and monitoring compliance with the Reputation Risk Management Framework (RRMF) and Compliance Risk Management Framework (CRMF) within the Bank;
- inputting into compensation structures, objectives and performance management of employees who can expose the Barclays Bank UK PLC to significant risk
- using mandate to access any part of the legal entity and any information, bringing to the attention of line and senior management or the Board, as appropriate, any situation that is of concern from a compliance or reputation risk management perspective that could materially violate the approved risk appetite guidelines

Barclays Bank UK PLC General Counsel

The Barclays Bank UK PLC General Counsel provides legal advice and guidance to Barclays Bank UK on the adoption of the Group legal risk framework, policies and entity risk appetite for legal risk through non-financial legal risk tolerances aligned to the Group-wide legal risk appetite.

Barclays Bank UK PLC Chief Controls Officer

The Barclays Bank UK PLC Chief Controls Officer, reporting to the Barclays Bank UK PLC Chief Operating Officer, is responsible for overseeing the practical implementation of operational, compliance and reputation risk controls and control methodologies across Barclays Bank UK. The Chief Controls Office has the following key responsibilities:

- Reviewing tolerances for non-financial operational risk exposures set by the business, and maintaining their appropriateness.
- Maintaining the standard for the creation and maintenance of all control documentation in Barclays Bank UK
- Overseeing the execution of control framework requirements consistently across Barclays Bank UK. Execution includes recording risk events, issues, and the completion of risk and control self-assessments

Senior Managers Regime

A number of members of the Barclays Bank UK PLC Board, of its Executive Committee and a limited number of specified senior individuals are also subject to additional rules included within the Senior Managers Regime (SMR), which clarifies their accountability and responsibilities. Those designated with a Senior Manager Function under the SMR are held to four specific rules of conduct in which they must:

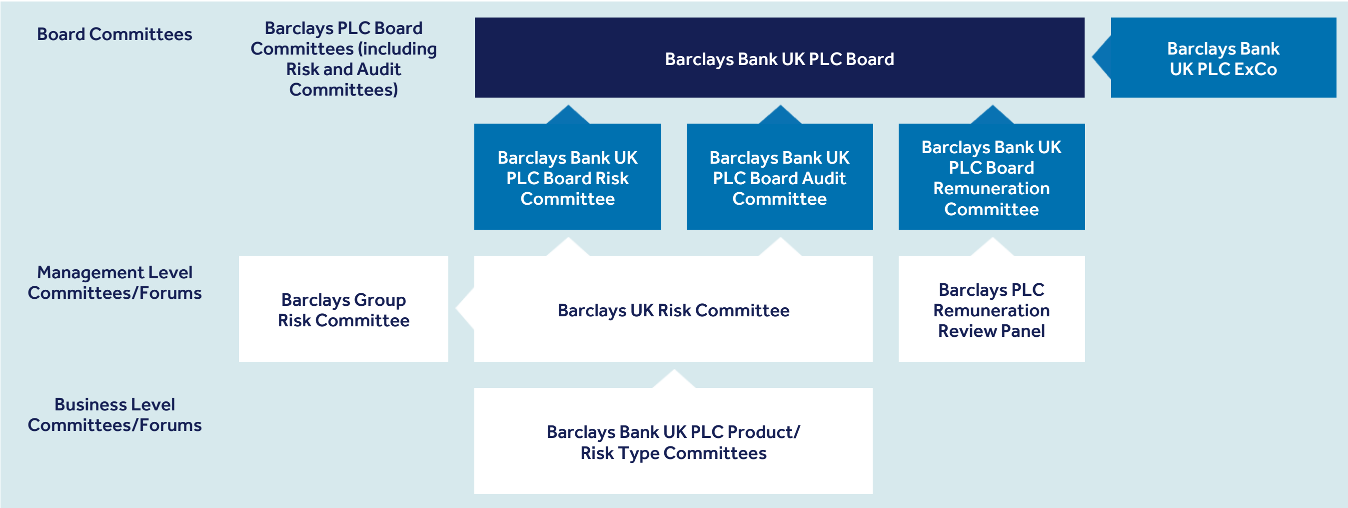
- take reasonable steps to establish that the business of the Group for which they are responsible is controlled effectively
- take reasonable steps to establish that the business of the Group for which they are responsible complies with relevant regulatory requirements and standards of the regulatory system
- take reasonable steps to make certain that any delegation of their responsibilities is to an appropriate individual and that they oversee the discharge of the delegated responsibilities effectively
- disclose appropriately any information to the FCA or PRA, of which they would reasonably expect notice

Risk management strategy, governance and risk culture (continued)

Risk committees

The various Barclays Bank UK 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 Risk Committees and the Barclays Bank UK PLC Board.

Risk management



The Barclays UK Risk Committee is the most senior executive body responsible for reviewing and monitoring the risk profile of the Barclays Bank UK Group. This includes coverage of all principal risks and any other material risks, to which the Barclays Bank UK Group is exposed. The Barclays UK Risk Committee reviews and recommends the proposed risk appetite and relative limits to the Barclays Group Risk Committee and the Barclays Bank UK PLC Board Risk Committee.

The Barclays Group Risk Committee receives regular updates on the risk profile of the Barclays Bank UK Group and will approve the risk appetite and limits for consideration by the Barclays PLC Board Risk Committee.

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):** The BAC receives regular reports on the effectiveness of internal control systems, on material control issues of significance and on accounting judgements (including impairment), and a quarterly review of the adequacy of impairment allowances
- **The Barclays Bank UK PLC Board Remuneration Committee (RemCo):** The RemCo receives proposals on ex-ante and ex-post risk adjustments to variable remuneration based on risk management performance including events, issues and the wider risk profile. These inputs are considered in the setting of performance incentives

Risk management strategy, governance and risk culture (continued)

Coverage of risk reports to executive and Board risk committees

Chairs of Risk Committees at executive and Board levels specify the information they require to discharge their duties. Advance committee calendars are agreed with the committee chairs. Topics that are regularly covered include:

- risk profile across risk types
- risk appetite, results of stress tests and perspective on medium-term plans and strategy
- political and economic developments, and their potential impacts on Barclays and its customers
- impacts of key market developments on the risk profile of the Group
- risk management approaches and their effectiveness

Reports are presented by appropriate members of senior management, including CROs and heads of businesses. Occasionally, subject matter experts are delegated to present specific topics of interest. Report presenters are responsible for following processes for creating reports that include appropriate controls and that these controls are operated effectively.

Frameworks, Policies and Standards

Frameworks, policies and standards set out the governance around Barclays Bank UK's activities:

- frameworks cover high level principles guiding the management of principal risks, and set out details of what policies are needed, and high level governance arrangements
- policies set out the control objectives and high level requirements to address the key principles articulated within 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.

The Barclays Bank UK Group CRO is accountable for the implementation of frameworks, policies and associated standards for credit, market, treasury and capital, climate, operational and model risks. The Barclays Bank UK CRO is responsible for adoption and overseeing their effective implementation within Barclays Bank UK PLC

The Barclays Bank UK Group Chief Compliance Officer is likewise accountable for Compliance risk and reputation risk, and the Barclays Bank UK Group General Counsel for legal risk. Similar to the Barclays Bank UK CRO, the Barclays Bank UK Chief Compliance Officer and the Barclays Bank UK Head of Legal are accountable for adoption and overseeing their effective implementation within their functions and throughout Barclays Bank UK as appropriate. The Barclays Bank UK Group CRO and Barclays Bank UK Group Chief Compliance Officer have the right to require amendments to any frameworks, policies or standards in the Barclays Bank UK Group

Frameworks, policies and standards are subject to annual review.

Assurance

Assurance is undertaken to assess the control environment. The Controls Assurance and Controls Testing Standard defines the requirements for controls assurance and controls testing.

The risk function carry out conformance reviews to assess the implementation of, and adherence to, principal risk framework and component policies. Similar activities are undertaken in the first line by the Chief Controls Office in respect of certain policies, standards, controls or processes.

Internal Audit is responsible for the independent review of risk management and the control environment. Its objective is to provide reliable, valued and timely assurance to the Board and executive management over the effectiveness of controls, mitigating current and evolving material risks and thus enhancing the control culture within the Barclays Bank UK Group. The Board Audit Committee reviews and approves Internal Audit's plans and resources, and evaluates the effectiveness of Internal Audit. An assessment by independent external advisers is also carried out periodically.

Effectiveness of risk management arrangements

The ERMF and its component Principal Risks are subject to control testing assurance reviews to confirm its effectiveness or identify issues to be mitigated. Management and the Board are satisfied that the design of the ERMF and its components are appropriate given the risk profile of the Barclays Bank UK Group.

Risk management strategy, governance and risk culture (continued)

Learning from our mistakes

Learning from mistakes is central to Barclays' values and mindset, demonstrating a commitment to excellence and taking accountability for failure as well as success. The Barclays Bank UK Group seeks to learn lessons on a continuous basis to support the achievement of strategic objectives, increase operational excellence and to meet commitments to stakeholders, including colleagues, customers, shareholders and regulators. Barclays has implemented a Barclays Bank UK Group Lessons Learned process, setting out requirements for the completion of lessons learned assessments in response to internal and external risk events. The approach is aligned to the Three Lines of Defence model (see page 76), with businesses and functions accountable for undertaking lessons learned assessments; the Second Line providing oversight and challenge; and independent review by Internal Audit.

Core components of the Lessons Learned approach include:

- defined triggers for when Lessons Learned Assessments must be completed
- requirements and guidance for the completion of root cause analysis to identify the causes of risk events impacting the Barclays Bank UK Group
- standardised templates to report conclusions consistently to relevant management fora and committees
- use of a central system to record completed Lessons Learned Assessments and to facilitate sharing across the Barclays Bank UK Group

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 strong risk culture within the Barclays Group, with particular regard to the identification, escalation and management of risk matters, in accordance with the ERMF. This is supported by our Purpose, Values and Mindset, as well by as by setting a standard of consistent excellence. 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.

Barclays Bank UK Group risk management tools

To support Barclays Bank UK Group's management of risks, the Barclays Bank UK PLC Board uses risk appetite, mandate and scale, and stress testing as key inputs in the annual planning cycle, including setting of its strategy. The following describes in further detail the risk management tools used as part of this process.

Risk appetite

Risk appetite is defined as the level of risk which Barclays Bank UK Group is prepared to accept in carrying out its activities.

Risk appetite provides a basis for ongoing dialogue between management and Board with respect to Barclays Bank UK Group's current and evolving risk profile and enables strategic and financial decisions to be made on an informed basis. Thus the risk appetite setting process aims to consider the material risks Barclays Bank UK Group is exposed to under its business plans.

The risk appetite of Barclays Bank UK Group aims to:

- specify the level of risk we are willing to take to enable specific risk taking activities
- consider all Principal Risks individually and, where appropriate, in aggregate
- consistently communicate the acceptable level of risk for different risk types

Risk appetite is approved by the Board and must be formally reviewed at least annually in conjunction with the Medium Term Planning (MTP) process.

Risk management strategy, governance and risk culture (continued)

Risk appetite is formally expressed by the Barclays Bank UK PLC Board as the acceptable level of deterioration in a set of key financial parameters under a severe but plausible stress scenario defined as the internal stress test. For 2023, the key financial parameters are listed below.

Measure relevant to strategy and risk	Link between strategy and risk profile
Profit after tax	Avoids short term performance that could impact confidence of regulators, liquidity providers, investors and other stakeholders.
Common Equity Tier 1 (CET1)	Monitors capital adequacy in relation to capital plan, targets and regulatory hurdle rates.
Liquidity Risk Appetite	Monitors and protects liquidity position of the bank and its ability to meet financial obligations under normal conditions and in a stress.

Based on the specified risk appetite, Barclays Bank UK Group develops both stress loss and mandate & scale limits to control specific activities.

Barclays' strategic plans and risk appetite must support Barclays' ambition to reduce emissions to net zero by 2050.

Measure relevant to strategy and risk	Link between strategy and risk profile
Climate Risk	Protects the long term climate ambitions of the bank and its ability to meet disclosed targets.

Stress loss limits

Stress loss limits are derived from the results of the internal stress test. Limits are a reflection of the losses absorbed by the stressed capital plans within risk appetite and provide a crucial link between the strategic planning process and risk appetite. Stress loss limits are conservatively assumed to be additive but in practice stresses may not happen at the same time. Risk management may over-allocate stress loss limits where they deem it unlikely all businesses will require full limit utilisation at the same time. Aggregate utilisation across all risk types is monitored against both the aggregate of stress loss limits and losses absorbed by the stressed capital plan. It is the role of Risk to manage the over-allocation within capital constraints.

Mandate and scale

Mandate and scale is a risk management approach that seeks to formally review and control exposure and business activities to make sure that they are within mandate (i.e. aligned with expectations), and are of an appropriate scale (relative to the risk and reward of the underlying activities) based on an appropriately detailed system of controls. The use of controls (e.g. limits and triggers) helps mitigate the risk of concentrations that could be out of line with expectations, and which may lead to unexpected losses of a scale detrimental to the stability of the relevant business line or Barclays Bank UK Group. There are, for example, individual limits for High Loan to Value and Buy to Let mortgages, and limits on the concentration of lower credit quality unsecured products, for example the Access product in Barclaycard UK.

The most material stress loss and mandate and scale limits are designated as A-level (Barclays PLC Board level) and B-Level (Barclays Group level). All B-level and lower limits are set by the Risk function. Barclays Bank UK Group limits are approved by the Barclays Bank UK Group CRO and are reportable to the Barclays UK Risk Committee. Unapproved excesses of limits may result in performance management and disciplinary consequences. All limits are subject to escalation and governance requirements.

There is explicit identification of the exposures that are captured by limits and any material exclusion must be agreed. Limits are reviewed at least annually. The factors taken into consideration when setting the limit include:

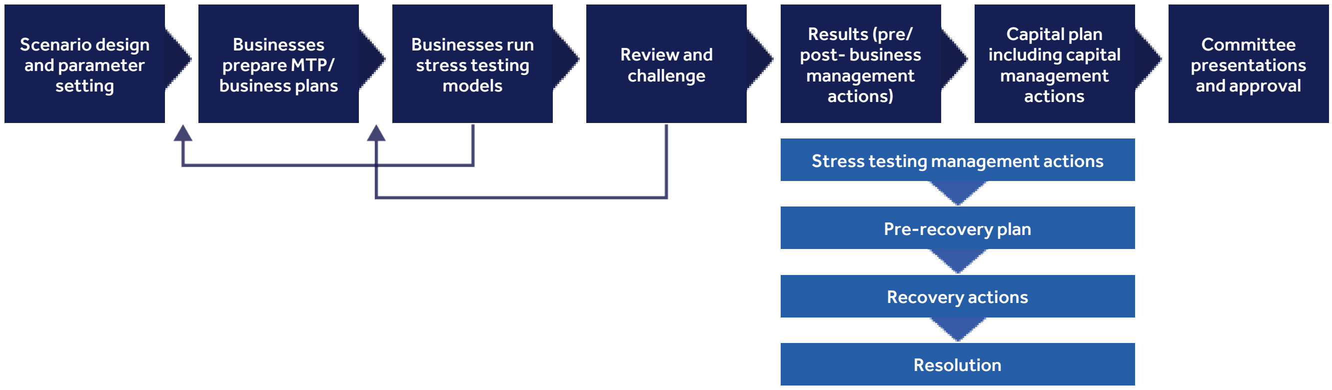
- Barclays Group and Barclays Bank UK Group Risk Appetite
- current exposure/MTP forecasts
- risk return considerations
- senior risk management judgement.

Risk management strategy, governance and risk culture (continued)

Internal stress testing

Barclays Bank UK Group-wide stress tests are integrated within the MTP process and annual review of risk appetite, forming part of a Barclays Group-wide approach to stress testing. They aim to check that Barclays Bank UK Group's financial position and risk profile provide sufficient resilience to withstand the impact of severe economic stress, allowing Barclays Bank UK to make changes to plans as necessary. Barclays Bank UK Group-wide stress testing process is supported by a Capital Stress Testing Standard which sets out the minimum control requirements and defines clear roles and responsibilities across businesses and central functions. The results also feed into our internal capital adequacy assessment process (ICAAP).

The following diagram outlines the key steps in Barclays Bank UK Group-wide stress testing process, which are described below.



Barclays Bank UK Group-wide stress testing process begins with a detailed scenario setting process, with the Barclays Group Risk Committee and Barclays Board Risk Committee agreeing the range of scenarios to be tested. The scenarios are designed to be severe but plausible, and relevant to the business. A wide range of macroeconomic parameters are defined (such as GDP, unemployment, house prices, FX, interest rates, and inflation), which allows the impact of the scenarios across the wide range of products and portfolios to be assessed across Barclays Bank UK Group.

Businesses prepare detailed MTP business plans which form the baseline for the stress test assessment. The stress test process aims to support this level of complexity, using bottom-up analysis across all of our businesses including both on- and off-balance sheet positions, and combines running statistical models with expert judgement. An overview of the stress testing approach by Principal Risk is provided in the table below. As part of their stress test assessments, businesses are also required to identify potential management actions that could be taken to mitigate the impact of stress and document these within their results.

The governance process in place includes a detailed review of stress testing methodology, assumptions, judgements, results and management actions within each business (including sign-off by business CROs and CFOs) and by central functions.

The businesses' stress test results are consolidated to form a Barclays Bank UK Group view which is used to assess the stress impact on both Barclays Bank UK Group's and Barclays Group's capital plans both of which consider capital management actions such as reducing dividends or redeeming certain capital instruments. Barclays Bank UK Group also maintains recovery plans which take into consideration actions to facilitate recovery from severe stress or an orderly resolution. These actions are additional to those included in Barclays Bank UK Group-wide stress testing results.

The overall stress testing results are reviewed and signed off by the Barclays Bank UK PLC Board, following review by the Barclays Bank UK PLC Board Risk Committee while also feeding into the Barclays Group level reviews with the Stress Testing Steering Committee, the Barclays Group Risk Committee and the Barclays BRC.

Risk management strategy, governance and risk culture (continued)

Summary of methodologies for Barclays Bank UK Group-wide stress testing by risk type

Principal Risk	Stress testing approach
Credit risk	• Credit risk impairment: For retail portfolios businesses use statistical models to establish a relationship between IFRS 9 impairment loss levels and key macroeconomic parameters such as GDP, inflation and unemployment, incorporating credit quality migration analysis to estimate stressed levels. In addition, house price reductions (for mortgages), increased customer drawdowns (for revolving facilities) and higher interest rates impacting customer affordability lead to higher losses which also contribute to increased impairment levels. For wholesale portfolios the stress shocks on credit risk drivers (PDs, LGDs and EADs) are primarily calibrated using historical and expected relationships with key macro-economic parameters such as GDP, CPPI and oil prices. Additionally key consideration are given to high risk sectors such as leverage lending. • Credit risk weighted assets: The impact of the scenarios is calculated via a combination of business volumes and using similar factors to the impairment drivers above, as well as the regulatory calculation and the level of pro-cyclicality of underlying regulatory credit risk models. Additionally, upcoming regulatory changes are included in the calculation.
Counterparty Credit risk	• Counterparty credit risk losses: The scenarios include market risk shocks that are applied to determine the market value under stress of contracts that give rise to Counterparty Credit Risk (CCR). Counterparty losses, including from changes to the Credit Valuation Adjustment and from defaults, are modelled based on the impact of these shocks as well as using stressed credit risk drivers (PDs and LGDs). The same approach is used to stress the market value of assets held as available for sale or at fair value in the banking book. • Counterparty Credit Risk RWA: The scenario market risk shocks are applied to determine the market value of contracts under stress in line with the losses process and the credit risk MEVs and models are used to determine the underlying PDs and LGDs. This combination of stressed metrics are applied to the regulatory calculations alongside any upcoming regulatory changes.
Market risk	• Trading book losses: Market risk factors on the balance sheet are stressed using specific market risk shocks (same as used for the CCR analysis, above). The severity of the shocks applied are dependent on the liquidity of the market under stress, e.g. illiquid less liquid positions are assumed to have a longer holding period than positions in liquid markets.

Risk management strategy, governance and risk culture (continued)

Principal Risk	Stress testing approach
Income and Costs	The stress projections for Income and Cost apply projection methodologies utilising either modelled or judgement based approaches • Impact on net interest income is driven by stressed margins, which depend on the level of interest rates under stress as well as funding costs, and on stressed balance sheet volumes. This can be partly mitigated by management actions that may include repricing of variable rate products, taking into account interbank lending rates under stress. • Net Trading Income (NTI) stress impacts consist of two key components. The modelled impact of various risk stresses on trading book activity will directly impact the NTI. Additionally change in client activity is also modelled for each business area which has a corresponding impact on revenue earned on intermediation and liquid financing flows that will be reported in NTI. This can be further impacted by management actions whereby select types of client activity may be reduced to conserve capital deployed with a corresponding impact on reducing NTI. • Non-interest income stress impacts are primarily driven by lower projected business volumes and hence lower income from fees and commissions. • The impact on costs is mainly driven by business volumes, exchange rates, and inflation with management actions to partly offset profit reductions (due to impairment increases and decreases in income) such as headcount reductions and lower performance costs.
Capital and Management Actions	• The stress testing methodology for Capital Risk considers all modelled risk impacts as part of the stress scenario. The scenario includes various management actions in response to the worsening economic and commercial position. These actions consider the trigger framework that forms part of the Management Actions Standard. Scenario outputs enable an assessment of key capital and leverage flightpaths, including CET1. The results are considered against internally agreed risk appetite levels, regulatory minima and perceived market expectations. The MTP can only be agreed by the Board if it is within agreed risk appetite levels under stress.
Pension Risk	• The risk of earnings or capital being reduced due to Defined Benefit Obligations (DBOs) increasing or the value of the assets backing these DBOs decreasing due to changes in both the level and the volatility of prices. • The IAS19 position of pension funds is also stressed as part of the capital risk assessment, taking into account key economic drivers impacting future obligations (e.g. long-term inflation and interest rates) and the impact of the scenarios on the value of fund assets.
Liquidity Risk	Liquidity Risk: Liquidity risk is assessed through internal liquidity stress testing (Internal Liquidity Stress Test (ILST)) and regulatory stress testing (Barclays' Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR)). The Bank analyses specific liquidity risk drivers such as wholesale funding and contingent funding needs based on the below scenarios: • Barclays idiosyncratic scenario: Barclays faces a loss of market confidence while the market overall is not impacted • market wide scenario: Market-wide stress leading to increased market volatility and loss of confidence not specific to Barclays • combined scenario: A simultaneous Barclays idiosyncratic and Market wide liquidity stress scenario • 12-month scenario: All financial institutions are impacted by a market-wide stress • liquidity Coverage Ratio: Regulatory prescribed 30-day liquidity metric • net Stable Funding Ratio: Regulatory prescribed stable funding metric.

Risk management strategy, governance and risk culture (continued)

Principal Risk	Stress testing approach
Interest Rate Risk in Banking Book (IRRBB)	Interest Rate Risk in the Banking Book (IRRBB): Risk assessment for interest rate risk on the banking books is driven by the economic risk of the underlying positions but also considers the accounting treatment: • earnings based measures are used to assess risk to net interest income from positions in customer banking books, hedging portfolios (held to mitigate those risks), and Treasury investment and funding activities • value based measures are used to assess risk to the fair value of assets held as part of investments in the liquid asset portfolio and associated risk management portfolios. Risk under stress is assessed by considering: • the impact on net interest income resulting from stressed product margins and volumes, which are dependent on the level of interest rates and funding costs under stress conditions. This can be partly mitigated by management actions, which may include repricing of variable rate products taking into account interbank lending rates under stress. • securities in the liquid asset portfolio are subject to several market risk stresses designed to estimate potential losses in various scenarios. This includes, but is not limited to, an annual internal stress test, regulatory stress tests as well as various ad hoc exploratory exercises.
Operational risk	• Operational risk loss projections include the effect of the stressed macroeconomic scenario as well as the impact of forward-looking idiosyncratic risk events under stress. Operational risk is also part of the reverse stress testing framework through scenario assessments of such idiosyncratic events.
Model risk	• The Independent Valuation Unit (IVU) reviews and approves models for use in stress tests. IVU may require compensating controls, in the form of overlays to address model deficiencies. IVU may also reject a model that is not conceptually sound, or for which the marginal impact of findings (in aggregate or on a stand-alone basis) on model output is ≥ 30%.
Compliance risk	• Redress/Remediation: Businesses review existing provisions and include additional provisions in MTP if required. • Litigation: Irrespective of whether a provision had been recognised, stress projections of future losses for compliance risk matters managed by legal are estimated by exercising expert judgment on a case by case basis (material matters) or on a portfolio basis (non-material matters) in accordance with the methodology provided by regulators.
Reputation risk	• Reputation risk is not quantified or stressed.
Legal risk	• Legal risk is not quantified or stressed.

The internal Group-wide stress testing exercise is run as part of the MTP process, assessing Barclays' vulnerabilities under a severe but plausible scenario. In 2023, the internal Group-wide stress testing exercise was run as part of the MTP process, assessing Barclays' vulnerabilities under a severe but plausible scenario. This was used for the risk appetite setting process..

The Barclays Group-wide stress testing framework also includes reverse stress testing techniques, which aim to identify the circumstances under which Barclays Bank UK Group's business model would no longer be viable, leading to a significant change in business strategy and to the identification of appropriate mitigating actions. Examples include extreme macroeconomic downturn ('severely adverse') scenarios, or specific idiosyncratic events, covering both operational risk and capital/liquidity events but also the implication of a failure of Barclays Group non-ring fenced bank. Reverse stress testing is used to help support ongoing risk management and is an input to our Recovery Planning process.

Business and risk type specific stress tests

Stress testing techniques at portfolio and product level are also used to support risk management. For example, portfolio management in the UK Cards business employs stressed assumptions of loss rates to determine profitability hurdles for new accounts. In the UK Mortgage portfolios, affordability thresholds incorporate stressed estimates of interest rates. Stress testing is also conducted on positions in particular asset classes, including interest rates and credit.

Risk management strategy, governance and risk culture (continued)

Regulatory stress testing

In addition to running internal Barclays Group-wide stress tests, Barclays Group also runs regulatory stress tests for which Barclays Bank UK Group is a sub-component.

Notably in 2023:

- The BoE is running a System-Wide Exploratory Scenario in Q4 2023 and Q2 2024 assessing the impact of a rapid decline in liquidity conditions across UK's banks and non-banking financial institutions on market-based finance. The aim of this exercise is to better understand how UK financial markets core to UK financial stability function under stress. Barclays is one of the banks participating in this exercise.
- There is no BoE Annual Cyclical Scenario (ACS) in 2023 as the 2022 ACS was held in the second half and was not finalised until early 2023.

Risk management in the setting of strategy

The risk appetite and internal stress testing processes described above form the basis of the risk review of the MTP, performed annually. The MTP embeds Barclays Bank UK Group's objectives into detailed business plans taking into account the likely business and macroeconomic environment. The strategy is informed by the risk review process, which includes reviewing Barclays Bank UK Group's risk profile and setting of risk appetite.

- The risk review process includes a review of business plans under stress which is used to inform the MTP
- If the business' plans entail too high a level of risk, management can challenge them. This assessment is based on a comparison of the businesses' own risk appetite assessment reflected in their business plans ('bottom-up' risk appetite) with the central risk team's view ('top-down' risk appetite) based on the financial constraints set by the Board for Barclays Bank UK Group
- Businesses may be asked to update their business plans until the bottom-up risk appetite is within top-down appetite. There is also a detailed review of the stressed estimates and the methodology used to translate the economic scenario to these stressed estimates, as well as the management actions included in the businesses' results to verify that these are appropriate and realistic in a stressed environment
- Risk review meetings are held with each business, where they present their business plans to Barclays Bank UK Group's CRO. The findings from the risk reviews are discussed, including the risk appetite proposals and stress testing results. Businesses may be required to change their business plans as a result of these meetings
- Interim internal capital adequacy assessments inform the capital planning process and are reviewed during the meetings. These assessments are refreshed based on year-end positions and reflected in the ICAAP

The Barclays Bank UK PLC Board has overall responsibility for reviewing Barclays Bank UK Group's risk profile and making appropriate recommendations to the Board. The Board is ultimately responsible for approving the MTP and Barclays Bank UK Group's risk appetite. The risk appetite process allows senior management and the Board to understand the MTP's sensitivities by risk type, and includes a set of limits to help the Barclays Bank UK Group stay within its risk appetite, as described above.

Risk management strategy, governance and risk culture (continued)

Management of climate risk

Climate risk is the impact on Financial (Credit, Market, Treasury & Capital Risks) and Operational Risks arising from climate change through physical risks and risks associated with transitioning to a lower carbon economy.

- Physical risks: Result from a changing climate and can be event-driven (acute risks), including increased frequency and/or severity of extreme weather events such as cyclones, hurricanes and flooding. Physical risks can also be driven by longer term shifts in climate patterns (chronic risks) arising from sustained higher temperatures that may cause rises in sea levels, rising mean temperatures and more frequent/severe weather events
- Transition risks: The transition to a lower carbon economy is likely to involve significant and rapid policy, regulatory and legal changes, as evolving technology and markets adapt to a changing climate and associated impacts

Overview

The physical and transition risks of climate change have the potential to drive the other Principal Risks. For Barclays Bank UK Group, the impacts of climate risks are most pronounced in our 'elevated' portfolios, UK Mortgages and Business Banking Agriculture, through credit risk. In the UK Mortgages portfolio this could materialise as impacts to affordability (i.e. through damage caused by flooding, or high insurance premiums) and devaluation of house prices (i.e. due to poor energy efficiency). Within Business Banking Agriculture, physical risks have the potential to drive declines in yield, whilst transition risks such as emissions taxation have the potential to increase costs, both impacting profitability.

Given the significance of climate change, and to support the Barclays Group's ambition to be a net zero bank by 2050, Climate Risk is a Principal Risk under Barclays' ERMF.

The Group has developed a Climate Risk Framework (CRF) for financial and operational risks stemming from climate change. This enables Barclays to foster a systematic and consistent approach for managing climate risk across the firm. The key principle underpinning this framework is that climate risk is recognised as a driver of other existing financial (Credit, Market, Treasury and Capital) and non-financial (including Operational and Reputational) risks, and not treated as a standalone risk type. The CRF is supported by policies, standards and other relevant documents which contain control objectives that must be met.

The CRF:

- Defines climate risk
- Establishes principles for the identification, measurement, monitoring and reporting of climate risk
- Outlines the process for establishing climate risk appetite
- Summarises the impact of climate risk on other principal financial and operational risk types
- Outlines roles and responsibilities applicable to the CRF

The Climate Risk Policy sets objectives for the management of climate risks and establishes key principles for quantifying and reporting, including escalations required to senior stakeholders up to and including the Board Risk Committee (BRC). The Framework and Policy are applicable for Barclays' business activities, with a focus on lending, advisory, sales and trading, capital markets and investments. Climate risk may also drive non-financial risks such as reputational risk, which continue to be managed under the respective risk frameworks.

To support the embedment of the Principal Risk, in 2023 the Group delivered the following with three overarching objectives:

1. Enhance and improve risk appetite and associated controls for climate risk

2. Develop a plan for refining modelling and scenario analysis capabilities

3. Expand BlueTrack™, which now covers nine segments comprising of Energy, Power, Cement, Steel, Automotive Manufacturing, UK Housing, Commercial Real Estate, Agriculture and Aviation

Organisation and Structure

The Group Head of Climate Risk is the Principal Risk owner accountable for the management and oversight of the climate risk profile. The Group Head of Climate Risk reports directly to Group CRO.

On behalf of the Barclays PLC Board, the Barclays PLC BRC reviews and approves the Barclays Group's approach to managing climate risk. 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 reputation risk associated with climate change are coordinated by the Sustainability and ESG Team, led by the Head of Public Policy and Corporate Responsibility.

Risk management strategy, governance and risk culture (continued)

Barclays UK Governance	Enterprise Risk Management Framework (ERMF)	
	Climate Risk Framework (CRF)	Reputation Risk Management Framework (RRMF)
	Barclays Bank UK PLC Board Risk Committee	Barclays Bank UK PLC Board
	Barclays UK Risk Committee	
	Barclays UK Climate Risk Forum	
Risk	Credit, market, treasury & capital and operational risks	Sustainability matters and reputation risk associated with climate change
Group Ownership	Group Risk Committee (GRC)	Global Head of Public Policy and Corporate responsibility
	Climate Risk Committee (CRC)	

The Head of Barclays Bank UK Climate Risk chairs the Barclays UK Climate Risk Forum. The Barclays UK Climate Risk Forum oversees the management of climate risk within Barclays Bank UK and undertakes duties such as recommending climate risk mandates and limits, monitoring the Barclays Bank UK climate risk profile, adherence with risk appetite, and considering emerging risks or expected trends pertaining to Barclays Bank UK elevated and non-elevated portfolios. The Barclays UK Climate Risk 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 Climate Risk Committee (CRC).

Risk Appetite

Barclays' climate risk constraint is aligned to its ambition to be a net zero bank by 2050, specifically reducing financed emissions in line with disclosed sector targets and in line with the goals and timelines of the Paris Agreement. Whilst Barclays Bank UK has not been in scope of the constraint to date, the announcement of a new BlueTrack™ target for Agriculture for Dairy & Livestock moves Barclays Bank UK into scope. As such, Barclays Bank UK will now be required to manage its financing of emissions in line with disclosed targets to remain within climate risk appetite. For further detail on Barclays Bank UK's new BlueTrack™ target for Agriculture for Dairy & Livestock, please refer to the Strategic Report 'Climate & Sustainability' section (page 17 onwards) of the Barclays Bank UK Annual Report.

In 2023, Barclays has enhanced its approach for the quantification of climate risk appetite by implementing additional limits and controls, including around the expected financed emissions target (BlueTrack™) pathways. The progress against these targets is monitored on a regular basis whilst acknowledging the challenges and external dependencies to reduce financed emissions. Barclays Bank UK continues to regularly review its risk appetite and enhance risk metrics including the expansion of risk limits for priority sectors.

Management of credit risk and the internal ratings-based approach

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.

Overview

The credit risk that 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 assets and reverse repurchase loans. Wholesale lending in Barclays Bank UK Group includes Business Banking, Education Social Housing and Local Authority (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, including risk return objectives, and avoiding undesirable concentrations; and
- monitor credit risk and adherence to agreed controls

Management of credit risk and the internal ratings-based approach (continued)

Organisation and structure

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.

Barclays Bank UK PLC Board Risk Committee

- Considers and recommends Barclays Bank UK Group's risk appetite for wholesale and retail credit risk to the Barclays Bank UK PLC Board
- Reviews Barclays Bank UK Group's risk profile for wholesale and retail credit on behalf of the Barclays Bank UK PLC Board
- Reviews the management of Barclays Bank UK Group's wholesale and retail credit risk
- Commissions, receives and considers reports on key financial and non-financial risk issues in the Barclays Bank UK Group

Barclays UK Risk Committee

- Reviews and recommends to the Barclays Group Risk Committee and Barclays Bank UK Board Risk Committee the proposed wholesale and retail credit risk appetite for Barclays Bank UK Group
- Reviews and recommend limits and/or tolerances to control risk appetite for wholesale and retail credit risk
- Reviews and monitors the wholesale and retail credit risk profile of the Barclays Bank UK Group

Barclays Group Risk Committee

- Reviews appetite for wholesale and retail credit risk and makes recommendations on the setting of limits to the Barclays PLC Board
- Monitors the risk profile for wholesale and retail credit risk
- Reviews and monitors the control environment for wholesale and retail credit risk

Barclays Bank UK Group Business Risk Committees

- Reviews and monitors the risk profile of the Barclays Bank UK Group product portfolios extending to the coverage of all relevant principal risks and any other risks to Barclays UK Group is exposed
- Reviews and recommends to the Barclays UK PLC CRO, and Barclays UK Risk Committee the proposed risk appetite for the product portfolios
- Reviews and recommends limits and/or tolerances to control risk appetite

Business Risk Committees include:

- Mortgage Risk Committee
- Unsecured Lending Risk Management Committee
- Business Banking Risk Management Committee
- Wealth Management and Investment Risk Committee
- Barclays UK Wholesale Risk Committee
- Barclays UK Impairment Committee

Management of credit risk and the internal ratings-based approach (continued)

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 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.

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; maintaining robust collections and recovery processes/units for retail portfolios. The credit risk management teams in Barclays Bank UK Group are accountable to the Barclays Bank UK Group CRO who, in turn, reports to the Barclays Group CRO.

For the wholesale portfolios, credit risk managers are organised in sanctioning teams by client portfolio. In 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.

The role of the Central Risk function is to provide Barclays Group-wide direction, oversight and challenge of credit risk taking. Central Risk sets the Credit Risk Control Framework, which provides the structure within which credit risk is managed, together with supporting credit risk policies and standards.

Reporting

The Barclays Bank UK Group dedicates considerable resources to gaining a clear and accurate understanding of credit risk across the business and ensuring that its balance sheet correctly reflects the value of the assets in accordance with applicable accounting principles. This process can be summarised in five broad stages:

- measuring exposures and concentrations
- monitoring performance and asset quality
- monitoring for weaknesses in portfolios
- review and approve the adequacy of impairment and other credit provisions
- returning assets to a performing status or writing off assets when the whole or part of a debt is considered irrecoverable.

Measuring exposures and concentrations

Loans and advances to customers provide the principal source of credit risk to the Barclays Bank UK Group although it is also exposed to other forms of credit risk through, for example, loans and advances to banks, loan commitments and debt securities. Risk management policies and processes are designed to identify and analyse risk, to set appropriate risk appetite, limits and controls, and to monitor the risks and adherence to limits by means of reliable and timely data.

One area of particular review is concentration risk. A concentration of credit risk exists when a number of counterparties or customers are engaged in similar activities or geographies, and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions. As a result, the Barclays Bank UK Group constantly reviews its concentration in a number of areas including, for example, geography, maturity and industry.

Mandate and scale limits are used to maintain concentrations at appropriate levels, which are aligned with the businesses' stated risk appetite. Limits are typically based on the nature of the lending and the amount of the portfolio meeting certain standards of underwriting criteria. Diversification, to reduce concentration risk, is achieved through setting maximum exposure limits to individual counterparties' exposures. Excesses are reported to the BRC.

Monitoring performance and asset quality

Trends in the quality of Barclays Bank UK Group's loan portfolio are monitored in a number of ways including tracking loan loss rate and coverage ratios.

Loan loss rate

The loan loss rate (LLR) provides a way of consistently monitoring trends in loan portfolio quality at Barclays Bank UK Group, business and product levels. The LLR represents the annualised impairment charges on loans and advances to customers and other credit provisions as a percentage of the total, period-end loans and advances to customers, gross of impairment allowances. Details of the LLR for the current period may be found in the Credit Risk Performance section on pages 77 to 127 of the Barclays Bank UK PLC Annual Report 2023.

Management of credit risk and the internal ratings-based approach (continued)

Loans and advances total impairment coverage

The impairment allowance is the aggregate of the total stock of expected credit loss (ECL).

Total coverage ratios will vary according to the type of product. Overall, coverage ratios would therefore be expected to remain fairly steady over a defined period of time but in principle, a number of factors may affect Barclays Bank UK Group's overall coverage ratios, including:

- The mix of products: coverage ratios will tend to be lower when there is a high proportion of secured retail and wholesale balances. This is due to the fact that the recovery outlook on these types of exposures is typically higher than retail unsecured products, with the result that they will have lower impairment requirements
- The stage in the economic cycle: coverage ratios will tend to be lower in the earlier stages of deterioration in credit conditions. At this stage, retail delinquent balances will be predominantly in the early delinquency cycles and wholesale names will have only recently shown signs of deterioration
- Staging: coverage ratios will tend to be higher when there is a high proportion of balances that have met the criteria for significant increase in credit risk with associated expected credit losses (ECL) moving from a 12-month to a lifetime assessment; and
- Write-off policies: the speed with which defaulted assets are written off will affect coverage ratios. The more quickly assets are written off, the lower the ratios will be, since stock with 100% coverage will tend to roll out more quickly

Monitoring weaknesses in portfolios

While the basic principles for monitoring weaknesses in wholesale and retail exposures are broadly similar, they reflect the differing nature of the assets. As a matter of policy, all facilities granted to wholesale counterparties are subject to a review on, at least, an annual basis, even when they are performing satisfactorily. Retail exposures are monitored to identify customers exhibiting signs of potential financial difficulty. Identified customers are included in the High Risk Account Management (HRAM) population. Businesses have a contact strategy for their HRAM populations and they are excluded from credit expansion activities and, where appropriate, also considered for credit reduction activities or other mitigating actions.

Wholesale portfolios[a]

Within the wholesale portfolios, the Basel definitions of default are used as default indicators. A default is deemed to have occurred with regard to a particular obligor if one or both of the following applies:

- the obligor is considered unlikely to pay its credit obligations to the Barclays Bank UK Group in full without recourse to actions such as the realisation of collateral
- the obligor is 90 days or more past due on any material credit obligation to the Barclays Bank UK Group

Examples of unlikeliness to pay include:

- the Barclays Bank UK Group puts the credit obligation on a non-accrued status
- the Barclays Bank UK Group makes a charge-off or account specific identified impairment resulting from a significant perceived decline in credit quality
- the Barclays Bank UK Group sells the credit obligation at a material credit-related economic loss
- the Barclays Bank UK Group triggers a petition for obligor's bankruptcy or similar order
- the Barclays Bank UK Group becomes aware of the obligor having sought or having been placed in bankruptcy or similar protection where this would avoid or delay repayment of the credit obligation to the Group
- the Barclays Bank UK Group becomes aware of an acceleration of an obligation by a firm
- where the obligor is a bank – revocation of authorisation
- where the obligor is a sovereign – trigger of default definition of an approved External Credit Assessment Institution (ECAI) such as a rating agency

Note

a. Includes certain Business Banking facilities which are recorded as retail for management purposes.

Management of credit risk and the internal ratings-based approach (continued)

Wholesale accounts that are deemed to contain heightened levels of risk are recorded on Watch Lists (WL) comprising four categories graded in line with the perceived severity of the risk attached to the lending, and its probability of default. Examples of heightened levels of risk may include:

- a material reduction in profits
- a material reduction in the value of collateral held
- a decline in net tangible assets in circumstances which are not satisfactorily explained; or
- periodic waiver requests or changes to the terms of the credit agreement over an extended period of time

These lists are updated monthly and circulated to the relevant risk control points. Once an account has been placed on WL, the exposure is monitored and, where appropriate, exposure reductions are effected. While all counterparties, regardless of financial health, are subject to a full review of all facilities on at least an annual basis, more frequent interim reviews may be undertaken should circumstances dictate.

The Business Support team deal with defaulted counterparties in higher levels of WL and default. Their priority is working intensively with the counterparty to help them to return to financial health or, in the cases of insolvency, obtain the orderly and timely recovery of impaired debts in order to maximise shareholder value. Where a counterparty's financial health gives grounds for concern, it is immediately placed into the appropriate category.

Retail portfolios

Within the retail portfolios, which tend to comprise homogeneous assets, statistical techniques more readily allow potential credit weaknesses to be monitored on a portfolio basis. Retail accounts can be classified according to specified categories of arrears status (or 30-day cycle), which reflects the level of contractual payments which are overdue. An outstanding balance is deemed to be delinquent when it is one day or 'one penny' down.

Once a loan has passed through a prescribed number of cycles, it will be charged-off and enter recovery status. Charge-off refers to the point in time when collections activity changes from the collection of arrears to the recovery of the full balance. In most cases, charge-off will result in the account moving to a legal recovery function or debt sale and on unsecured assets will typically occur between 5 and 7 contractual payments in arrears. This may be accelerated or occur directly from a performing status, such as in the case of insolvency or death. For cards and unsecured loans portfolios, the point of charge off and write off is aligned, for accounting purposes.

Mortgage assets are not subject to charge-off but move through to litigation.

Returning assets to a performing status

Wholesale portfolios

In wholesale portfolios, an account may only be returned to a performing status when it ceases to have any actual or perceived financial stress and no longer meets any of the WL criteria, or once facilities have been fully repaid or cancelled. In Barclays Bank UK Group, the decision to return an account to performing status may only be made by the Credit Sanctioning team or Business Support team.

Retail portfolios

A retail asset, pre-point of charge-off, may only be returned to a performing status in the following circumstances:

- an up-to-date (i.e. not in arrears in relation to the agreed Forbearance programme) Non- Performing Forbearance (NPF) may be reclassified as Performing Forbearance (PF) upon receipt (on-time) of all due payments (at current agreed repayment amount), over a 12-month period
- an up-to-date (i.e. not in arrears in relation to the agreed Forbearance programme) PF may be reclassified to the 'in order' book when the customer completes a minimum probation period of 24 months from the point of entering PF, even if they are no longer on a Forbearance programme. They must also meet the following criteria:
  - 12 consecutive on-time payments have been made during the probation period at the agreed repayment amount (i.e. the forbearance amount while forbearance is continuing or the contractual monthly payment (CMP) once forbearance has concluded)
  - arrears must not have been >30 days past due during the probation period
  - account is not past due at the point of exit.
  - If a performing forborne contract under probation is granted additional forbearance measures or becomes more than 30 days past-due, it is classified as non-performing.

Management of credit risk and the internal ratings-based approach (continued)

Recovery units

Recovery units are responsible for exposures where deterioration of the counterparty/customer credit profile is severe, to the extent that timely or full recovery of exposure is considered unlikely and default has occurred or is likely in the short term. Recovery teams set and implement strategies to recover Barclays Bank UK Group's exposure through realisation of assets and collateral, in co-operation with counterparties/customers and where this is not possible through insolvency and legal procedures.

In wholesale, for a case to be transferred to a recovery unit, it must be in default and have ceased to actively trade or be in insolvency. In retail, the timings of the charge-off points to recovery units are established based on the type of loan. In most cases, charge-off will result in the account moving to a legal recovery function or debt sale and on unsecured assets will typically occur between 5 and 7 contractual payments in arrears, unless a forbearance programme is agreed. Early points are prescribed for unsecured assets. For example, in case of customer bankruptcy or insolvency, associated accounts are charged off within 60 days of notification.

Mortgage assets are not subject to charge off but move through to litigation.

See recovery information included in Analysis of Specific Portfolio and Asset Types section on page 126 in the Barclays Bank UK PLC Annual Report 2023.

Foreclosures in process and properties in possession

Foreclosure is the process where Barclays Bank UK Group initiates legal action against a customer, with the intention of terminating the loan agreement whereby Barclays Bank UK Group may repossess the property subject to local law and recover amounts it is owned. This process can be initiated by Barclays Bank UK Group independent of the impairment treatment and it is therefore possible that the foreclosure process may be initiated while the account is still in collections (delinquent) or in recoveries (post charge-off) where the customer has not agreed a satisfactory repayment schedule with Barclays Bank UK Group.

Properties in possession include properties held as 'loans and advances to customers' and properties held as 'other real estate owned'.

Held as 'loans and advances to customers' refers to the properties where the customer continues to retain legal title but where Barclays Bank UK Group has enforced the possession order as part of the foreclosure process to allow for the disposal of the asset, or the court has ordered the auction of the property.

Writing off assets

Write-off refers to the point where it is determined that the asset is irrecoverable, it is no longer considered economically viable to try and recover the asset, it is deemed immaterial, or full and final settlement is reached and a shortfall remains. In the event of write-off, the customer balance is removed from the balance sheet and the impairment reserve held against the asset is released.

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. The position of impaired loans is also reviewed at least quarterly to make sure that irrecoverable advances are being written off in a prompt and orderly manner and in compliance with any local regulations.

For retail portfolios, the timings of the write-off points are established based on the type of loan. For Cards and Loan portfolios, the point of charge off and write off have been aligned. For other unsecured portfolios, assets are written off based on contractual payment criteria or accelerated criteria. Assets in the recovery book will be written-off if the required qualifying repayments are not made within a rolling twelve-month period. In certain circumstances accounts will be eligible for accelerated write off (e.g. deceased, insolvency, inappropriate to pursue (medical, vulnerable, small balance) or settlement is accepted in lieu of the full balance). For secured loans, any shortfall after the receipt of the proceeds from the disposal of the collateral is written off within three months of that date if a repayment schedule has not been agreed with the borrower. Such assets are only written off once all the necessary procedures have been completed and the amount of the loss has been determined.

Subsequent recoveries of amounts previously written off are written back and hence decrease the amount of the reported loan impairment charge in the income statement.

In 2023, write-offs of impaired financial assets totalled £295m.

Assessment of Impairment Under IFRS 9

Under the IFRS 9 accounting standard, businesses are required to assess and recognise Expected Credit Losses (ECL) on financial assets from the point of origination or purchase, and to update said assessment at each reporting date, reflecting changes in the credit risk of the financial asset.

Management of credit risk and the internal ratings-based approach (continued)

ECL represents a present value measure of the credit losses expected to result from default events that may occur during a specified period of time. ECLs must reflect the present value of cash shortfalls, i.e. the difference between cash flows due under the contract and the cash flows that the business now expects to receive. Given ECLs take into account both the amount and the timing of payments, a credit loss may result if a contractual payment is missed or received late, even if the debt is ultimately paid in full. ECL assessments must reflect an unbiased and probability weighted assessment of a range of possible outcomes, including reasonable and supportable information about future economic conditions.

Exposures must be assessed and assigned to one of the following populations at each reporting point:

- **Stage 1: Performing risk assets**

  In-scope items classified as stage 1 exposure for IFRS 9 purposes are those assets performing in line with expectations in place at the point of origination/acquisition. This includes new originations or purchased assets (from the point of initial origination), but excludes exposures deemed credit impaired at point of origination

  Businesses must recognise an impairment allowance equal to 12 months expected credit losses. This allowance must be raised at point of initial reporting of an asset and the assessment updated at each subsequent reporting point

- **Stage 2: Significant Increase in Credit Risk (SICR) assets**

  Assets classified as stage 2 exposures for IFRS 9 purposes are those where credit risk has significantly increased compared with expectations at point of origination/acquisition, but which are not yet considered 'Credit Impaired'.

  In order to maintain that individual exposures or groups of assets are correctly classified as stage 2 assets, businesses must undertake regular assessments to identify whether a significant increase in credit risk has occurred since initial recognition. This must take the form of the following:

  – **Quantitative Test**

    Where the residual annualised weighted average lifetime PD for an individual exposure at the latest reporting date shows a material deterioration compared with that at the origination/acquisition point, then the assets must be classified under stage 2 as having significantly increased credit risk.

    The assessment of materiality, i.e. at what point the PD increase is deemed 'significant', is based upon analysis of the portfolios risk profile against a common set of defined principles and key performance metrics.

  – **Qualitative Test**

    For personal banking assets managed under retail portfolios, accounts meeting the portfolios 'high risk' criteria (i.e. within the last 12 months reclassified from forbearance, rehabilitated from charge-off or subject to either re-age or collections arrangement; and external behavioural metric indicate an increased probability of financial difficulty, for example excessive or increasing indebtedness and/or missed or late payments recorded at credit bureau), must be classified under stage 2 as having significantly increased credit risk. For wholesale portfolios and Business Banking assets managed under retail portfolios where accounts are managed under the Watch List framework, then customers on Watch List 2 or 3, not breaching the quantitative test must be classified under stage 2 as having SICR. Obligors on WL1 may be classified as stage 1 for a maximum period of 6 months. In exceptional circumstances for an obligor on Watch List 2 where it can be proven that a specific exposure is not deteriorated e.g. it is newly originated and therefore cannot have deteriorated, stage 1 ECL may be applied.

  – **Backstop Criteria**

    For retail portfolios, adverse changes in payment status must be considered within the assessment, and accounts 1 or more contractual payment in arrears at reporting date classified under stage 2, except where:

    – The missed payment is a result of a bank error or technical issue;

    – The arrears can be analytically proven not to represent deterioration from risk performance expectations at point of origination/acquisition, e.g. where there is a very small period between cycle point and reporting date. Such exceptions must be approved by the Group Credit Risk Director (GCRD) or nominated delegate. Exposures at 30 days or more past contractual payment due date at the reporting date must be classified as stage 2 assets without exception.

  For wholesale portfolios adverse changes in payment status must be considered within the assessment, and accounts with contractual payment 30 days or more in arrears at reporting date are included within the entry criteria for stage 2, except where the missed payment is a result of a proven bank error or administrative issue. Where 30 days is used it must be proven that this is a backstop, not a lead driver of exposure moving to stage 2.

  Where the assessment of SICR is undertaken on a collective basis, assets must be grouped on the basis of similar risk characteristics, taking into account asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

  Businesses must raise an impairment allowance equivalent to the latest assessment of lifetime expected credit losses. This increased allowance must be recognised at the first reporting point following entry to stage 2 and the assessment updated at each subsequent reporting date.

  The assessment of lifetime ECLs for stage 2 (and stage 3) assets must consider the maximum contractual period over which the business is exposed to credit risk, including the impact of permitted extensions and pre-payments, i.e. those available at the option of the borrower to which the business must agree.

  For loan commitments, the lifetime assessment period is normally the maximum contractual life, i.e. the period from the point the loan commitment is established to closure/full repayment of the exposure. However, where customer use of contractually available pre-payments and/or extension has a material impact on the expected life of the asset, then use of behavioural life may be justified.

  For revolving credit facilities, the lifetime assessment period is set to the period over which the business is expected to be exposed to credit risk, based on historical experience i.e. an assessment of the average time to default, closure or withdrawal of the facility.

  Assets may be removed from stage 2 and re-assigned to stage 1 once there is objective evidence that the criteria used to indicate a significant increase in credit risk are no longer met.

Management of credit risk and the internal ratings-based approach (continued)

- **Stage 3: Credit impaired risk assets**

  Assets classified as stage 3 exposures for IFRS 9 purposes are those where credit risk has increased to a point where they are now considered 'Credit Impaired'. For retail portfolios, this incorporates all defaulted accounts as defined under the Regulatory Definition of Default. For wholesale portfolios cases of forbearance not captured by stage 3 (i.e. those not meeting the regulatory definition of default - EBA classification of non-performing) must be classified as stage 2 until such time as the relevant forbearance probation period has been completed.

  Businesses must raise an impairment allowance equivalent to the latest assessment of lifetime expected credit losses, i.e. on the same basis as for stage 2 assets.

  For single name wholesale assets, a threshold approach is taken with stage 3 impairment calculated individually. A discounted cash flow is completed establishing a base estimated impairment allowance, derived from the difference between asset carrying values and the recoverable amount.

  Where the base allowance is greater than £10m, a bespoke assessment is performed reflecting individual work out strategies. The assessment is clearly and specifically articulated including how general economic scenarios and downside analyses have been applied.

  Interest and fee income on stage 3 assets is recognised based on the net amortised value, i.e. the gross carrying amount adjusted for the loss allowance in line with IFRS principles.

  For exposures that are considered credit-impaired on purchase or origination, lifetime ECLs must be taken into account within the estimated cash flows at point of initial recognition, and the asset classified as stage 3.

  In subsequent reporting periods, businesses must recognise cumulative changes in lifetime ECLs since initial recognition as a loss allowance, i.e. the amount of change in lifetime ECLs is treated as an impairment gain or loss. Assets may only exit stage 3 and be reclassified into stage 1 or stage 2 once the original default trigger event no longer applies.

  To fully embed this standard into businesses, management requires frequent periodic reviews of ECL performance across Barclays Bank UK Group both in isolation and, more importantly, in comparison to the underlying performance of portfolios and product types.

  Review and challenge is carried out through a hierarchy of committees confirming both the adequacy of provisions under the ECL requirements and that all policies, standards and processes have been adhered to (see below) and that appropriate controls are evidenced.

Governance and oversight of impairment under IFRS 9

Barclays Bank UK Group relies on Barclays Group processes in overseeing the estimation of ECL, including: i) setting requirements in policy, including key assumptions and the application of key judgements; ii) the design and execution of models; and iii) review of ECL results.

- Impairment policy requirements are set and reviewed regularly, at a minimum annually, to maintain adherence to accounting standards. Key judgements inherent in policy, including the estimated life of revolving credit facilities and the quantitative criteria for assessing SICR, are separately supported by analytical study. In particular, the quantitative thresholds used for assessing SICR are subject to a number of internal validation criteria, particularly in retail portfolios where thresholds decrease as the origination PD of each facility increases. Key policy requirements are also typically aligned to Barclays Bank UK Group's credit risk management strategy and practices, for example, wholesale customers that are risk managed on an individual basis are assessed for ECL on an individual basis upon entering Stage 3; furthermore, key internal risk management indicators of high risk are used to set SICR policy, for example, retail customers identified as High Risk Account Management are automatically deemed to have met the SICR criteria.
- ECL is estimated in line with internal policy requirements using models which are validated by a qualified independent party to the model development area, the Independent Validation Unit (IVU), before first use and at a minimum semi-annually thereafter. The IVU is a Barclays Group function. Each model is designated an owner who is responsible for:
  - model maintenance: monitoring of model performance including backtesting by comparing predicted ECL versus flow into Stage 3 and coverage ratios; proposing material changes for independent IVU approval; and recalibrating model parameters on more timely data
  - proposing post-model adjustments (PMA) to address model weaknesses or to account for situations where known or expected risk factors and information have not been considered in the modelling process. All PMAs relating to model deficiencies, regardless of value are approved by IVU for a set time period. PMAs representing Expert Judgement are validated by Risk, as the second line of defence and approved for a set time period. PMAs must also be approved by the Barclays Bank UK PLC Chief Risk Officer, with the most material also requiring approval from the Barclays Group Credit Risk Director or Barclays Group Chief Risk Officer.

  Models must also assess ECL across a range of future economic conditions. These economic scenarios are generated via an independent model and ultimately set by the Senior Scenario Review Committee, run by Barclays Group. Economic scenarios are regenerated at a minimum twice annually, to align with Barclays medium term planning exercise, but also if the external consensus of the UK or US economy materially worsen. The scenario probability weights are also updated when scenarios are regenerated and reviewed by the Senior Scenario Committee. Each model used in the estimation of ECL, including key inputs, are governed by a series of internal controls, which include the validation of completeness and accuracy of data in golden source systems, documented data transformations and documented lineage of data transfers between systems.
- The Barclays Bank UK Group Impairment Committee, formed of members from both Finance and Risk, is responsible for overseeing impairment policy and practice across Barclays Bank UK Group and will approve impairment results. Reported results and key messages are communicated to the Barclays Bank UK PLC Board Audit Committee, which has an oversight role and provides challenge of key assumptions, including the basis of the scenarios adopted. Impairment results are then factored into management decision making. Including, but not limited to, business planning, risk appetite setting and portfolio management.

Management of credit risk and the internal ratings-based approach (continued)

Forbearance and other concession programmes

Forbearance programmes

Forbearance takes place when a concession is made on the contractual terms of a facility in response to an obligor's financial difficulties. Barclays Bank UK Group offers forbearance programmes to assist customers and clients in financial difficulty through agreements that may include accepting less than contractual amounts due where financial distress would otherwise prevent satisfactory repayment within the original terms and conditions of the contract. These agreements may be initiated by the customer, Barclays Bank UK Group or a third party.

In line with regulatory guidance, the use of PAYG features on Bounce Back loans (BBLs) and/or similar schemes in the Business portfolio developed specifically in response to the COVID-19 pandemic, does not necessitate reclassification of assets as forborne.

In line with Regulatory Guidance, a Mortgage Charter relief scheme has been developed and implemented in response to the cost of living crisis, this does not necessitate reclassification of assets as forborne.

Forbearance programmes for wholesale portfolios

The majority of wholesale client relationships are individually managed, with lending decisions made with reference to specific circumstances and on bespoke terms.

Forbearance measures consist of concessions made towards a debtor that is experiencing or about to experience difficulties in meeting their financial commitments.

A concession is a sanctioned action, outside of market terms that is beneficial to the debtor. The concession arises solely due to the financial distress of the debtor and the terms are more favourable than those which would be offered to a new or existing obligor with a similar risk profile. Concessions are represented by:

- A change or alteration to the previous terms and conditions of a contract
- A total or partial refinancing of a troubled debt contract

The following are some examples of concessions which would be deemed forbearance (where granted to debtors in financial difficulties and outside of market terms):

- A restructuring of the contractual terms of a credit facility (such as a reduction in the interest rate)
- An extension to the maturity date
- Change to the collateral structure (typically resulting in a net reduction in collateral)
- Favourable adjustment to covenants where repayment profile changes, or non-enforcement of material covenant breach.
- Repayment in some form other than cash (e.g. equity).
- Capitalisation of accrued interest.
- Any other concession made which is designed to alleviate actual or apparent financial stress e.g. a capital repayment holiday.

Where a concession is granted that is not a result of financial difficulty and/or is within Barclays Bank UK Group's current market terms, the concession would not amount to forbearance. For example, a commercially balanced restructure within the Barclays Bank UK Group's current terms which involves the granting of concessions and receiving risk mitigation/structural enhancement of benefit to Barclays Bank UK Group would not be indicative of forbearance.

Forbearance is not deemed to have occurred in the following situations:

- There is a pending maturity event anticipated at the onset of lending i.e. the loan was never structured to amortise to zero.
- A maturity extension or a temporary covenant waiver (e.g. short term standstill) is granted to support a period of negotiation, subject to Barclays Bank UK Group being satisfied that:
  - the debtor is actively pursuing refinancing or the sale of an asset enabling full repayment at expiry of the extended term;
  - no loss is anticipated;
  - payments of interest and capital continues as originally scheduled; and
  - there is a high probability of a successful outcome within a 'reasonable' time scale (6 months for bilateral facilities, 9 months for multi-lender).
- Immaterial amendments to lending terms are agreed, including changes to non-financial internal risk triggers that are only used for internal monitoring purposes.

Forbearance is considered evidence of a Significant Increase in Credit Risk and all forborne debtors are impaired as IFRS 9 stage 2 (Lifetime Expected Credit Loss) regardless of Watch List category as a minimum for the lifetime of the forbearance. Those forbearance cases in regulatory default will attract stage 3 impairment treatment.

Debtors granted forbearance are classified on Watch List for the duration of the forbearance. Counterparties placed on Watch List status are subject to increased levels of credit risk oversight.

Forborne debtors are classified for reporting as either Performing or Non-Performing.

Management of credit risk and the internal ratings-based approach (continued)

Non-Performing debtors are defined as:

- More than 90 days past due at the point concession was granted.
- Assessed as unlikely to pay credit obligations in full without realisation of collateral, regardless of the existence of any past due amount or of the number of days past due.
- Credit impaired.
- Performing forborne debtors granted additional forbearance measures or becoming more than 30 days past-due on a facility obligation.

Performing debtors are classified as debtors that were less than 90 days past due at the point the concession was granted, are less than 30 days past due under their revised terms and are without risk of non-payment.

Non-performing status remains in force for a minimum 12 months from the date of classification before the debtor can be considered for performing status. Performing debtors remain forborne for a minimum 24 months before forborne status may be reviewed. The minimum time spent in forbearance for a case that is Non-Performing at the point forbearance is granted is therefore 36 months.

A control framework exists along with regular sampling so that policies for WatchList and impairment are enforced as defined and all assets have suitable levels of impairment applied. Portfolios are subject to independent assessment.

Forbearance programmes for retail portfolios

Retail forbearance is available to customers experiencing financial difficulties. Forbearance solutions take a number of forms depending on individual customer circumstances. It is imperative that the solution agreed is both appropriate to that customer and sustainable, with a clear demonstration from the customer of both willingness and ability to repay. Affordability assessments are undertaken before any permanent programme of forbearance is granted, to understand the customer duration of financial difficulty and agree an affordable payment amount. Short-term solutions focus on temporary reductions to contractual payments and may suppress interest, or change from capital and interest payments to interest only. Long term solutions focus on full amortisation of the balance, and may also include an interest rate concession.

When an account is placed into a programme of forbearance, the asset will be classified as such until a defined cure period has been successfully completed, incorporating a successful track record of payment in line with the revised terms, upon which it will be returned to the up-to-date book. When Barclays Group agrees a forbearance programme with a customer, impairment allowances recognise the impact on cash flows of the agreement to receive less than the original contractual payments. The Retail Impairment Policy prescribes the methodology for the impairment of forbearance assets, in line with the IFRS 9 methodology adopted in January 2018. Forborne exposures are classified as stage 3 (credit impaired) assets under IFRS 9, until such time as the prescribed stage 3 cure criteria have been met, resulting in higher impairment than for fully performing assets, reflecting the additional credit risk attached to loans subject to forbearance.

When customers exit forbearance, the accounts are ring-fenced as High Risk within the up-to-date book for a period of at least twelve months.

Barclays has continued to assist customers in financial difficulty through the use of forbearance programmes. However, the extent of forbearance offered by Barclays Bank UK Group to customers and clients remains small in comparison to the overall size of the loan book.

A retail loan is not considered to be renegotiated where the amendment is at the request of the customer, there is no evidence of actual or imminent financial difficulty and the amendment meets with all underwriting criteria. In this case it would be treated as a new loan. In the normal course of business, customers who are not in financial difficulties frequently apply for new loan terms, for example to take advantage of a lower interest rate or to secure a further advance on a mortgage product. Where these applications meet our underwriting criteria and the loan is made at market interest rates, the loan is not classified as being in forbearance. Only in circumstances where a customer has requested a term extension, interest rate reduction or further advance and there is evidence of financial difficulty is the loan classified as forbearance and included in the disclosures on forbearance on pages 332 -335 of the Barclays PLC Annual Report 2023.

Please see the credit risk performance section on pages 332 to 335 of the Barclays PLC Annual Report 2023 for details of principal retail assets currently in forbearance.

Management of credit risk and the internal ratings-based approach (continued)

Other programmes

Retail re-aging activity

Re-aging refers to the placing of an account into an up-to-date position without the requisite repayment of arrears. The re-age policy applies to revolving products that have a minimum payment requirement only. No reduction is made to the minimum due payment amounts which are calculated, as a percentage of balance, with any unpaid principal included in the calculation of the following month's minimum due payment.

The changes in timing of cash flows following re-aging do not result in any additional cost to Barclays Bank UK Group. The following are the conditions required to be met before a re-age may occur:

- the account must not have been previously charged off or written off
- the borrower cannot be bankrupt, subject to an Individual Voluntary Arrangement (a UK contractual arrangement with creditors for individuals wishing to avoid bankruptcy), or deceased
- the borrower must show a renewed willingness and ability to repay the debt. This will be achieved by the borrower making at least three consecutive contractual monthly payments or the equivalent cumulative amount. Contractual monthly payment is defined as the contractual minimum due. Funds may not be advanced for any part of this
- the account cannot exceed cycle 3 arrears at the time of the final qualifying payment
- no account should be re-aged more than twice within any twelve-month period, or more than four times in a five-year period.

Re-aged assets are included in portfolios High Risk population, and are classified as stage 2 assets (i.e. as having significantly increases credit risk) for IFRS 9 impairment purposes. This results in an appropriately higher impairment allowance being recognised on the assets.

Retail small arrears capitalisation

All small arrears capitalisations are now considered a form of Forbearance, based on the European Banking Authority's requirements for Supervisory Reporting on Forbearance and Non-Performing exposures.

Refinancing risk

This is the risk that the borrower or group of correlated borrowers may be unable to repay bullet-repayment loans at expiry, and will therefore need refinancing.

Refinancing risk is taken into account on a case by case basis as part of the credit review and approval process for each individual loan. The review will consider factors such as the strength of the business model and sustainability of the cash flows; and for bridge loans, the certainty of the sources of repayment and any associated market risk.

Commercial real estate loans may incorporate a bullet repayment element at maturity. Where this is the case, deals are sized and structured to enable Barclays Bank UK Group to term out the loan if the client were unable to refinance the loan at expiry. Credit review will incorporate an examination of various factors that are central to this consideration, such as tenant quality, tenancy agreement (including break clauses), property quality and interest rate sensitivity. Loans to small and medium enterprises (SMEs) will typically be either revolving credit lines to cover working capital needs or amortising exposures, with periodic refinancing to give the opportunity to review structure, pricing, etc.

Environmental risk

Barclays Group's approach to environmental credit risk management addresses risk under two categories, namely Direct risk and Indirect risk, which are covered below.

Direct risk can arise when Barclays Group takes commercial land as collateral. In many jurisdictions, enforcement of a commercial mortgage by Barclays Group, leading to possession, potentially renders Barclays Group liable for the costs of remediating a site under Direct Lender Liability, if deemed by the regulator to be contaminated. In the UK, Barclays Group's approach requires commercial land, if being pledged as collateral, to be subject to a screening mechanism. Where required, a further assessment of the commercial history of a piece of land or an asset and its potential for environmental contamination helps reflect any potential environmental degradation in the value ascribed to that security. It also identifies potential liabilities which may be incurred by Barclays Group, if realisation of the security were to become likely.

Indirect risk can arise when environmental issues may impact the creditworthiness of the borrower. For instance, incremental costs may be incurred in upgrading a business' operations to meet emerging environmental regulations or tightening standards, including those associated with managing the impacts of climate change. In other circumstances, failure to meet those standards may lead to fines. Environmental impacts on businesses may also include shifts in the market demand for goods or services generated by our customers, or changing supply chain pressures. Environmental considerations affecting our clients can be varied.

More information on our approach to managing risks associated with climate change can be found on page 59 of Barclays Bank UK PLC Annual Report 2023.

Management of credit risk and the internal ratings-based approach (continued)

Credit risk mitigation

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

- netting and set-off
- collateral
- risk transfer

The Barclays Bank UK Group has detailed policies in place to maintain that credit risk mitigation is appropriately recognised and recorded. The recognition of credit risk mitigation is subject to a number of considerations including legal certainty of enforceability and effectiveness, that the valuation and liquidity of the collateral is adequately monitored, and that the value of the collateral is not materially correlated with the credit quality of the counterparty.

All three types of credit risk mitigation may be used by different areas of Barclays Bank UK Group for exposures with a full range of counterparties. For instance, businesses may take property, cash or other physical assets as collateral for exposures to retailers, property companies or other client types.

Netting and set-off

In the Barclays Bank UK Group, credit risk exposures can be reduced by applying netting and set-off.

For the limited range of 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.

Under IFRS, netting is permitted only if both of the following criteria are satisfied:

- the entity currently has a legally enforceable right to set off the recognised amounts
- the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously

Collateral

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

- **home loans:** a fixed charge over residential property in the form of houses, flats and other dwellings. The value of collateral is impacted by property market conditions which drive demand and therefore value of the property. Other regulatory interventions on ability to repossess, longer period to repossession and granting of forbearance may also affect the collateral value
- **wholesale lending:** a fixed charge over commercial property and other physical assets, in various forms
- **other retail lending:** includes second line charges over residential property, which are subordinated to first charges held either by the Barclays Bank UK Group or by another party; and finance lease receivables, for which typically the Barclays Bank UK Group retains legal title to the leased asset and has the right to repossess the asset on the default of the borrower
- **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. The Barclays Bank UK Group may additionally negotiate the receipt of an independent amount further mitigating risk by collateralising potential mark to market exposure moves
- **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 three 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;
- first loss exposures across pools of credit risk can be hedged via synthetic securitisation structures, typically via CLN (credit lending notes) issuance. As these are fully funded upfront they provide for a direct reduction in credit risk exposure on referenced pools.

Risk transfer can also be used to reduce risk concentrations within portfolios lowering the impact of stress events.

Risk transfer transactions are undertaken with consideration to whether the collateral provider is correlated with the exposure, the credit worthiness of the collateral provider and legal certainty of enforceability and effectiveness. Where credit risk mitigation is deemed to transfer credit risk, this exposure is appropriately recorded against the credit risk mitigation provider.

In exposure terms, risk transfer is used most extensively as a credit risk mitigation technique for wholesale loans and derivative financial instruments.

Management of credit risk and the internal ratings-based approach (continued)

Off-balance sheet risk mitigation

Barclays Bank UK Group applies fundamentally the same risk management policies for off-balance sheet risks as it does for its on-balance sheet risks. In the case of commitments to lend, counterparties/customers will be subject to the same credit management policies as for loans and advances. Collateral may be sought depending on the strength of the counterparty and the nature of the transaction.

Recognition of credit risk mitigation in capital calculations

Credit risk mitigation is used to reduce credit risk associated with an exposure, which may reduce potential losses in the event of obligor default or other specified credit events.

Credit risk mitigation that meets certain regulatory criteria may be used to improve risk parameters and reduce RWA consumption against a given obligor. Collateral that meets these regulatory conditions is referred to as eligible collateral. Eligibility criteria are specified in articles 192 to 217 of the Capital Requirements Regulation (CRR)..

The Bank policies and standards set out criteria for the recognition of collateral as eligible credit risk mitigation and are designed to be fully consistent with all applicable local regulations and regulatory permissions.

Where regulatory capital is calculated under AIRB regulations, the benefit of collateral is generally taken by adjusting LGDs. For standardised portfolios, the benefit of collateral is calculated using the Financial Collateral Comprehensive Method: and applying supervisory volatility haircuts.

For instruments that are deemed to transfer credit risk, in AIRB portfolios the protection is generally recognised by using the PD and LGD of the protection provider.

For exposures treated under the standardised approach, the impact of funded eligible credit risk mitigation is recognised by reducing the EAD associated with the exposure that benefits from the mitigation.

Managing concentrations within credit risk mitigation

Credit risk mitigation taken by Barclays Bank UK Group to reduce credit risk may result in credit or market risk concentrations.

Guarantees that are treated as eligible credit risk mitigation are marked as an exposure against the guarantor and aggregated with other credit exposure to the guarantor. Limit monitoring at the counterparty level is then used for monitoring of concentrations in line with the Bank's policy.

Commercial real estate lending is another potential source of concentration risk arising from the use of credit risk mitigation. The portfolio is regularly reviewed to assess whether a concentration risk exists, and portfolio limits are in place to control the level of exposure to commercial, residential, investment and development activity.

Counterparty credit risk

Counterparty credit exposures for derivatives and securities financing transactions

Barclays Bank UK PLC enters into financial instruments that are traded or cleared on an exchange, including interest rate swaps and futures. Holders of exchange traded instruments provide daily margins with cash or other securities at the exchange, to which the holders look for ultimate settlement. Barclays Bank UK PLC Treasury utilises permitted exemptions in UK ring fencing legislation to enter into derivative and securities financing transactions to manage predominantly the hedging of interest rate risk in the banking book and cross currency exposures with market counterparties.

Barclays Bank UK PLC also enters into bilateral derivatives transactions that are traded over the counter, as opposed to cleared through a central counterparty clearing house. These instruments arise mainly from standardised transactions in derivative markets. In all cases, industry standard documentation is used, most commonly in the form of a master agreement, with individual transactions documented by confirmations. An executed master agreement which includes enforceable close out netting provisions is intended to give Barclays Bank UK PLC protection in situations where Barclays Bank UK PLC's counterparty is at risk, or is in, default.

Counterparty credit exposure arises from the risk that parties are unable to meet their payment obligations under certain financial contracts such as derivatives, securities financing transactions (SFTs) (e.g. repurchase agreements), or long settlement transactions.

A Monte Carlo simulation engine is used to estimate the Potential Future Exposure (PFE) to derivative and securities financing counterparties. The exposure simulation model simulates future market states and the MTM of the derivative transactions under those states. Simulated exposures taking into account the effect of credit mitigants such as netting, collateral and mandatory break clauses can then be generated.

Credit limits for CCR are assessed and allocated using the PFE measure. A number of factors are taken into account when setting credit limits for individual counterparties, including but not limited to the credit quality and nature of the counterparty, the rationale for the trading activity entered into and any wrong-way risk considerations.

The expected exposures generated by this engine are also used as an input into both internal and regulatory capital calculations covering CCR.

'Wrong-way risk' in a derivative or SFT exposure arises when there is significant correlation between the underlying asset and the counterparty, which in the event of default would lead to a significant MTM loss to the counterparty. Specific wrong-way risk trades, which are self-referencing or reference to other entities within the same counterparty group, require approval by a senior credit officer. The exposure to the counterparty will reflect the additional risk generated by these transactions (the exposure will be consistent with jump-to-default of the reference asset assuming zero recovery).

Derivative CCR (credit value adjustments)

As Barclays Bank UK PLC participates in derivative transactions it is exposed to CCR, which is the risk that a counterparty will fail to make the future payments agreed in the derivative contract. This is considered as a separate risk to the volatility of the MTM payment flows.

Management of credit risk and the internal ratings-based approach (continued)

The counterparty risk arising under derivative transactions is taken into account when reporting the fair value of derivative positions. The adjustment to the value is known as credit value adjustment (CVA). It is the difference between the value of a derivative contract with a risk-free counterparty and that of a contract with the actual counterparty. This is equivalent to the cost of hedging the counterparty risk in the Credit Default Swap (CDS) market.

Barclays Bank UK PLC uses the standardised approach to calculate CVA capital charge. This approach takes account of the external credit rating of each counterparty, and incorporates the effective maturity and EAD from the calculation of the CCR.

Netting and collateral arrangements for derivatives and SFTs

Credit risk from derivatives and securities financing transactions (SFTs) is mitigated where possible through netting agreements whereby assets and liabilities with the same counterparty can be offset, provided that the close out netting provisions in the master agreements are enforceable. The Bank's policy requires all netting arrangements to be legally documented. The ISDA Master Agreement is Barclays Bank UK PLC's preferred agreement for documenting Over the Counter (OTC) derivatives transactions. It provides the contractual framework within which dealing activities across a full range of OTC products are conducted, and contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement if either party defaults or other predetermined termination events occur. All of Barclays Bank UK PLC's OTC derivative exposures are covered by ISDA Master Agreements, with the Credit Support Annex (CSA) documenting collateral agreements for the exchange of variation margin, with initial margin covered in industry standard Collateral Transfer Agreements and Security Agreements. SFTs are documented under the International Capital Market Association's Global Master Repurchase Agreement, or the Master Repurchase Agreement.

Collateral may be obtained against derivative and SFTs, depending on the creditworthiness of the counterparty and/or nature of the transaction. Any non-cash collateral taken in respect of OTC trading exposures will be subject to a 'haircut', which is negotiated at the time of signing the collateral agreement. A haircut is the valuation percentage applicable to each type of collateral and will be largely based on liquidity and price volatility of the underlying security, as well as the counterparty's creditworthiness. The collateral obtained for derivatives is predominantly either cash, direct debt obligation government (G14+) bonds denominated in the domestic currency of the issuing country or debt issued by supranationals. Where Barclays Bank UK PLC has ISDA Master Agreements in place, the collateral document will be the ISDA CSA for variation margin and the Clearstream Collateral Transfer Agreement and Security Agreement in relation to initial margin. The collateral document must give Barclays Bank UK PLC the power to realise any collateral placed with it in the event of the failure of the counterparty. All of Barclays Bank UK PLC's CSAs are full title transfer agreements, with only cash collateral provided. The arrangements in relation to initial margin include securities as collateral, which is placed in an account with a custodian (such as ClearStream or Euroclear). A security interest is granted by the counterparty in favour of Barclays Bank UK PLC over the securities account held by the custodian for the counterparty, which allows Barclays Bank UK PLC to realise the assets in the event of the counterparty's default.

Management of credit risk and the internal ratings-based approach (continued)

Internal ratings based (IRB) approach

The IRB approach largely relies on internal models to derive the risk parameters/components used in determining the capital requirement for a given exposure. The main risk components include measures of the PD, LGD and the EAD. The IRB approach is divided into three alternative applications: Own-Estimates, Supervisory Estimates and Specialised Lending:

Own-Estimates IRB (OEIRB): Barclays Bank UK Group uses its own models to estimate PD, LGD and EAD to calculate given risk exposures for various asset classes and the associated Risk Weighted Assets (RWAs).

Supervisory IRB (SIRB): Barclays uses its own PD estimates, but relies on supervisory estimates for other risk components. The SIRB approach is particularly used to floor risk parameters for wholesale credit exposures where default data scarcity may impact the robustness of the model build process.

Specialised Lending IRB: For specialised lending exposures for which PD cannot be modelled reliably, Barclays uses a set of risk weights defined in the relevant regulation, and takes into account a range of prescribed risk factors.

The IRB calculation for credit risk

For both OEIRB and SIRB approaches, the Barclays Bank UK Group uses the regulatory prescribed risk-weight functions for the purposes of deriving capital requirements.

In line with regulatory requirements, Long Run Average PD and downturn LGD and CF (Conversion Factor) estimates are used for each customer/facility to determine regulatory capital for all exposures in scope.

For the purpose of pricing and existing customer management, point in time (PIT) PD, LGD and EAD are generally used as these represent the best estimates of risk given the current position in the credit cycle. Whilst Long Run Average PDs are always tested at grade/pool level, PIT PDs are also used for the calculation of capital on certain retail unsecured products, in line with regulation.

Applications of internal ratings

The three components – PD, LGD and CF – are the building blocks used in a variety of applications that measure credit risk across the entire portfolio:

- **Credit approval:** PD models are used in the approval process in both retail and wholesale portfolios. In high-volume retail portfolios, application and behaviour scorecards are frequently used as decision-making tools. In wholesale, PD models are used to direct applications to an appropriate credit-sanctioning level
- **Credit grading:** this was originally introduced in the early 1990s to provide a common measure of risk across Barclays Group. Barclays now employs a 22-point scale of default probabilities. In some applications, grades in this scale are divided further to permit more detailed analysis. These are shown in Table 25 on page 38
- **Risk-reward and pricing:** RWA derived from the PD, LGD and CF estimates is used to assess the profitability of deals and portfolios and to facilitate risk-adjusted pricing and strategy decisions
- **Risk appetite:** estimates are used to calculate the expected loss and the potential volatility of loss in Barclays Group's risk appetite framework. See page 80
- **Impairment calculation**: under IFRS 9, ECL outputs are produced based on PD, EAD and LGD IRB feeder models, with different economic scenarios used on a probability-weighted basis. See pages 93 to 96.
- **Collections and recoveries:** PD model outputs are used to identify segments of the portfolio where collection and recovery efforts should be prioritised
- **Economic capital (EC) calculation:** EC models for most portfolios use inputs from the IFRS9 impairment models
- **Risk management information:** Risk generate reports to inform senior management on issues such as business performance, risk appetite and EC consumption. Model outputs are used as key indicators in those reports. Risk also generates regular reports on model risk, which covers model accuracy, model use, input data integrity and regulatory compliance among other issues

Ratings processes and models for credit exposures

Wholesale credit

To construct ratings for wholesale customers, including financial institutions, corporations, specialised lending, purchased corporate receivables and equity exposures, Barclays complements its internal models suite with external models and rating agencies' information. A model hierarchy is in place requiring users/credit officers to adopt a consistent approach/model to rate each counterparty based on the asset class type and the nature of the transaction.

Management of credit risk and the internal ratings-based approach (continued)

Wholesale PD models

Barclays Bank UK Group employs a range of methods in the construction of these models:

- statistical models are used for our high volume portfolios such as small or medium enterprises (SME). The models are typically built using large amounts of internal data, combined with supplemental data from external data suppliers where available. Wherever external data is sourced to validate or enhance internally held data, similar data quality standards to those applicable to the internal data management are enforced
- structural models incorporate, in their specification, the elements of the industry-accepted Merton framework to identify the distance to default for a counterparty. This relies upon the modeller having access to specific time series data or data proxies for the portfolio. Data samples used to build and validate these models are typically constructed by appropriately combining data sets from internal default observations with comparable externally obtained data sets from commercial providers such as rating agencies and industry data gathering consortia
- expert lender models are used for those parts of the portfolio where there is insufficient internal or external data to support the construction of a statistically robust model. These models utilise the knowledge and in-depth expertise of the senior credit officers dealing with the specific customer type being modelled. For all portfolios with a low number of default observations, Barclays Group adopts specific regulatory rules, methodologies and floors in its estimates so that the calibration of the model meets the current regulatory criteria for conservatism

Wholesale LGD models

The LGD models typically rely on statistical analysis to derive the model drivers (including seniority of claim, collateral coverage, recovery periods, industry and costs) that best explain Barclays Group's historical loss experience, often supplemented with other relevant and representative external information where available. The models are calibrated to downturn conditions for regulatory capital purposes and, where internal and external data is scarce, they are subject to FIRB (Foundation Internal Ratings Based) floors so that the calibration of the model meets the current regulatory criteria for conservatism.

Wholesale CF models

The wholesale CF models estimate the potential utilisation of the currently available headroom based on statistical analysis of the available internal and external data and past client behaviour. As is the case with the LGD models, the CF models are subject to downturn calibration for regulatory capital purposes and to floors where data is scarce.

Retail credit

Retail banking and cards operations have long and extensive experience of using credit models in assessing and managing risks. As a result, models play an integral role in customer approval and management decisions. Most retail portfolios are data rich; consequently, most models are built in-house using statistical techniques and internal data. Exceptions are some expert lender models (similar to those described in the wholesale context) where data scarcity precludes the statistically robust derivation of model parameters. In these cases, appropriately conservative assumptions are typically used, and wherever possible these models are validated/benchmarked against external data.

Retail PD models

Application and behavioural scorecards are most commonly used for retail PD modelling:

- application scorecards are derived from historically observed performance of new clients. They are built using customer demographic and financial information, supplemented by credit bureau information where available. Through statistical techniques, the relationship between these candidate variables and the default marker is quantified to produce output scores reflecting a PD. These scores are used primarily for new customer decisioning but are, in some cases, also used to allocate a PD to new customers for the purpose of capital calculation
- behavioural scorecards differ from application scorecards in that they rely on the historically observed performance of existing clients. The statistically derived output scores are used for existing customer management activities as well as for the purpose of capital calculation

Retail LGD models

Retail LGD models are built using bespoke methods chosen to best model the operational recovery process and practices. In a number of secured portfolios, LGD drivers are parameterised with market factors (e.g. house price indices, haircut of the property value, etc.) to capture market trends. For unsecured portfolios, where recoveries are not based on collateral, statistical models of cash flows are used to estimate ultimate recoveries and LGDs. In all instances, cash flows are discounted to the point of default by using bespoke country and product level factors. For capital calculations, customised economic downturn adjustments, taking into account loss and default dependency, are made to adjust losses to stressed conditions.

Management of credit risk and the internal ratings-based approach (continued)

Retail CF models

CF models within retail portfolios are split into two main methodological categories. The general methodology is to derive product level credit conversion factors (CCFs) from historical balance migrations, typically for amortising product, such as mortgages and consumer loans. These are frequently further segmented at a bucket level (e.g. by delinquency). The most sophisticated CF models are based on behavioural factors, determining customer level CCFs from characteristics of the individual facility, typically for overdrafts and credit cards. For capital calculations, customised downturn adjustments, taking into account loss and default dependency, are made to adjust for stressed conditions.

The control mechanisms for the rating system

Model risk is a risk managed under the ERMF. Consequently, Barclays Model Risk Policy (MRP) and its supporting standards covering the end-to-end model life cycle are in place to support the management of risk models.

Key controls captured by the MRP cover:

- model governance is anchored in assigning accountabilities and responsibilities to each of the main stakeholders:
  - model owner – each model must have an owner who has overall accountability for the model
  - model developers – support the model owner and drive development according to the model owner's defined scope/purpose
  - Independent Validation Unit (IVU) – responsible for independent review, challenge and approval of all models
- externally developed models are subject to the same governance standards as internal models
- models are classified by materiality (high/low) and complexity (complex/non-complex)
- all models must be validated and approved by IVU before initial implementation/use
- models are subject to annual assessment, including performance monitoring, by model owner and independently validated by IVU annually
- all models must be recorded in Barclays Group Models Database (GMD), which records model owners and developers
- model owners must evidence that model implementation is accurate and tested.

If a model is found to perform sub-optimally, it may be rejected and/or subjected to a Post Model Adjustment (PMA) before approval for continued use is granted.

The IVU reporting line is separate from that of the model developers. IVU is part of Model Risk Management (MRM), and the head of MRM reports to Barclays Group Chief Risk Officer (GCRO). The model development teams have separate reporting lines to the Group Head of Quantitative Analytics, who in turn reports to the Barclays Group CRO.

Under the Three Lines of Defence approach stated in the ERMF, the actions of all parties with responsibilities under the MRP are subject to independent review by Barclays Internal Audit.

Validation processes for credit exposures

Validation of credit models covers observed model performance but also the scope of model use, interactions between models, data use and quality, the model's theoretical basis, regulatory compliance and any remediation to model risk that are proposed or in place. The following sections provide more detail on processes for validating the performance of each model type (covered as part of an annual validation and self assessment).

Wholesale PD models

To assess model calibration, the IVU compares the model predicted default rate to the observed default rate over the latest year and over all available model history. On low default portfolios the relative infrequency of default of large wholesale obligors means a long-run perspective on default risk is vital. For these portfolios, default rates are also compared to external benchmarks where these are relevant and available, such as default rates in rating-agency data.

To assess model discrimination performance, the IVU compares the rank-ordering of internal ratings with the pattern of defaults, if any, to construct the industry-standard Gini statistic or similar. The ordering of internal ratings is also compared to the ordering of internal and external comparator ratings where these are available.

Measures of grade stability and the degree to which PD tracks default rates over time are also routinely calculated to infer relevant aspects of model performance.

Wholesale LGD models

To assess model calibration, model outputs are compared to the LGD observed on facilities that entered default. Comparisons are performed by individual model component, and at overall level. Model outputs are also compared to the long-run average of observed LGD. The time-lapse between facility default and the closure of recovery is varied and may be long. In the construction of observed LGD, recoveries are discounted back to the date of default at a conservative interest rate, following regulatory guidance of at least 9%. As noted above, regulatory floors are in place for the LGD used in calculating regulatory capital for exposure types with low default rates.

Wholesale CF / EAD models

To assess model calibration, the EADs observed in internal data are compared to model predictions, both in downturn periods as defined by the regulator, and on a long-run average basis. Comparisons are performed separately for different product types. The primary validation tests are performed on customer weighted basis rather than exposure weighted basis, in line with the relevant regulations.

Management of credit risk and the internal ratings-based approach (continued)

Retail PD models

To assess rating philosophy, i.e. whether it is a Point-in-Time system or Through-the-Cycle system, the IVU reviews migration indices to investigate relevant grade migration. To assess model calibration, the IVU compares the model prediction of default frequency to the realised internal default rate by grade/pool as required by CRR. As a minimum, IVU expects the expected default rate is at least equal or above the level of observed default rate. To assess model discrimination performance, the IVU compares the rank-ordering of internal ratings with the pattern of defaults, if any, to construct the industry-standard Gini statistic or similar. To assess model stability, the population distribution, the character distribution and parameter estimates are assessed individually. PD trends are also compared to external industry benchmarking data.

A 0.03% regulatory floor is in place for the facility level PD used in calculating regulatory capital.

Retail LGD models

LGD model components are compared to observed values respectively, this may include but not limited to probability of possession/ charge off, forced sale discount, time from default to crystallisation and discount rate. Where components are similar to PD in nature, the approach stated in the PD section applies to assess the calibration, discrimination and stability of the component.

The calibration of the overall LGD is assessed through the expected against actual comparison by default flow and stock population respectively. The downturn LGD appropriateness is further assessed to test that the downturn LGD is equal to or above the long-run average of observed LGD. This exercise is performed at grade/pool level according to CRR. In the construction of observed LGD, recoveries are discounted back to the date of default at a conservative interest rate, following regulatory guidance. As noted above, regulatory floors are in place for the LGD used in calculating regulatory capital where appropriate (this includes but not limited to the non-zero LGD floor at account level, the collateral uncertainty consideration, the portfolio level LGD floor and UK property haircut floor).

The primary validation tests are performed on facility/obligor-weighted rather than exposure-weighted basis in line with the relevant regulations.

LGD trends are also compared to external industry benchmarking data.

Retail CF models

The calibration of the overall CF is assessed through the expected against actual comparison by default flow and stock population respectively. The downturn CF appropriateness is further assessed to test that the downturn CF is equal to or above the long-run average of observed CF. This exercise is performed at grade/pool level according to CRR. Particular care is used in separating cases where facility limits changed between the date of observation and default, as these can lead to measurements of conversion factors that take extreme values.

Depending on the modelling approach, the relevant measure used for PD/LGD may be used accordingly to assess calibration, discrimination and stability. CF is floored so that the exposure at the point of default cannot be less than exposure observed at point of regulatory reporting. The primary validation tests are performed on facility/obligor-weighted rather than exposure-weighted basis in line with the relevant regulations. EAD trends are also compared to external industry benchmarking data.

Selected features of material models

The table below contains selected features of the key Barclays UK (BUK) AIRB credit risk models which are used to calculate RWAs, including AIRB PMAs. Please note that the RWAs reported in this table are based on the models in production as of November 2023.

- PD models listed in the table account for £43bn of total AIRB approach RWAs.

Management of credit risk and the internal ratings-based approach (continued)

Table 55: IRB credit risk models' selected features

		Size of associated portfolio (RWAs)				
Component modelled	Portfolio	BUK (£m)	Model description and methodology	Number of years loss data	Basel asset classes measured	Applicable industry-wide regulatory thresholds
PD	SME customers with turnover < £20m	8,506	Statistical models that uses regression techniques to derive relationship between observed default experience and a set of behavioural variables.	> 10 Years	Corporate SME, SME	Regulatory PD floor of 0.03%
PD	UK Home Finance	23,527	Statistical scorecards estimated using regression techniques, segmented along arrears status and portfolio type.	>10 Years	Secured By Real Estate (residential and buy-to-let mortgages)	Regulatory PD floor of 0.03%
PD	Barclaycard UK	11,047	Statistical scorecards estimated using regression techniques, segmented along arrears status and portfolio type.	6 - 10 Years	Qualifying Revolving Retail (QRRE)	PD floor of 0.03%

Credit Risk IRB models performance back-testing - estimated versus actual

The following tables compare the PDs estimated by the BUK's IRB models with the actual default rates. Comparisons are based on the assets in IRB portfolios, excluding Counterparty Credit Risk exposures, and are used to assess performance of the models. The estimates and actual figures represent direct outputs from the models rather than outputs used in regulatory capital calculations that may be adjusted to apply more conservative assumptions.

Risk models are subject to the Model Risk Policy which contains detailed guidance on the minimum standards for model risk management. For example, PDs must be estimated over a sufficient period, show sufficient differentiation in predictions for different customers, show conservatism where data limitations exist, and follow prescriptive techniques. These standards are achieved via an independent validation process using independent experts. Once validated and correctly implemented, models are subject to regular monitoring to ensure they can still be used. Comparing model estimates with actual default rates for PD form part of this monitoring. Such analysis is used to assess and enhance the performance of the models.

Further detail is provided in the management of model risk on page 141.

Management of credit risk and the internal ratings-based approach (continued)

PD measures

- Within each IRB exposure class, the model estimated Point in time (PiT) PDs are compared with the actual default rates within PD ranges. PD ranges, estimated PDs and actual default rates are based on the existing model default definitions. As of reference month (November 2023), UK Cards, UK Home Finance, UK Current Account, UK Barclayloan and SME are the only portfolios compliant against CRD regulation prior to the embedding of the EBA roadmap. The EBA compliant models are either currently under the PRA approval process or will be submitted as per the IRB Repair / Basel 3.1 roll out plan periodically reviewed by the PRA
- The estimated PDs are forward-looking average PD from the model at the beginning of the twelve-month period, i.e. average PD of the November 2022 non-defaulted obligors including inactive clients and non-borrowers.
- Exposure weighted average PD has been calculated using TTC PD or Regulatory PDs and Average PD has been calculated using PIT PD which leads to difference in obligors used for calculation of Exposure weighted average PD vs. Average PD
- The estimated PDs are compared with the observed average default rate and the simple average of historical annual default rates over the past 5 years, starting November 2018
- The PiT PD is used as a predicted measure in internal monitoring and annual validation of the models. In contrast, the capital calculation uses TTC or Regulatory PDs (not shown below), which is already calibrated to long-run default averages with additional adjustments where modelled outputs display evidence of risk understatement (including credit expert overrides, regulatory adjustments etc.). The PiT measure may be subject to under or over prediction depending on the relative position of the portfolio to the credit cycle
- The above mapping between external ratings and internal PD ranges based on the published reports from the two rating agencies - Moody's and S&P.
- For the wholesale models, the average default probabilities in the tables have been determined from the full scope of obligors graded by the IRB model suites, which may include some obligors that have either zero exposure or zero limits marked at the time of calculation

Management of credit risk and the internal ratings-based approach (continued)

IRB approach – Back-testing of PD per exposure class (fixed PD scale)

These tables provide an overview of credit risk model performance, assessed by the analysis of average PDs. Please note these tables exclude exposures calculated under the supervisory slotting approach. The straddling obligors between BUK and BI have been classified under BUK.

The tables compare the model output to the actual experience in our portfolios. Such analysis is used to assess and enhance the adequacy and accuracy of models. The outputs are subject to a number of adjustments before they are used in the calculation of capital e.g., adjustments for the position in the credit cycle and the impact of stress on recovery rates.

Table 56: CR9 - IRB approach – Back-testing of PD for Institutions

As at 31 December 2023	Number of obligors at the end of previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
PD Range		Of which number of obligors which defaulted in the year				
0.00 to <0.15	—	—	—	0.1%	—	0.5 %
0.00 to <0.10	—	—	—	0.1%	—	—
0.10 to <0.15	—	—	—	0.1%	—	1.1 %
0.15 to <0.25	5	—	—	0.2%	0.2 %	0.2 %
0.25 to <0.50	40	—	—	0.4%	0.3 %	0.1 %
0.50 to <0.75	61	—	—	0.7%	0.6 %	0.2 %
0.75 to <2.50	1,165	2	0.2%	1.6%	1.6 %	0.9 %
0.75 to <1.75	745	2	0.3%	1.3%	1.4 %	0.9 %
1.75 to <2.5	420	—	—	2.2%	2.1 %	1.2 %
2.50 to <10.00	791	6	0.8%	3.9%	4.6 %	4.4 %
2.5 to <5	526	2	0.4%	3.3%	3.5 %	4.1 %
5 to <10	265	4	1.5%	6.4%	7.0 %	4.9 %
10.00 to <100.00	193	11	5.7%	28.2%	18.7 %	25.6 %
10 to <20	136	5	3.7%	16.4%	14.1 %	10.8 %
20 to <30	44	3	6.8%	23.4%	23.9 %	18.7 %
30.00 to <100.00	13	3	23.1%	43.6%	48.7 %	51.5 %
100.00 (Default)	77	—	—	100.0%	100.0 %	—

Table 57: CR9 - IRB approach – Back-testing of PD for Corporates - SME

As at 31 December 2023	Number of obligors at the end of previous year		Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
PD Range		Of which number of obligors which defaulted in the year				
0.00 to <0.15	—	—	—	0.1%	—	0.3 %
0.00 to <0.10	—	—	—	0.1%	—	0.2 %
0.10 to <0.15	—	—	—	0.1%	—	0.4 %
0.15 to <0.25	37	1	2.7%	0.2%	0.2 %	0.9 %
0.25 to <0.50	568	1	0.2%	0.4%	0.4 %	0.5 %
0.50 to <0.75	1,032	4	0.4%	0.6%	0.6 %	1.2 %
0.75 to <2.50	10,779	96	0.9%	1.4%	1.6 %	1.7 %
0.75 to <1.75	6,626	49	0.7%	1.2%	1.2 %	1.5 %
1.75 to <2.5	4,153	47	1.1%	2.1%	2.1 %	2.5 %
2.50 to <10.00	6,850	163	2.4%	4.5%	4.5 %	4.9 %
2.5 to <5	4,733	76	1.6%	3.4%	3.4 %	3.7 %
5 to <10	2,117	87	4.1%	6.9%	6.9 %	7.2 %
10.00 to <100.00	1,227	117	9.5%	20.9%	20.8 %	17.0 %
10 to <20	849	50	5.9%	14.2%	13.8 %	12.2 %
20 to <30	199	28	14.1%	23.9%	24.0 %	22.7 %
30.00 to <100.00	179	39	21.8%	44.7%	50.6 %	28.4 %
100.00 (Default)	614	—	—	100.0%	100.0 %	—

Management of credit risk and the internal ratings-based approach (continued)

Table 58: CR9 - IRB approach – Back-testing of PD for Corporates - Others

As at 31 December 2023 PD Range	Number of obligors at the end of previous year	Of which number of obligors which defaulted in the year	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
0.00 to <0.15	**115**	**—**	**0.0%**	**0.1%**	**0.1 %**	**0.2 %**
0.00 to <0.10	***106***	**—**	***0.0%***	***0.1%***	***0.1 %***	***0.3 %***
0.10 to <0.15	***9***	**—**	***0.0%***	***0.1%***	***0.1 %***	***0.1 %***
0.15 to <0.25	**18**	**—**	**0.0%**	**0.2%**	**0.2 %**	**0.1 %**
0.25 to <0.50	**266**	**—**	**0.0%**	**0.4%**	**0.3 %**	**0.2 %**
0.50 to <0.75	**107**	**—**	**0.0%**	**0.6%**	**0.7 %**	**0.3 %**
0.75 to <2.50	**2,564**	**9**	**0.4%**	**1.5%**	**1.4 %**	**1.0 %**
0.75 to <1.75	***1,839***	***6***	***0.3%***	***1.2%***	***1.1 %***	***1.0 %***
1.75 to <2.5	***725***	***3***	***0.4%***	***2.1%***	***2.1 %***	***1.1 %***
2.50 to <10.00	**1,502**	**12**	**0.8%**	**5.1%**	**5.0 %**	**2.6 %**
2.5 to <5	***809***	***5***	***0.6%***	***3.5%***	***3.5 %***	***1.9 %***
5 to <10	***693***	***7***	***1.0%***	***5.8%***	***6.9 %***	***4.2 %***
10.00 to <100.00	**237**	**15**	**6.3%**	**21.4%**	**19.7 %**	**14.3 %**
10 to <20	***177***	***6***	***3.4%***	***15.0%***	***13.5 %***	***8.1 %***
20 to <30	***24***	***3***	***12.5%***	***24.3%***	***24.0 %***	***19.9 %***
30.00 to <100.00	***36***	***6***	***16.7%***	***53.2%***	***47.7 %***	***33.1 %***
100.00 (Default)	**62**	**—**	**—**	**100.0%**	**100.0 %**	**—**

Management of credit risk and the internal ratings-based approach (continued)

Table 59: CR9 - IRB approach – Back-testing of PD for Secured Retail - Non SME

As at 31 December 2023 PD Range	Number of obligors at the end of previous year	Of which number of obligors which defaulted in the year	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
0.00 to <0.15	712,173	704	0.1%	0.1%	0.1 %	0.1 %
0.00 to <0.10	*562,212*	*446*	*0.1%*	*0.1%*	*0.1 %*	*0.1 %*
0.10 to <0.15	*149,961*	*258*	*0.2%*	*0.1%*	*0.1 %*	*0.1 %*
0.15 to <0.25	82,846	224	0.3%	0.2%	0.2 %	0.2 %
0.25 to <0.50	36,995	211	0.6%	0.4%	0.3 %	0.5 %
0.50 to <0.75	10,155	96	0.9%	0.6%	0.6 %	0.8 %
0.75 to <2.50	19,149	305	1.6%	1.3%	1.5 %	1.3 %
0.75 to <1.75	*13,596*	*187*	*1.4%*	*1.1%*	*1.2 %*	*1.1 %*
1.75 to <2.5	*5,553*	*118*	*2.1%*	*2.1%*	*2.1 %*	*1.5 %*
2.50 to <10.00	11,070	693	6.3%	4.8%	4.8 %	5.0 %
2.5 to <5	*6,791*	*283*	*4.2%*	*3.5%*	*3.5 %*	*3.4 %*
5 to <10	*4,279*	*410*	*9.6%*	*7.0%*	*6.9 %*	*7.7 %*
10.00 to <100.00	5,535	2,003	36.2%	28.9%	29.8 %	31.9 %
10 to <20	*2,248*	*443*	*19.7%*	*13.2%*	*13.8 %*	*16.5 %*
20 to <30	*1,066*	*361*	*33.9%*	*24.3%*	*24.9 %*	*29.8 %*
30.00 to <100.00	*2,221*	*1,199*	*54.0%*	*55.4%*	*48.2 %*	*50.2 %*
100.00 (Default)	7,621	—	—	100.0%	100.0 %	—

Table 60: CR9 - IRB approach – Back-testing of PD for Revolving Retail

As at 31 December 2023 PD Range	Number of obligors at the end of previous year	Of which number of obligors which defaulted in the year	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
0.00 to <0.15	12,014,337	4,569	—	0.1%	0.1%	—
0.00 to <0.10	*10,085,478*	*2,679*	—	*0.1%*	*0.0%*	—
0.10 to <0.15	*1,928,859*	*1,890*	*0.1%*	*0.1%*	*0.1%*	*0.1%*
0.15 to <0.25	2,276,221	3,063	0.1%	0.2%	0.2%	0.2%
0.25 to <0.50	1,848,847	5,759	0.3%	0.4%	0.4%	0.3%
0.50 to <0.75	890,581	5,079	0.6%	0.6%	0.6%	0.6%
0.75 to <2.50	1,925,684	24,595	1.3%	1.4%	1.4%	1.4%
0.75 to <1.75	*1,432,630*	*15,455*	*1.1%*	*1.2%*	*1.1%*	*1.2%*
1.75 to <2.5	*493,053*	*9,140*	*1.9%*	*2.1%*	*2.1%*	*2.1%*
2.50 to <10.00	952,218	44,999	4.7%	4.6%	4.6%	5.1%
2.5 to <5	*631,340*	*22,011*	*3.5%*	*3.5%*	*3.5%*	*3.7%*
5 to <10	*320,878*	*22,988*	*7.2%*	*6.9%*	*6.9%*	*7.4%*
10.00 to <100.00	233,174	58,301	25.0%	23.0%	26.1%	25.7%
10 to <20	*136,354*	*18,768*	*13.8%*	*13.4%*	*13.6%*	*14.5%*
20 to <30	*38,163*	*8,743*	*22.9%*	*24.1%*	*24.2%*	*24.3%*
30.00 to <100.00	*58,657*	*30,790*	*52.5%*	*52.6%*	*56.2%*	*54.4%*
100.00 (Default)	239,980	—	—	100.0%	100.0%	—

Management of credit risk and the internal ratings-based approach (continued)

Table 61: CR9 - IRB approach - Back-testing of PD for Other Retail - SME

As at 31 December 2023 PD Range	Number of obligors at the end of previous year	Of which number of obligors which defaulted in the year	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
0.00 to <0.15	**8**	**—**	**—**	**0.1%**	**0.1 %**	**0.1 %**
0.00 to <0.10	***—***	***—***	***—***	***0.1%***	***—***	***0.1 %***
0.10 to <0.15	***8***	***—***	***—***	***0.1%***	***0.1 %***	***0.1 %***
0.15 to <0.25	**5,929**	**1**	**—**	**0.2%**	**0.2 %**	**0.3 %**
0.25 to <0.50	**75,806**	**21**	**—**	**0.4%**	**0.3 %**	**0.8 %**
0.50 to <0.75	**41,386**	**65**	**0.2%**	**0.6%**	**0.6 %**	**1.0 %**
0.75 to <2.50	**389,356**	**4,435**	**1.1%**	**1.5%**	**1.5 %**	**2.2 %**
0.75 to <1.75	***242,017***	***2,833***	***1.2%***	***1.2%***	***1.2 %***	***2.0 %***
1.75 to <2.5	***147,339***	***1,602***	***1.1%***	***2.1%***	***2.1 %***	***3.4 %***
2.50 to <10.00	**310,375**	**9,415**	**3.0%**	**4.6%**	**4.9 %**	**6.4 %**
2.5 to <5	***186,087***	***3,964***	***2.1%***	***3.5%***	***3.5 %***	***5.3 %***
5 to <10	***124,288***	***5,451***	***4.4%***	***6.9%***	***7.0 %***	***8.9 %***
10.00 to <100.00	**97,641**	**13,822**	**14.2%**	**23.9%**	**19.2 %**	**27.0 %**
10 to <20	***68,632***	***6,917***	***10.1%***	***13.6%***	***13.9 %***	***18.2 %***
20 to <30	***20,368***	***3,460***	***17.0%***	***24.2%***	***23.9 %***	***27.9 %***
30.00 to <100.00	***8,641***	***3,445***	***39.9%***	***42.1%***	***49.9 %***	***49.9 %***
100.00 (Default)	**66,744**	**—**	**0.0%**	**100.0%**	**100.0 %**	**—**

Table 62: CR9 - IRB approach – Back-testing of PD for Other Retail - Non SME

As at 31 December 2023 PD Range	Number of obligors at the end of previous year	Of which number of obligors which defaulted in the year	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
0.00 to <0.15	**74,483**	**119**	**0.2%**	**0.1%**	**0.1%**	**0.1%**
0.00 to <0.10	***46,195***	***52***	***0.1%***	***0.1%***	***0.1%***	***0.1%***
0.10 to <0.15	***28,288***	***67***	***0.2%***	***0.1%***	***0.1%***	***0.2%***
0.15 to <0.25	**45,983**	**92**	**0.2%**	**0.2%**	**0.2%**	**0.2%**
0.25 to <0.50	**86,481**	**380**	**0.4%**	**0.4%**	**0.4%**	**0.4%**
0.50 to <0.75	**52,458**	**336**	**0.6%**	**0.6%**	**0.6%**	**0.6%**
0.75 to <2.50	**145,891**	**2,322**	**1.6%**	**1.4%**	**1.4%**	**1.4%**
0.75 to <1.75	***107,685***	***1,385***	***1.3%***	***1.2%***	***1.2%***	***1.1%***
1.75 to <2.5	***38,206***	***937***	***2.5%***	***2.1%***	***2.1%***	***2.1%***
2.50 to <10.00	**88,430**	**4,937**	**5.6%**	**4.7%**	**4.8%**	**4.9%**
2.5 to <5	***55,579***	***2,345***	***4.2%***	***3.5%***	***3.5%***	***3.6%***
5 to <10	***32,851***	***2,592***	***7.9%***	***7.0%***	***7.0%***	***7.2%***
10.00 to <100.00	**25,980**	**8,089**	**31.1%**	**27.2%**	**30.7%**	**28.0%**
10 to <20	***14,137***	***1,984***	***14.0%***	***13.6%***	***13.8%***	***13.5%***
20 to <30	***3,471***	***844***	***24.3%***	***24.2%***	***24.3%***	***23.7%***
30.00 to <100.00	***8,372***	***5,261***	***62.8%***	***61.9%***	***61.8%***	***60.0%***
100.00 (Default)	**21,567**	**—**	**—**	**100.0%**	**100.0%**	**—**

Management of credit risk and the internal ratings-based approach (continued)

IRB approach – Back-testing of PD per exposure class (only for PD estimates according to point (f) of Article 180(1) CRR)

Table 63: CR9.1 - IRB approach – Back-testing of PD (only for PD estimates according to point (f) of Article 180(1) CRR) - Institutions

As at 31 December 2023	External rating equivalent		Number of obligors at the end of previous year		Observed average default rate (%)	Average PD (%)	Average historical annual default rate (%)
PD Ranges	Moody's Investors Service España S.A.	S&P Global Ratings Europe Limited		Of which number of obligors which defaulted in the year			
0.00 to <0.15	Aaa, Aa1, Aa2,Aa3,A1,A2, A3,Baa1	AAA, AA+, AA,AA-,A+,A, A-,BBB+	—	—	—	—	0.48 %
0.00 to <0.10	Aaa, Aa1, Aa2,Aa3,A1,A2, A3	AAA, AA+, AA,AA-,A+,A, A-	—	—	—	—	—
0.10 to <0.15	Baa1	BBB+	—	—	—	—	1.09 %
0.15 to <0.25	Baa2	BBB	5	—	—	0.23 %	0.22 %
0.25 to <0.50	Baa3,Ba1	BBB-,BB+	40	—	—	0.35 %	0.13 %
0.50 to <0.75	Ba1,Ba2	BB+,BB, BB-	61	—	—	0.64 %	0.22 %
0.75 to <2.50	Ba1, Ba2,Ba3,B1	BB,BB-,B+	1,165	2	0.17 %	1.63 %	0.90 %
0.75 to <1.75	Ba1, Ba2,Ba3	BB,BB-,B+	745	2	0.27 %	1.36 %	0.87 %
1.75 to <2.5	Ba3,B1	B+	420	—	—	2.11 %	1.22 %
2.50 to <10.00	B1,B2,B3,Caa1	B+,B,B-	791	6	0.76 %	4.63 %	4.37 %
2.5 to <5	B1,B2,B3,Caa1	B+,B	526	2	0.38 %	3.45 %	4.11 %
5 to <10	B3,Caa1	B, B-	265	4	1.51 %	6.96 %	4.89 %
10.00 to <100.00	B3, Caa1,Caa2,Caa3, Ca, C	B-, CCC+,CCC,CCC-, CC+ ,CC, C	193	11	5.70 %	18.66 %	25.64 %
10 to <20	B3, Caa1, Caa2, Caa3, Ca, C	B-, CCC+,CCC, CCC-, CC+ ,CC, C	136	5	3.68 %	14.08 %	10.80 %
20 to <30	Caa3, Ca, C	CCC, CCC-, CC+ ,CC, C	44	3	6.82 %	23.94 %	18.75 %
30.00 to <100.00	Caa3,Ca, C	CCC, CCC-, CC+ ,CC, C	13	3	23.08 %	48.66 %	51.47 %
100.00 (Default)	D	D	77	—	—	100.00 %	—

Management of credit risk and the internal ratings-based approach (continued)

Table 64: CR9.1 - IRB approach – Back-testing of PD (only for PD estimates according to point (f) of Article 180(1) CRR) - Corporates - SME

As at 31 December 2023	External rating equivalent		Number of obligors at the end of previous year		Observed average default rate (%)	Average PD (%)	Average historical annual default rate (%)
PD Ranges	Moody's Investors Service España S.A.	S&P Global Ratings Europe Limited		Of which number of obligors which defaulted in the year			
0.00 to <0.15	Aaa, Aa1, Aa2,Aa3,A1,A2, A3,Baa1	AAA, AA+, AA,AA-,A+,A, A-,BBB+	—	—	—	—	0.28 %
0.00 to <0.10	Aaa, Aa1, Aa2,Aa3,A1,A2, A3	AAA, AA+, AA,AA-,A+,A, A-	—	—	—	—	0.18 %
0.10 to <0.15	Baa1	BBB+	—	—	—	—	0.37 %
0.15 to <0.25	Baa2	BBB	37	1	2.70 %	0.23 %	0.91 %
0.25 to <0.50	Baa3,Ba1	BBB-,BB+	568	1	0.18 %	0.40 %	0.51 %
0.50 to <0.75	Ba1,Ba2	BB+,BB, BB-	1032	4	0.39 %	0.63 %	1.19 %
0.75 to <2.50	Ba1,	BB,BB-,B+	10779	96	0.89 %	1.57 %	1.74 %
0.75 to <1.75	Ba1, Ba2,Ba3	BB,BB-,B+	6626	49	0.74 %	1.24 %	1.46 %
1.75 to <2.5	Ba3,B1	B+	4153	47	1.13 %	2.10 %	2.54 %
2.50 to <10.00	B1,B2,B3,Caa1	B+,B,B-	6850	163	2.38 %	4.51 %	4.85 %
2.5 to <5	B1,B2,B3,Caa1	B+,B	4733	76	1.61 %	3.44 %	3.67 %
5 to <10	B3,Caa1	B, B-	2117	87	4.11 %	6.90 %	7.18 %
10.00 to <100.00	B3, Caa1,Caa2,Caa3, Ca, C	B-, CCC+,CCC,CCC-, CC+ ,CC,	1227	117	9.54 %	20.79 %	17.04 %
10 to <20	B3, Caa1, Caa2, Caa3, Ca, C	B-, CCC+,CCC, CCC-,	849	50	5.89 %	13.75 %	12.23 %
20 to <30	Caa3, Ca, C	CCC, CCC-, CC+ ,CC, C	199	28	14.07 %	23.98 %	22.70 %
30.00 to <100.00	Caa3,Ca, C	CCC, CCC-, CC+ ,CC, C	179	39	21.79 %	50.62 %	28.42 %
100.00 (Default)	D	D	614	—	—	100.00 %	—

Management of credit risk and the internal ratings-based approach (continued)

Table 65: CR9.1 - IRB approach – Back-testing of PD (only for PD estimates according to point (f) of Article 180(1) CRR) - Corporates - Others

As at 31 December 2023	External rating equivalent		Number of obligors at the end of previous year				
PD Ranges	Moody's Investors Service España S.A.	S&P Global Ratings Europe Limited		Of which number of obligors which defaulted in the year	Observed average default rate (%)	Average PD (%)	Average historical annual default rate (%)
0.00 to <0.15	Aaa, Aa1, Aa2,Aa3,A1,A2, A3,Baa1	AAA, AA+, AA,AA-,A+,A, A-,BBB+	115	—	—	0.05 %	0.24 %
0.00 to <0.10	Aaa, Aa1, Aa2,Aa3,A1,A2, A3	AAA, AA+, AA,AA-,A+,A, A-	106	—	—	0.05 %	0.32 %
0.10 to <0.15	Baa1	BBB+	9	—	—	0.13 %	0.13 %
0.15 to <0.25	Baa2	BBB	18	—	—	0.21 %	0.13 %
0.25 to <0.50	Baa3,Ba1	BBB-,BB+	266	—	—	0.34 %	0.18 %
0.50 to <0.75	Ba1,Ba2	BB+,BB, BB-	107	—	—	0.65 %	0.25 %
0.75 to <2.50	Ba1,	BB,BB-,B+	2564	9	0.35 %	1.39 %	0.99 %
0.75 to <1.75	Ba1, Ba2,Ba3	BB,BB-,B+	1839	6	0.33 %	1.11 %	1.00 %
1.75 to <2.5	Ba3,B1	B+	725	3	0.41 %	2.10 %	1.09 %
2.50 to <10.00	B1,B2,B3,Caa1	B+,B,B-	1502	12	0.80 %	5.04 %	2.58 %
2.5 to <5	B1,B2,B3,Caa1	B+,B	809	5	0.62 %	3.49 %	1.91 %
5 to <10	B3,Caa1	B, B-	693	7	1.01 %	6.86 %	4.18 %
10.00 to <100.00	B3, Caa1,Caa2,Caa3, Ca, C	B-, CCC+,CCC,C CC-, CC+ ,CC,	237	15	6.33 %	19.74 %	14.33 %
10 to <20	B3, Caa1, Caa2, Caa3, Ca, C	B-, CCC+,CCC, CCC-,	177	6	3.39 %	13.47 %	8.14 %
20 to <30	Caa3, Ca, C	CCC, CCC-, CC+ ,CC, C	24	3	12.50 %	23.99 %	19.86 %
30.00 to <100.00	Caa3,Ca, C	CCC, CCC-, CC+ ,CC, C	36	6	16.67 %	47.73 %	33.14 %
100.00 (Default)	D	D	62	—	—	100.00 %	—

Management of credit risk and the internal ratings-based approach (continued)

Table 66: CR9.1 - IRB approach – Back-testing of PD (only for PD estimates according to point (f) of Article 180(1) CRR) - Secured Retail - Non SME

As at 31 December 2023	External rating equivalent		Number of obligors at the end of previous year		Observed average default rate (%)	Average PD (%)	Average historical annual default rate (%)
PD Ranges	Moody's Investors Service España S.A.	S&P Global Ratings Europe Limited		Of which number of obligors which defaulted in the year			
0.00 to <0.15	Aaa, Aa1, Aa2,Aa3,A1,A2, A3,Baa1	AAA, AA+, AA,AA-,A+,A, A-,BBB+	712,173	704	0.10 %	0.08 %	0.09 %
0.00 to <0.10	Aaa, Aa1, Aa2,Aa3,A1,A2, A3	AAA, AA+, AA,AA-,A+,A, A-	562,212	446	0.08 %	0.07 %	0.07 %
0.10 to <0.15	Baa1	BBB+	149,961	258	0.17 %	0.12 %	0.14 %
0.15 to <0.25	Baa2	BBB	82,846	224	0.27 %	0.19 %	0.22 %
0.25 to <0.50	Baa3,Ba1	BBB-,BB+	36,995	211	0.57 %	0.34 %	0.49 %
0.50 to <0.75	Ba1,Ba2	BB+,BB, BB-	10,155	96	0.95 %	0.60 %	0.78 %
0.75 to <2.50	Ba1,	BB,BB-,B+	19,149	305	1.59 %	1.45 %	1.25 %
0.75 to <1.75	Ba1, Ba2,Ba3	BB,BB-,B+	13,596	187	1.38 %	1.20 %	1.13 %
1.75 to <2.5	Ba3,B1	B+	5,553	118	2.13 %	2.08 %	1.49 %
2.50 to <10.00	B1,B2,B3,Caa1	B+,B,B-	11,070	693	6.26 %	4.84 %	4.99 %
2.5 to <5	B1,B2,B3,Caa1	B+,B	6,791	283	4.17 %	3.55 %	3.35 %
5 to <10	B3,Caa1	B, B-	4,279	410	9.58 %	6.89 %	7.70 %
10.00 to <100.00	B3, Caa1,Caa2,Caa3, Ca, C	B-, CCC+,CCC,CCC-, CC+ ,CC,	5,535	2,003	36.19 %	29.76 %	31.93 %
10 to <20	B3, Caa1, Caa2, Caa3, Ca, C	B-, CCC+,CCC, CCC-,	2,248	443	19.71 %	13.85 %	16.54 %
20 to <30	Caa3, Ca, C	CCC, CCC-, CC+ ,CC, C	1,066	361	33.87 %	24.95 %	29.84 %
30.00 to <100.00	Caa3,Ca, C	CCC, CCC-, CC+ ,CC, C	2,221	1,199	53.99 %	48.17 %	50.16 %
100.00 (Default)	D	D	7,621	—	—	100.00 %	—

Management of credit risk and the internal ratings-based approach (continued)

Table 67: CR9.1 - IRB approach – Back-testing of PD (only for PD estimates according to point (f) of Article 180(1) CRR) - Revolving Retail

As at 31 December 2023	External rating equivalent		Number of obligors at the end of previous year		Observed average default rate (%)	Average PD (%)	Average historical annual default rate (%)
PD Ranges	Moody's Investors Service España S.A.	S&P Global Ratings Europe Limited		Of which number of obligors which defaulted in the year			
0.00 to <0.15	Aaa, Aa1, Aa2,Aa3,A1,A2, A3,Baa1	AAA, AA+, AA,AA-,A+,A, A-,BBB+	12,014,337	4,569	0.04 %	0.05 %	0.05 %
0.00 to <0.10	Aaa, Aa1, Aa2,Aa3,A1,A2, A3	AAA, AA+, AA,AA-,A+,A, A-	10,085,478	2,679	0.03 %	0.04 %	0.04 %
0.10 to <0.15	Baa1	BBB+	1,928,859	1,890	0.10 %	0.12 %	0.11 %
0.15 to <0.25	Baa2	BBB	2,276,221	3,063	0.14 %	0.19 %	0.17 %
0.25 to <0.50	Baa3,Ba1	BBB-,BB+	1,848,847	5,759	0.31 %	0.36 %	0.33 %
0.50 to <0.75	Ba1,Ba2	BB+,BB, BB-	890,581	5,079	0.57 %	0.62 %	0.60 %
0.75 to <2.50	Ba1,	BB,BB-,B+	1,925,684	24,595	1.28 %	1.39 %	1.42 %
0.75 to <1.75	Ba1, Ba2,Ba3	BB,BB-,B+	1,432,630	15,455	1.08 %	1.15 %	1.18 %
1.75 to <2.5	Ba3,B1	B+	493,053	9,140	1.85 %	2.09 %	2.14 %
2.50 to <10.00	B1,B2,B3,Caa1	B+,B,B-	952,218	44,999	4.73 %	4.63 %	5.06 %
2.5 to <5	B1,B2,B3,Caa1	B+,B	631,340	22,011	3.49 %	3.47 %	3.72 %
5 to <10	B3,Caa1	B, B-	320,878	22,988	7.16 %	6.92 %	7.43 %
10.00 to <100.00	B3, Caa1,Caa2,Caa3, Ca, C	B-, CCC+,CCC,CCC-, CC+ ,CC,	233,174	58,301	25.00 %	26.09 %	25.74 %
10 to <20	B3, Caa1, Caa2, Caa3, Ca, C	B-, CCC+,CCC, CCC-,	136,354	18,768	13.76 %	13.64 %	14.51 %
20 to <30	Caa3, Ca, C	CCC, CCC-, CC+ ,CC, C	38,163	8,743	22.91 %	24.20 %	24.27 %
30.00 to <100.00	Caa3,Ca, C	CCC, CCC-, CC+ ,CC, C	58,657	30,790	52.49 %	56.23 %	54.44 %
100.00 (Default)	D	D	239,980	—	—	100.00 %	—

Management of credit risk and the internal ratings-based approach (continued)

Table 68: CR9.1 - IRB approach – Back-testing of PD (only for PD estimates according to point (f) of Article 180(1) CRR) - Other Retail - SME

As at 31 December 2023	External rating equivalent		Number of obligors at the end of previous year				
PD Ranges	Moody's Investors Service España S.A.	S&P Global Ratings Europe Limited		Of which number of obligors which defaulted in the year	Observed average default rate (%)	Average PD (%)	Average historical annual default rate (%)
0.00 to <0.15	Aaa, Aa1, Aa2,Aa3,A1,A2, A3,Baa1	AAA, AA+, AA,AA-,A+,A, A-,BBB+	8	—	—	0.14 %	0.09 %
0.00 to <0.10	Aaa, Aa1, Aa2,Aa3,A1,A2, A3	AAA, AA+, AA,AA-,A+,A, A-	—	—	—	—	0.09 %
0.10 to <0.15	Baa1	BBB+	8	—	—	0.14 %	0.13 %
0.15 to <0.25	Baa2	BBB	5,929	1	0.02 %	0.23 %	0.31 %
0.25 to <0.50	Baa3,Ba1	BBB-,BB+	75,806	21	0.03 %	0.35 %	0.82 %
0.50 to <0.75	Ba1,Ba2	BB+,BB, BB-	41,386	65	0.16 %	0.63 %	0.96 %
0.75 to <2.50	Ba1,	BB,BB-,B+	389,356	4,435	1.14 %	1.53 %	2.25 %
0.75 to <1.75	Ba1, Ba2,Ba3	BB,BB-,B+	242,017	2,833	1.17 %	1.17 %	1.96 %
1.75 to <2.5	Ba3,B1	B+	147,339	1,602	1.09 %	2.11 %	3.36 %
2.50 to <10.00	B1,B2,B3,Caa1	B+,B,B-	310,375	9,415	3.03 %	4.90 %	6.40 %
2.5 to <5	B1,B2,B3,Caa1	B+,B	186,087	3,964	2.13 %	3.48 %	5.28 %
5 to <10	B3,Caa1	B, B-	124,288	5,451	4.39 %	7.04 %	8.91 %
10.00 to <100.00	B3, Caa1,Caa2,Caa3, Ca, C	B-, CCC+,CCC,CCC-, CC+ ,CC,	97,641	13,822	14.16 %	19.17 %	26.98 %
10 to <20	B3, Caa1, Caa2, Caa3, Ca, C	B-, CCC+,CCC, CCC-,	68,632	6,917	10.08 %	13.89 %	18.23 %
20 to <30	Caa3, Ca, C	CCC, CCC-, CC+ ,CC, C	20,368	3,460	16.99 %	23.93 %	27.92 %
30.00 to <100.00	Caa3,Ca, C	CCC, CCC-, CC+ ,CC, C	8,641	3,445	39.87 %	49.87 %	49.88 %
100.00 (Default)	D	D	66,744	—	—	100.00 %	—

Management of credit risk and the internal ratings-based approach (continued)

Table 69: CR9.1 - IRB approach – Back-testing of PD (only for PD estimates according to point (f) of Article 180(1) CRR) - Other Retail - Non SME

As at 31 December 2023	External rating equivalent		Number of obligors at the end of previous year				
PD Ranges	Moody's Investors Service España S.A.	S&P Global Ratings Europe Limited		Of which number of obligors which defaulted in the year	Observed average default rate (%)	Average PD (%)	Average historical annual default rate (%)
0.00 to <0.15	Aaa, Aa1, Aa2,Aa3,A1,A2, A3,Baa1	AAA, AA+, AA,AA-,A+,A, A-,BBB+	74,483	119	0.16 %	0.09 %	0.12 %
0.00 to <0.10	Aaa, Aa1, Aa2,Aa3,A1,A2, A3	AAA, AA+, AA,AA-,A+,A, A-	46,195	52	0.11 %	0.06 %	0.09 %
0.10 to <0.15	Baa1	BBB+	28,288	67	0.24 %	0.12 %	0.16 %
0.15 to <0.25	Baa2	BBB	45,983	92	0.20 %	0.20 %	0.20 %
0.25 to <0.50	Baa3,Ba1	BBB-,BB+	86,481	380	0.44 %	0.36 %	0.36 %
0.50 to <0.75	Ba1,Ba2	BB+,BB, BB-	52,458	336	0.64 %	0.62 %	0.57 %
0.75 to <2.50	Ba1,	BB,BB-,B+	145,891	2,322	1.59 %	1.41 %	1.39 %
0.75 to <1.75	Ba1, Ba2,Ba3	BB,BB-,B+	107,685	1,385	1.29 %	1.17 %	1.10 %
1.75 to <2.5	Ba3,B1	B+	38,206	937	2.45 %	2.10 %	2.14 %
2.50 to <10.00	B1,B2,B3,Caa1	B+,B,B-	88,430	4,937	5.58 %	4.79 %	4.94 %
2.5 to <5	B1,B2,B3,Caa1	B+,B	55,579	2,345	4.22 %	3.51 %	3.62 %
5 to <10	B3,Caa1	B, B-	32,851	2,592	7.89 %	6.97 %	7.19 %
10.00 to <100.00	B3, Caa1,Caa2,Caa3, Ca, C	B-, CCC+,CCC,CCC-, CC+ ,CC,	25,980	8,089	31.14 %	30.68 %	28.05 %
10 to <20	B3, Caa1, Caa2, Caa3, Ca, C	B-, CCC+,CCC, CCC-,	14,137	1,984	14.03 %	13.80 %	13.50 %
20 to <30	Caa3, Ca, C	CCC, CCC-, CC+ ,CC, C	3,471	844	24.32 %	24.32 %	23.71 %
30.00 to <100.00	Caa3,Ca, C	CCC, CCC-, CC+ ,CC, C	8,372	5,261	62.84 %	61.82 %	60.04 %
100.00 (Default)	D	D	21,567	—	—	100.00 %	—

Management of credit risk and the internal ratings-based approach (continued)

2023 AIRB models back-testing summary

The section below provides AIRB model performance summary based on the above back-testing results, along with the remediation plans.

Wholesale - Corporate

- PiT PDs are higher (conservative) compared to actual default rates across PD ranges for Institutions asset class.
- The Corporate asset class comprises Social Housing and Business Banking Corporate Others.
- There are no defaults observed in Social Housing portfolio over last one year. The new Social Housing PD model was submitted to the PRA in November 2022. Interim Post Model Adjustments (PMAs) are in place to mitigate any model weaknesses and compliance gaps.

SME

- SME comprises BUK Retail SME and BUK Corporate SME .
- The back-testing report is based on the CRD compliant models implemented in 2017. October 2023 data has been used as this was the latest available data as of the extraction date.
- The PiT PD model marginally over-estimates the default rate for overall BUK SME (3.88% estimated vs. 3.78% actual). Default rates are increasing due to Bounce Back Loans (BBLs) on the overall SME portfolio. Shift of customers towards higher PD bands in 2023 is due to the model adjusting to the increase in observed default rate. The model continues to over-estimate if Government Lending Scheme customers are excluded.
- The new set of models will be submitted as per the Basel 3.1 roll out plan, which is periodically reviewed with the PRA. Interim Post Model Adjustments (PMAs) are in place to address existing models' deficiencies and compliance gaps.

Secured by Real Estate

- This covers the Mortgage portfolios for UK. Rank ordering is maintained across PiT PD ranges.
- For UK Mortgages, the PiT PD model under-estimates at an overall level (0.38% estimated vs. 0.48% actual). The increase in default rates is a direct reflection of the affordability pressures within the market as a result of rising rates and the cost of living; whereas PIT PD shows a decreasing trend due to the lag in monthly calibration. The TTC PD model continues to maintain conservatism.
- The new Capital suite for the UK Mortgage portfolio has been submitted to the PRA, with final discussions ongoing.

Qualifying Revolving Retail

- This constitutes UK Cards and UK Current Account portfolios. The estimated PDs rank order well across both the portfolios and at an overall level.
- For UK Cards, there is under-estimation in the PiT PD model (1.67% estimated vs. 1.70% actual), however the Regulatory PD used for RWA calculation is conservative, and there are adequate PMAs (IRB Repair/ Basel 3.1) in place. It is also observed from the latest monitoring exercise that there is an increasing trend of PiT PD moving closer to the recently observed default rates.
- For UK Current Account, there is over-estimation in the PiT PD model at an overall level (0.32% estimated vs. 0.24% actual). Regulatory PD is also conservative.
- The new set of models will be submitted for both these portfolios as per the Basel 3.1 roll out plan, which is periodically reviewed with the PRA. Interim Post Model Adjustments (PMAs) are in place to address existing models' deficiencies and compliance gaps.

Other Retail

- This covers the UK Barclayloan portfolio. The back-testing report is based on CRD compliant model, approved by the PRA and implemented in July 2019.
- The PD model over-estimates (2.90% estimated vs. 3.13% actual) on PiT basis at an overall level; rank ordering is maintained. Regulatory PD remains conservative.
- The new set of models will be submitted as per the Basel 3.1 roll out plan, which is periodically reviewed with the PRA. Interim Post Model Adjustments (PMAs) are in place to address existing models' deficiencies and compliance gaps.

Management of market risk

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, credit spreads, implied volatilities and asset correlations.

Overview

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

Organisation and structure

Barclays Bank UK PLC Board Risk Committee

- Considers and recommends Barclays Bank UK Group's risk appetite for market risk
- Reviews Barclays Bank UK Group's market risk profile, on behalf of the Barclays Bank UK PLC Board
- Reviews the management of Barclays Bank UK Group's market risk
- Commissions, receives and considers reports on key financial and non-financial risk issues in the Barclays Bank UK Group

Barclays UK Risk Committee

- Reviews and recommends to the Barclays Group Risk Committee and Barclays Bank UK PLC Board Risk Committee the proposed market risk appetite for Barclays Bank UK Group
- Reviews and recommend limits and/or tolerances to control Risk Appetite for market risk
- Reviews and monitors the market risk profile of the Barclays Bank UK Group

Barclays Group Risk Committee

- Monitor Principal Risks as defined in the Enterprise Risk Management Framework, including Market Risk
- Reviews and recommends to Barclays PLC Board Risk Committee the market risk profile and risk strategy across Barclays Group
- Considers issues escalated by Members, Chief Risk Officers, Principal Risk Leads or the Chairperson in sub Committees/Forums

Barclays Group Market Risk Committee

- Reviews market risk appetite proposals from the business
- Oversees the management of Barclays Group's market risk profile
- Reviews arising market or regulatory issues
- Reviews state of the implementation of the risk frameworks in the businesses

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 appetite

To meet the above objectives, a governance structure is in place to manage these risks consistent with the ERMF. See page 76 on risk management strategy, governance and risk culture.

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 the oversight of market risk, in line with the Barclays Group Framework.

Risk management in the setting of strategy

Mandate and scale limits are set to control levels of market risk and ensure that the Barclays Bank UK Group remains within the BRC approved risk appetite. Barclays Group runs an annual Group-wide stress testing exercise which covers all entities, including the Barclays Bank UK Group. The aim is to measure the impact of a severe but plausible stress to the Barclays Bank UK Group business and capital plan, and is used to manage the wider strategy.

Management of market risk (continued)

See page 86 for more detail on the role of risk management in the setting of strategy.

Market risk culture

Market risk managers are independent from the businesses they cover, and their line management reports into the CRO. This embeds a risk culture with strong adherence to limits that support the Barclays Bank UK Group-wide risk appetite. See page 80 for more detail on risk culture.

Management of market risk, mitigation and hedging policies

The governance structure helps maintain all market risks that the Barclays Bank UK Group is exposed to are well managed and understood. Traded market risk is generated as a result of liquidity buffer management activities. Barclays Bank UK Group Treasury supports the businesses in managing their interest rate risk. Positions will contribute both to market risk limits and regulatory capital.

As part of the continuous monitoring of the risk profile, Market Risk management meets with the businesses to discuss the risk profile on a regular basis. The outcome of these reviews includes further detailed assessments of event risk via stress testing, risk mitigation and risk reduction.

Market risk measurement

Market risk measures

A range of complementary approaches to measure market risk are used which aim to capture the level of losses that the Barclays Bank UK Group is exposed to due to unfavourable changes in asset prices. The primary tools to control Barclays Bank UK PLC's exposures are:

Measure	Description
Management Value at Risk (VaR)	An estimate of the potential losses that might arise due to liquid risk factors from extreme market moves or scenarios.
Primary stress tests	An estimate of the potential losses that might arise due to liquid risk factors from extreme market moves or scenarios.
Secondary stress tests	An estimate of the potential losses that might arise due to illiquid risk factors from extreme market moves of scenarios.
Business scenario stresses	Multi-asset scenario analysis of severe, but plausible events that may simultaneously impact Market Risk exposures across all primary and secondary stresses.

The scope of Management VaR is what the Barclays Bank UK Group deems as material market risk exposures which may have a detrimental impact on the performance of the Barclays Bank UK Group Treasury business.

Stress testing and scenario analysis are also an important part of the risk management framework, to capture potential risk that may arise in severe but plausible events.

Management of market risk (continued)

Management VaR

Management VaR estimates the potential loss arising from unfavourable market movements, over one day for a given confidence level. VaR is an estimate of 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. Risk factors driving VaR are grouped into key risk types as summarised below:

Risk factor	Description
Interest rate	Risk arises from changes in the level or shape of interest rate curves can impact the price of interest rate sensitive assets, such as bonds and derivatives instruments. For example, the price of an interest rate swap will vary due to changes in the absolute level of interest rates and/or in the shape of the yield curve.
Foreign exchange	Risk arises from changes in foreign exchange rates and volatilities.

The output of the management VaR model can be readily tested through back testing. This checks instances where actual losses exceed the predicted potential loss estimated by the VaR model. If the number of instances is higher than expected, where actual losses exceed the predicted potential loss estimated by the VaR model, this may indicate limitations with the VaR calculation, for example, a risk factor that would not be adequately captured by the model.

Within Barclays Bank UK Group, market risk arises from assets with readily observable prices. As such, the management VaR model is an appropriate internal measure for market risk exposures.

When reviewing VaR estimates, the following considerations are taken into account:

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

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

Primary stress tests

Primary stress tests are key tools used by management to measure liquid market risks from extreme market movements or scenarios in each major trading asset class.

Stress testing provides an estimate of potential significant future losses that might arise from extreme market moves or scenarios. Primary stress tests apply stress moves to key liquid risk factors for each of the major trading asset classes, namely:

- interest rates: shock to the level and structure of interest rates and inflation across currencies
- foreign exchange: impact of unfavourable moves in currency prices and volatility

Primary stresses apply moves to liquid assets incorporating up to 10 days holding period. Shock scenarios are determined by a combination of observed extreme historical moves and forward looking elements as appropriate.

Primary stresses are calculated for each asset class on a standalone basis. Risk managers calculate several stress scenarios and communicate the results to senior managers to highlight concentrations and the level of exposures. Primary stress loss limits are applied across the trading businesses and is a key market risk control.

Secondary stress tests

Secondary stress tests are key tools used by management to measure illiquid, directional or concentrated market risks from extreme market movements or scenarios in each major asset class.

Secondary stress tests are used in measuring potential losses arising from market risks that are not captured in the primary stress tests. These may relate to financial instruments or risk exposures which are not readily or easily tradable or markets that are naturally sensitive to a rapid deterioration in market conditions.

For each asset class, secondary stresses are aggregated to a single stress loss which allows the business to manage its illiquid risk factors. Limits against secondary stress losses are also applied, which allows the Group to manage and control the level of illiquid risk factors.

Stresses are specific to the exposure held and are calibrated on both observed extreme moves and some forward-looking elements as appropriate. Given the liquid nature of the Barclays Bank UK Group market risk exposures, secondary stress results are minimal.

Management of market risk (continued)

Business scenario stresses

Business scenario stresses are key tools used by management to measure aggregated losses across the entire trading book as a result of extreme forward-looking scenarios encompassing simultaneous shocks to multiple asset classes.

Business scenario stresses apply simultaneous shocks to all risk factors assessed by applying changes to foreign exchange rates, interest rates, credit spreads, commodities and equities to the entire portfolio, for example, the impact of a rapid and extreme slowdown in the global economy. The measure shows results on a multi-asset basis across all trading exposures. Business scenarios are used for risk appetite monitoring purposes and are useful in identifying concentrations of exposures and highlighting areas that may provide some diversification.

The estimated impacts on market risk exposures are calculated and reported by the market risk management function on a frequent and regular basis. The stress scenario and the calibration on the shocks are also reviewed by market risk managers periodically for its relevance considering any market environment.

Scenarios focusing on adverse global recession, deterioration in the availability of liquidity, contagion effects of a slowdown in one of the major economies, easing of global growth concerns, and a historical event scenario are examples of business scenarios. If necessary, market event-specific scenarios are also calculated, such as those below, which are non-exhaustive:

- a unilateral decision to exit the Eurozone by a member country;
- the impact of a large financial institution collapse; or
- a disorderly exit of quantitative easing programmes, including unexpected rapid and continuous interest rate rises as a result.

Regulatory view of traded positions

For the purposes of calculating capital requirements, Barclays Bank UK adopts a standardised approach and in contrast to other Group entities does not apply a regulatory VaR model.

For regulatory purposes, the trading book is defined as one that consists of all positions in CRD financial instruments held in order to hedge risks within Barclays Bank UK Group. A CRD financial instrument is defined as a contract that gives rise to both a financial asset of one party and a financial liability or equity instrument of another party.

All of the below regulatory measures, including the standardised approach, generate market risk capital requirements, in line with the regulatory requirements set out in the CRD and CRR. Positions which cannot be included in the trading book are included within the banking book and generate risk capital requirements in line with this treatment.

Inclusion of exposures in the regulatory trading book

The Barclays Bank UK Group adheres to the Barclays Group Trading Book Policies, which define the minimum requirements a business must meet to run trading positions and the process by which positions are allocated to trading or banking books. For Barclays Bank UK Group, the trading book is used primarily for short term hedging of risk.

Positions in the trading book are subject to market risk capital, that is calculated using standard rules as defined in the CRR. If any of the criteria specified in the policy are not met for a position, then that position must be allocated to the banking book.

As a ring-fenced bank (RFB), the Barclays Bank UK Group is prohibited from conducting certain regulated activities ('excluded activities') and is subject to a number of 'prohibitions', including the participation in traded activities. One or more exceptions to an excluded activity and/or prohibition may be available. The use of exceptions must however be documented and reported to the PRA. The Barclays Bank UK Group manages the process via the Excluded Activities and Prohibitions Order (EAPO) Policy and the Excluded Activities and Prohibitions Order (EAPO) Standard, and associated addenda.

Valuation standards

CRR article 105 defines regulatory principles which need to be applied to fair value assets and liabilities, in order to determine a prudent valuation.

The PVA is applied to accounting fair values where there are a range of plausible alternative valuations. It is calculated in accordance with Article 105 of the CRR, and includes (where relevant) adjustments for the following factors: unearned credit spreads, close-out costs, operational risk, market price uncertainty, early termination, investing and funding costs, future administrative costs and model risk. The PVA includes adjustment for all fair valued financial instruments, irrespective of whether they are in the trading or banking book.

Market risk control

The metrics that are used to measure market risk are controlled through the implementation of appropriate limit frameworks. Limits are set at the total Barclays Bank UK Group level, asset class level, for example, interest rate risk. Stress limits and book limits, such as foreign exchange and interest rate sensitivity limits, are also used to control risk appetite.

Barclays Bank UK Group-wide limits are reported to the Barclays Bank UK Group BRC and are termed B-level limits for total management VaR, primary stress and secondary stresses and business scenarios. These are then cascaded down by risk managers in order to meet the Barclays Bank UK Group-wide risk appetite.

Throughout 2023, Barclays Bank UK Group Market Risk continued its ongoing programme of control testing and conformance testing on the trading businesses' market risk management practices. These reviews are intended to verify the business's conformance with the Market Risk Control Framework and best practices.

Market risk reporting

Market risk managers produce a number of detailed and summary market risk reports daily, weekly, fortnightly and monthly for business and risk managers. Where relevant on a Barclays Bank UK Group-wide basis, these are sent to Barclays Bank UK Group Risk Committee for review and a risk summary is presented at Barclays Bank UK Group Market Risk Committee. The overall market risk profile is also presented to Barclays Bank UK Group BRC on a regular basis.

Management of securitisation exposures

Management of Securitisation Exposures

This section discloses information about the Barclays Bank UK Group's securitisation activities distinguishing between the various functions performed in supporting its customers and managing its risks. It includes traditional securitisations as well as synthetic transactions effected through the use of guarantees.

For the purposes of Pillar 3 disclosures on pages 69-72, a securitisation is defined as a transaction or scheme where the payments are dependent upon the performance of a single exposure or pool of exposures and where the subordination of tranches determines the distribution of losses during the ongoing life of the transaction or scheme. Certain transactions undertaken by the Barclays Bank UK Group are not disclosed in the quantitative section (pages 69-72) as they do not fall under the regulatory securitisation framework as retained in UK regulation through the Securitisation (Amendment) (EU Exit) Regulations 2019 ('UK CRR') and the Securitisation (Amendment) (EU Exit) Regulations 2019 ('UK Securitisation Regulation'). These include funding transactions for the purposes of generating term liquidity, and certain government guaranteed transactions.

Objectives of securitisation activities

The Barclays Bank UK Group has securitised its own originated assets in order to manage the Barclays Bank UK Group's credit risk position and to generate term funding for the Barclays Bank UK Group balance sheet. The Barclays Bank UK Group may also purchase third party securitisations.

The role and involvement of the Barclays Bank UK Group in securitisations in 2023

Barclays Bank UK Group adopts the following roles in the securitisation processes in which it is involved:

Originator of assets prior to securitisation

The Barclays Bank UK Group securitises assets originated in the ordinary course of business including residential mortgages, consumer loans, credit card receivables and social housing loans.

Purchaser of third party securitisations

The Barclays Bank UK Group may purchase third party securitisations as part of the management of its liquidity buffer. The Barclays Bank UK Group also funds on its own balance sheet securitisations. This can include Simple, Transparent and Standardised (STS) securitisations.

Funding transactions to generate term liquidity

Secured funding forms one of the key components of the Barclays Bank UK Group's diversified funding sources providing access to the secured wholesale market and complementing the diversification of funding by maturity, currency and geography. The Barclays Bank UK Group issues Asset Backed Securities (ABS) and covered bonds secured primarily by customer loans and advances.

The Barclays Bank UK Group currently manages three key, on-balance sheet asset backed funding programmes to obtain term financing for mortgage loans and credit card receivables. Retained issuances from these programmes also support Barclays Bank UK Group's to access central bank liquidity and funding. The UK regulated covered bond and the residential mortgage master trust securitisation programmes both utilise assets originated by the Barclays Bank UK Group's UK residential mortgage business. The third programme is a credit card master trust securitisation and uses receivables from the Barclays Bank UK Group's UK credit card business.

Other ancillary transaction roles to securitisation

The Barclays Bank UK Group remain as the servicer of the securitised assets, and in most cases, acting as the cash manager and account bank provider for its own secured funding programmes.

The Barclays Bank UK Group provides most of the derivative transactions to its own secured funding programmes.

Securitisation risks, monitoring and hedging policies

Capital requirements against securitisation exposures are subject to a separate Securitisation Regulation framework to account for the particular characteristics of this asset class. For risk management purposes, however, a securitisation is aligned to the risk type to which it gives rise.

Credit risks

In a securitisation structure, the payments are dependent upon the performance of a single exposure or pool of exposures. As these underlying exposures are usually credit instruments, the performance of the securitisation is exposed to credit risk.

Securitisation exposures are subject to the Barclays Bank UK Group credit risk policies and standards and business level procedures and to oversight by internal committees. This includes the requirement to review in detail each transaction at a minimum on an annual basis. As collateral risk is the primary driver the analysis places a particular focus on the underlying collateral performance, key risk drivers, servicer due diligence and cash flows, and the impact of these risks on the securitisation notes. The risk is addressed through the transaction structure and by setting an appropriate modelled tolerance level. Structural features incorporate wind-down triggers set against factors including, but not limited to, defaults/charge-offs, delinquencies, excess spread, dilution, payment rates and yield, all of which help to mitigate potential credit deterioration. Qualitative aspects such as counterparty risk and ancillary issues (operational and legal risk) are also considered. Changes to the credit risk profile of securitisation exposures will also be identified through ongoing transaction performance monitoring. In addition, periodic stress tests of the portfolio as part of ongoing risk management are conducted in response to Barclays Bank UK Group-wide or regulatory requests.

Market and liquidity risks

Market risk for securitised products is measured, controlled and limited through a suite of VaR, non-VAR and stress metrics in accordance with the Barclays Bank UK Group's market risk policies and procedures. The key risks of securitisation structures are interest rate, credit, spread, prepayment and liquidity risk. Interest rate and spread risk are hedged with standard liquid interest rate instruments (including interest rate swaps and futures). The universe of hedging instruments for credit and prepayment risk is limited and relatively illiquid, resulting in basis risks.

Management of securitisation exposures (continued)

Hedging

The Barclays Bank UK Group provides most of the derivative transactions to its own secured funding programmes to mitigate any interest rate and/or FX risks within the securitisation structure so the target bond rating can be achieved.

Securitisation related swaps exposures benefit from the relative seniority of the exposure in the capital structure and the Barclays Bank UK Group as swap provider will have secured claim on the assets within the structure.

Operational risks

Operational risks are incurred in all of the Barclays Bank UK Group's operations. In particular, all securitised assets are subject to a degree of risk associated with documentation and the collection of cash flows.

Rating methodologies, ECAIs and RWA calculations

RWAs reported for securitised banking book assets at 31 December 2023 are calculated in line with CRR and UK PRA rules and guidance.

The Barclays Bank UK Group employs eligible ratings issued by nominated External Credit Assessment Institutions (ECAIs) to risk weight its securitisation and re- securitisation exposure where their use is permitted. Ratings are considered eligible for use based on their conformance with the internal rating standard which is compliant with both CRR and European Credit Rating Agency regulation. The ECAIs nominated by Barclays Bank UK Group for this purpose are Standard & Poor's, Moody's, Fitch, DBRS and Kroll.

As required by CRR, the Barclays Bank UK Group uses credit ratings issued by these ECAIs consistently for all exposures within the securitisation exposure class. For that reason, there is no systematic assignment of particular agencies to types of transactions within the securitisation exposure class. RWAs will be calculated under the appropriate portion of the hierarchy of approaches, which may include Sec-IRBA (if approved by the regulator), Sec-SA (main approach used by Barclays Bank UK Group) or Sec-ERBA depending on the exposure in question, including where the exposure meets the criteria to be deemed an STS securitisation.

Summary of the accounting policies for securitisation activities

Certain Barclays Bank UK Group-sponsored entities have issued debt securities or have entered into funding arrangements with lenders in order to finance specific assets. An entity is consolidated by the Barclays Bank UK Group when the Barclays Bank UK Group has control over the entity. The Barclays Bank UK Group controls an entity if it has all of the three elements of control which are i) power over the entity; and ii) exposure, or rights, to variable returns from its involvement with the entity; iii) the ability to use its power over the entity to affect the amount of the Barclays Bank UK Group returns. The consolidation treatment must be initially assessed at inception and is reassessed if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The accounting measurement of assets initially recognised for the purpose of securitisation will depend on whether the securitisation entity is consolidated by the Barclays Bank UK Group and whether the assets transferred to the securitisation entity meet the accounting derecognition test, meaning whether the transfer will be accounted for as a sale.

- Where assets on initial recognition are expected to be securitised by a transfer to an unconsolidated Barclays Bank UK Group entity, the accounting will depend on whether the transfer is expected to meet the accounting derecognition test. Assets will remain on the Barclays Bank UK Group balance sheet, and consideration received will be treated as financings, unless the following criteria apply:
  – substantially all the risks and rewards associated with the assets have been transferred, in which case, they are derecognised in full; or
  – if substantially all the risks and rewards have not been transferred or retained, the assets are derecognised in full if the transferee has the practical ability to sell the financial asset, otherwise the assets continue to be recognised only to the extent of the Barclays Bank UK Group's continuing involvement
- Where assets acquired for securitisation are expected to be derecognised in full as a result of pending securitisation, those assets will typically be measured at fair value through the income statement.
- Where a securitisation entity is consolidated by the Barclays Bank UK Group or the assets fail to meet the derecognition test, such that the Barclays Bank UK Group balance sheet includes the assets held for securitisation prior to and post transfer to the securitisation entity, the assets will generally be part of a 'Hold to Collect' business model, and if the contractual cash flows characteristics are solely payments of principal and interest (SPPI), the assets will be measured at amortised cost.

Any financial support or contractual arrangements provided to unconsolidated entities, over securitised assets, would be recognised as a financial liability on balance sheet if it met the relevant IFRS criteria, or a commitment under IAS 37, and have to be disclosed (see Note 30 in the Barclays Bank UK PLC Annual Report 2023). Note, however, that the Barclays Bank UK Group has a Significant Risk Transfer policy that does not allow for any support to be provided to any transactions that fall under the Significant Risk Transfer framework.

Where the transfer applies to a fully proportionate share of all or specifically identified cash flows, the relevant accounting treatment is applied to that proportion of the asset.

Management of securitisation exposures (continued)

When the above criteria support the case that the securitisation should not be accounted for as financing, the transaction will result in sale treatment or partial continued recognition of the assets to the extent of the Barclays Bank UK Group's continuing involvement in those assets. Gains are recognised to the extent that proceeds that can be measured using observable market data exceed the carrying value of assets derecognised.

Any retained interests, which will consist of loans and/or securities depending on the nature of the transaction, are valued in accordance with the Barclays Bank UK Group's Accounting Policies, as set out in the Barclays Bank UK PLC Annual Report 2023. To the extent that these interests are measured at fair value, they will be included within the fair value disclosures in the financial statements in the Barclays Bank UK PLC Annual Report 2023. As outlined in these disclosures, key valuation assumptions for retained interests of this nature will include spreads to discount rates, default and recovery rates and prepayment rates that may be observable or unobservable.

In a synthetic securitisation transaction, the underlying assets are not sold into the relevant Special Purpose Entity (SPE). Instead, their performance is transferred into the vehicle through a synthetic instrument, a credit linked note or a financial guarantee. The accounting policies outlined above will apply to synthetic securitisations.

The following tables show the information required by CRR2 article 449 (d).

Securitisation Special Purpose Entities (SSPE) originated by the institution [a,b]

Name of entity	Role of institution	Securitisation type	Included in the regulatory scope of consolidation
GEMGARTO 2023-1 PLC	Originator	Traditional transactions	
PAVILLION MORTGAGES 2021-1 PLC	Originator	Traditional transactions	
TUNGSTEN 2020-1 - 2020-1	Originator	Synthetic transactions	
TUNGSTEN 2021-1 - 2021-1	Originator	Synthetic transactions	

Notes

a The securitisation list disclosed includes deals originated by Barclays that are SRT achieved and where horizontal tranches are held and risk-weighted per securitisation rules.

b Sponsored deals, deals originated by Barclays with no holdings and SRT failed deals are not part of the disclosure.

Management of treasury and capital risk

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 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.

Overview

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, interest rate risk in the banking book (IRRBB), and pension risk activities.

Organisation and structure

Barclays Bank UK PLC Board Risk Committee

- Reviews Barclays Bank UK PLC Treasury and Capital Risk profile, on behalf of Barclays Bank UK PLC Board
- Considers and recommends Barclays Bank UK PLC risk appetite for Treasury and Capital Risk
- Reviews the management of Barclays Bank UK PLC Treasury and Capital Risk in Barclays Bank UK PLC
- Commissions, receives and considers reports on key financial and non-financial risk issues
- Recommends the approval of Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) to the Barclays Bank UK PLC Board

Barclays Bank UK PLC Risk Committee

- Reviews and monitors the Treasury and Capital Risk profile of Barclays Bank UK PLC
- Reviews and recommends to the Barclays Group Risk Committee and Barclays Bank UK PLC Board Risk Committee the proposed Treasury and Capital Risk appetite for Barclays Bank UK PLC
- Reviews and recommends limits and/or tolerances to control risk appetite for Treasury and Capital Risk
- Reviews and recommends the ICAAP and ILAAP to the Barclays Bank UK PLC Board Risk Committee for approval

Barclays Group Risk Committee

- Reviews and recommends Treasury and Capital Risk appetite to the Barclays PLC Board Risk Committee
- Escalates material issues impacting Treasury and Capital Risk to the Barclays PLC Board Risk Committee
- Reviews and recommends the ICAAP and ILAAP to the Barclays PLC Board Risk Committee for approval

Barclays Group Treasury and Capital Risk Committee

- Manages Treasury and Capital Risk appetite
- Monitors the Treasury and Capital Risk profile
- Monitors the Treasury and Capital Risk control environment
- Recommends Treasury and Capital Risk appetite to the Barclays Group Risk Committee and Barclays PLC Board Risk Committee
- Escalates material issues impacting Treasury and Capital Risk to the Barclays Group Risk Committee and Barclays PLC Board Risk Committee.

Barclays Group Treasury Committee

- Monitors and manages capital, liquidity, and IRRBB risks in line with objectives and risk appetite of the Group, as well as first line of defence targets
- Guides development of the Group recovery and resolution planning for capital, funding and liquidity
- Reviews non-traded market risk positions against risk appetite and limits

Barclays Bank UK PLC Asset and Liability Committee (ALCO)

- Manages the balance sheet of the Barclays Bank UK PLC
- Monitors the performance in managing of capital and liquidity risk within agreed first line of defence targets and limits
- Reviews non-traded market risk positions of key legal entities against agreed limits
- Oversees the risks managed by the Barclays Bank UK treasury function of key legal entities through their funding, investment and hedging activities

Management of treasury and capital risk (continued)

Liquidity risk management

Overview

The efficient management of liquidity is essential to 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 has created a framework to manage all liquidity risk exposures under both normal and stressed conditions. The framework is designed to maintain quantum, quality and structure of available resources sufficient 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.

Roles and responsibilities

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. Treasury has the primary responsibility for managing liquidity risk within the set risk appetite. Production of the Barclays Bank UK PLC ILAAP is the responsibility of Barclays Bank UK Group Treasury, with both Risk and Treasury contributing to the production of the ILAAP.

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 BBUK Board.

The control framework incorporates a range of ongoing business management tools to monitor, limit and stress test Barclays Bank UK Group's balance sheet and contingent liabilities. Limit setting and transfer pricing are tools that are designed to control the level of liquidity risk taken and drive the appropriate mix of funds. In addition, the Barclays Group maintains a Group Recovery Plan which includes application to Barclays Bank UK Group. Together, these tools reduce the likelihood that a liquidity stress event could lead to an inability to meet Barclays Bank UK Group's obligations as they fall due. The control framework is subject to internal conformance testing and internal audit review.

The Barclays Bank UK PLC Board approves the Barclays Bank UK Group funding plan, internal stress tests, regulatory stress test results, and Barclays Bank UK contribution to the Barclays Group Recovery Plan. The Barclays Bank UK PLC Asset Liability Committee is responsible for monitoring and managing liquidity risk in line with 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 annually reviews risk appetite and the impact of stress scenarios on the Barclays Bank UK Group funding plan/forecast in order to agree Barclays Bank UK Group's projected funding abilities.

Barclays Bank UK Group maintains a range of management actions for use in a liquidity stress which are documented in the Barclays Group Recovery Plan. Since the precise nature of any stress event cannot be known in advance, the actions are designed to be flexible to the nature and severity of the stress event and provide a menu of options that can be drawn upon as required. The Barclays Group recovery plan also contains more severe recovery options to generate additional liquidity in order to facilitate recovery in a severe stress. Any stress event would be regularly monitored and reviewed using key management information by Treasury, Risk and business representatives.

Ongoing business management	Early signs/mild stress	Severe stress	Recovery
• Stress testing and planning • Liquidity limits • Early warning indicators	• Monitoring and review • Management actions requiring minimal business rationalisation	• Monitoring and review • Management actions with limited impact on franchise	• Activate appropriate recovery options to restore the capital and/or liquidity position of the Group

Risk Appetite and planning

Barclays has established an Internal Liquidity Stress Test (ILST) to quantify the level of liquidity risk Barclays Bank UK Group is exposed to in pursuit of its business objectives and in ensuring compliance with its regulatory obligations. The key expression of the liquidity risk is through ILST and regulatory stress tests. It is measured with reference to the Liquidity Pool compared to anticipated net stressed outflows for each of the stress scenarios outlined in the box below.

Barclays Bank UK PLC adopted the ILST stress test framework set by the Barclays PLC. The BBUK ILST results are reviewed by the Barclays Bank UK PLC Board. The ILST is monitored daily and is subject to formal review at least annually as part of the Internal Liquidity Adequacy Assessment Process (ILAAP).

Statement of LRA: For 2023, the Barclays Bank UK PLC Board has approved that Barclays Bank UK Group expresses its liquidity risk appetite based on the constraints set by its internal and regulatory-prescribed stress tests, to ensure that it maintains sufficient liquidity resources and stable sources of funding under normal and stressed conditions:

>£0 at low-point across ILST stress horizons

LCR 30 days minimum ratio 100% (Pillar 2 basis)

NSFR minimum ratio 100%

The Barclays Bank UK Group ILST and LCR outflows are used to determine the minimum size of Barclays Bank UK Group Liquidity Pool. The Liquidity Pool represents those resources immediately available to meet outflows in a liquidity stress. In addition to holding a

Management of treasury and capital risk (continued)

liquidity pool against stressed outflows the Group reviews available management actions that could be used to raise additional liquidity. Management actions are assessed to determine their suitability, effectiveness and time to delivery.

Liquidity limits

Barclays Bank UK Group manages limits on a variety of on and off-balance sheet exposures, a sample of which is shown in the table below. These limits serve to control the overall extent and composition of liquidity risk taken by managing exposure to each risk driver.

Examples of liquidity limits		
Internal Liquidity Stress Test Limits	Liquidity Coverage Ratio Limits	Currency Mismatch Limits

Management of treasury and capital risk (continued)

Early warning indicators

Barclays Treasury monitor a range of market indicators for early signs of liquidity risk. Both market indicators and Barclays specific indicators are tracked, a sample of which is shown in the table below. These are designed to immediately identify the emergence of increased liquidity risk in order to maximise the time available to execute appropriate mitigating management actions. Early Warning Indicators (EWIs) are used as part of the assessment of whether to invoke the Barclays Group Recovery Plan, which provides a framework for how a liquidity stress would be managed.

Examples of early warning indicators	
Deterioration in stress test surplus	Rising funding costs
Widening CDS spreads	Stress in financial markets

Recovery & resolution planning

Barclays maintains a Group Recovery Plan (GRP) designed to provide a framework to effectively manage a severe financial stress. The GRP is proportionate to the nature, scale and complexity of the business and is tested on a regular basis to ensure it is operationally robust. The GRP details the escalation and invocation process for the plan, including integration with; i) BAU monitoring of capital and liquidity EWIs to detect signs of approaching financial stress; ii) existing processes within Barclays Treasury and Risk to respond to mild/moderate stress; and iii) the governance process for executing recovery options. The GRP is legal entity aware and includes considerations for Barclays Bank UK Group and Barclays Bank PLC including entity-specific EWIs, recovery options, recovery strategies and governance arrangements,

Significant financial stress will be managed holistically by Barclays, with appropriate senior management coming together to deal with stress, and key entities/branches remaining involved and able to manage stress locally and continuing to meet local regulatory requirements. The financial crisis process is centred around a hierarchy based on the structure of the Group, so that stress is managed both locally and at the highest level at which it manifests. The procedures for Barclays Group, Barclays Bank UK Group and Barclays Bank PLC include the convening of the Group-wide Capital and Liquidity Crisis Management Team (CLCMT) and the Group Executive Committee (ExCo) as Barclays' most senior crisis leadership committee, the use of a crisis playbook of detailed management information and a range of management actions that can be taken to restore Barclays' capital and/or liquidity position. This coordinated process provides a more consistent and therefore more effective crisis response.

The GRP includes a range of recovery options to respond to financial stresses of varying severity and includes detailed information on financial and non-financial impacts of exercising the recovery options. The GRP is updated annually and fully embedded within Barclays' existing processes.

Liquidity risk governance

The Barclays Bank UK Treasury function operates within the bounds of the framework established by Treasury and Capital Risk. The framework describes liquidity risk management processes, associated policies, controls and how Barclays Group have implemented controls. This framework is used to manage liquidity risk within the Liquidity Risk Appetite. The framework is reviewed annually and supported by the internal architecture used to record and measure group wide liquidity metrics.

The Barclays Bank UK Board sets the Liquidity Risk Appetite based on the Internal Liquidity Stress Test (ILST) and external regulatory requirements, namely the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The Liquidity Risk Appetite quantifies the level of risk Barclays Group is exposed to in pursuit of its business objectives and ensuring compliance with its regulatory obligations. The approved Liquidity Risk Appetite is implemented in line with the Enterprise Risk Management Framework.

Capital risk management

Overview

Capital risk is managed through ongoing monitoring and management of the capital and leverage position, regular stress testing and a robust capital governance framework. The objectives of the framework are to maintain adequate capital for 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. The Barclays Bank UK Group aims to prudently manage its overall leverage position (including risk of excessive leverage) by utilising plausible stress scenarios, reviewing and deploying management actions in response to deteriorating economic and commercial positions. In order to manage contingent leverage risk, the Barclays Bank UK Group considers the context from which the business consumption arises, the impact of client utilisation on leverage and the available actions to manage.

Organisation, roles and responsibilities

The management of capital risk is integral to Barclays Bank UK Group's approach to financial stability, and is embedded in the way Barclays Bank UK Group and its businesses operate. 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 ICAAP is the responsibility of Barclays Bank UK Group Treasury, with both Risk and Treasury contributing to the production of the ICAAP.

Management of treasury and capital risk (continued)

Capital risk management is underpinned by a control framework and policies. Capital plans reflect the capital management strategy and are implemented to deliver on Barclays Bank UK Group's objectives, which are aligned to those of Barclays Group. 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 Barclays Bank UK. The Barclays Bank UK PLC Asset and Liability Committee (ALCO) is responsible for monitoring and managing capital risk in line with 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, annually reviews risk appetite 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. Contingent leverage risk is managed by; i) setting comprehensive leverage (and RWA) targets for each business as part of the Treasury capital management process, taking into account adherence to early warning indicators and maintain a healthy leverage ratio; and ii) Monitoring execution of actions taken to course-correct as necessary.

Capital risk management strategy

Barclays Bank UK Group's capital management strategy is driven by the strategic aims of Barclays Bank UK Group and the risk appetite set by the Barclays Bank UK PLC Board. Barclays Bank UK Group's objectives are achieved through well embedded capital management practices.

Capital planning and allocation

Barclays Bank UK Group assesses its capital requirements on multiple bases, with Barclays Bank UK Group's capital plan set in consideration of Barclays Bank UK Group's risk profile and appetite, strategic and performance objectives, regulatory requirements, international financial reporting standards (including IFRS 9), and market and internal factors, including the results of stress testing. The capital plan is managed on a top-down and bottom-up basis through both short-term and medium-term financial planning cycles, and is developed with the objective that Barclays Bank UK Group maintains an adequate level of capital in line with internal and regulatory requirements. The planning process captures the impact of IFRS 9 to the capital plan, both including and excluding the impacts of transitional regulatory adjustments.

The PRA determines the regulatory capital requirements for the consolidated Barclays Bank UK Group. Under these regulatory frameworks, capital requirements are set in consideration of the level of risk that Barclays Bank UK Group is exposed to and the factors described above, and are measured through both risk-based Risk Weighted Assets (RWAs) and leverage-based metrics. An internal assessment of Barclays Bank UK Group's capital adequacy is undertaken through the ICAAP and is used to inform the capital requirements of Barclays Bank UK Group.

Barclays Bank UK Group expects to meet the minimum requirements for capital and leverage at all times and also holds an internal buffer sized according to Barclays Bank UK Group's assessment of capital risk.

Monitoring and reporting

Capital is managed and monitored to ensure that Barclays Bank UK Group's capital plans remain appropriate and that risks to the plans are considered. Limits are set by Risk to control the level of capital risk within Barclays Bank UK Group. Barclays Bank UK Treasury are responsible for complying with these limits as the first line of defence for the management of capital risk. Limits are monitored through appropriately governed forums in the first and second line of defence.

To support compliance with risk limits, Barclays Bank UK Treasury monitor capital risks against firm-specific and macroeconomic early warning indicators and report on these to Barclays Bank UK PLC ALCO. This enables a consistent and objective approach to monitoring the capital outlook against the capital plan, and supports the early identification when outlooks deteriorate.

Capital management information is readily available to support Senior Management's strategic and day-to-day business decision making.

Stress testing and risk mitigation

Internal group-wide stress testing is undertaken to quantify and understand the impact of sensitivities on the capital plan and capital ratios arising from stressed macroeconomic conditions. Recent economic, market and peer institution stresses are used to inform the assumptions developed for internal stress tests and to assess the effectiveness of mitigation strategies.

Barclays Bank UK Group participates in the Barclays Group stress tests prescribed by the Bank of England (BoE) and undertake these stress tests from 2022 onwards. These stress tests will inform decisions on the size and quality of the internal capital buffer required and the results will be incorporated into Barclays Bank UK Group capital plan to maintain adequacy of capital under normal and severe, but plausible stressed conditions.

Actions are identified as part of the stress tests that can be taken to mitigate the risks that may arise in the event of material adverse changes in the current economic and business outlook. As an additional layer of protection, Barclays Group Recovery Plan defines the actions and implementation strategies available to Barclays Bank UK Group to increase or preserve capital resources in the situation that a stress occurs that is more severe than anticipated.

Capitalisation of legal entities

Barclays Bank UK Group and regulated legal entities are subject to prudential requirements from the PRA and/or local regulators. Sufficient capital needs to be available to meet these requirements both at a consolidated Group and individual legal entity level.

The capitalisation of legal entities is reviewed annually as part of the capital planning process and monitored on an ongoing basis.

Management of treasury and capital risk (continued)

Transferability of capital

Surplus capital held in Barclays Bank UK Group entities is required to be repatriated to the immediate parent in the form of dividends and/or capital repatriation, subject to local regulatory requirements, exchange controls and tax implications. This approach provides optimal flexibility on the re-deployment of capital across legal entities. At Barclays Group, capital is managed as a whole as well as for its operating subsidiaries to allow fungibility and redeployment of capital while meeting relevant internal and regulatory targets at entity levels.

Foreign exchange risk

Barclays Bank UK Group equity is held in Sterling. However, some capital resources (e.g. MREL) are denominated in foreign currencies. Changes in foreign currency exchange rates result in changes in the Sterling equivalent value of foreign currency denominated capital resources. As a result, some Barclays Bank UK Group's regulatory capital ratios are sensitive to foreign currency movements. Failure to appropriately manage Barclays Bank UK Group's balance sheet to take account of foreign currency movements could result in an adverse impact on regulatory capital.

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 of the Barclays Bank UK PLC Annual Report for further detail.

Interest rate risk in the banking book management

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 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 of an adverse impact from 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 of an adverse impact from the discretion that customers and counterparties may have in respect of being able to vary 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 Asset and Liability Committee, 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 monitors and reviews the IRRBB risk profile and control environment, providing Second Line oversight of the management of IRRBB. The Barclays Bank UK PLC Board Risk Committee reviews the interest rate risk profile, including annual review of the risk appetite and the impact of stress scenarios on the interest rate risk of the Barclays Bank UK Group's banking books.

In addition, the Group's ALM and Investment Risks 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.

Management of IRRBB

The Barclays Bank UK Group executes hedging strategies to manage IRRBB and maintain it within the agreed risk appetite, whilst actively managing the trade-off between return and associated risks in liquid asset portfolio. The primary control for IRRBB is calculating the risk metrics described in the table below and monitoring risk exposure vs. defined limits. Limits are set at an aggregate business level and then cascaded down.

These measures of risk are typically dependent on an assumption of expected customer behaviour, To the extent that actual behaviour may vary from expectation this variation is measured using a supplementary set of behavioural stress measures.

Management of treasury and capital risk (continued)

Summary of measures for non-traded market risk

Measure	Definition
Net Interest Income (NII)	A measure of the potential change in Net Interest Income (NII) due to an adverse interest rate movement over a predefined time horizon.
Economic value of equity (EVE)	A measure of the potential change in the present value of expected future cash flows due to an adverse interest rate movement, based on the existing balance sheet expected run-off profile.
Value at risk (VaR)	A measure of the potential loss of value arising from unfavourable market movements at a specific confidence level, if current non-traded positions were to be held unchanged for the predefined holding period.
Stress Loss	A measure of the potential loss from an adverse shock to market variables.

Net Interest Income (NII)

NII measures the sensitivity of net interest income over a one-year period. It is calculated as the difference between the estimated income using the expected rate forecast and the lowest estimated income following a parallel increase or decrease in interest rates.

The main model assumptions are:

- interest rate levels are shocked in line with those prescribed by the PRA Rulebook, in addition to internally-defined shocks. The balance sheet is primarily kept at the current level with no assumed growth,and run-off balances are reinvested on a like-for-like basis to maintain a constant balance sheet. A number of temporary non-core funding balances are not reinvested. Contractual positions are adjusted for an assumed behavioural profile, to align with the expected product life-cycle
- forecast net interest income accounts for expected pricing changes to managed rate products both in the base scenario and shocked scenarios, including the impact of either implied product rate floors or explicit product rate floors in line with product terms and conditions. Further management actions in response to interest rate shocks are excluded
- NII sensitivity is calculated on a monthly basis for the entire banking book, including the investments in liquid assets. The metric provides a measure of how interest rate risk may impact the Barclays Bank UK's earnings, providing a simple comparison between risk and returns. As NII provides a 12-month view of the impact of interest rate changes on modelled earnings, Barclays Bank UK also monitors economic value metrics to complement the view as this captures the IRRBB impact of risk exposures beyond one year. However, this measure should not be interpreted as a projection of the bank's future expected earnings in each interest rate scenario.

Economic Value of Equity (EVE)

EVE calculates the change in the present value of the Barclays Bank UK Group's expected future cash-flows across the six prescribed scenarios in the PRA Rulebook. Note that the EVE calculation measures sensitivity in terms of present value, while NII measures income sensitivity, and as such are complementary.

The EVE measure is calculated on a monthly basis and is applied to the full life of transactions and hedges allowing the risk over the whole life of positions to be considered. It does not capture the impact of business growth or management actions and is based on the expected balance sheet run-off profile.

The main model assumptions are:

- all cash flows are included within the EVE scenarios, with commercial margins excluded and discounted at the relevant risk-free interest rate. Market rate floors are accounted for in line with regulatory guidance, with Sterling rates floored at -100bps and increasing by 5bps linearly per annum from the reporting date
- Barclays Bank UK's equity instruments without a call date are excluded from the calculation. Deposits which have no defined maturity date have been profiled according to their relevant behavioural maturity which also drives the Group's hedging strategy. The profiling of non-maturing deposits in shock scenarios is aligned to the baseline scenario as the baseline scenario is sufficiently prudent to mitigate expected customer behaviours in shocked scenarios
- fixed-rate customer balances where customers have the option to adjust payments are also reported including expected customer behaviours, with the baseline Conditional Prepayment Rate adjusted by 20% in shocked scenarios
- EVE is calculated by currency and aggregated accounting for 50% of the benefit of any positive change in EVE.

Value at Risk (VaR)

In addition to the above measures, VaR is also used for IRRBB management, although primarily focused on items held at fair value. VaR is an estimate of the potential loss arising from unfavourable market movements if the current position were to be held unchanged for a set period. For internal market risk management purposes, a historical simulation methodology is used with a one-year equally weighted historical period, at a 95% confidence level.

Internal risk management daily VaR is used to measure residual interest and foreign exchange risks across certain banking books held at fair value. Quarterly scaled VaR is used to measure risk for items in the liquid asset portfolio held at fair value.

VaR is calculated on a daily basis and exposure is reported versus defined limits.

Management of treasury and capital risk (continued)

Stress Loss

Securities in the liquidity buffer are subject to several market risk stresses designed to estimate potential losses in various scenarios. This includes, but is not limited to, an annual internal stress test, regulatory stress tests as well as various ad hoc exploratory exercises.

ICAAP information

The purpose of the capital adequacy assessment is to confirm that the entity is adequately capitalised to support its business strategy against the risks the bank faces and the performance constraints set by the Board.

The capital adequacy is assessed by verifying the following conditions:

- The entity meets the capital regulatory requirements;
- The Internal Stress Testing passes the risk appetite constraints set by the Board; and
- The entity holds sufficient loss absorbing capital to cover total economic risks.

This is supplemented by benchmarking of capital metrics to peer banks and considering rating agency assessments.

Management of operational risk

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.

Overview

The management of operational risk has three key objectives:

- deliver an operational risk capability owned and used by business leaders
- 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 which provides 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 is committed to operating within a strong system of internal controls which enables business to be transacted and risk taken without exposing the Barclays Bank UK Group to unacceptable potential losses or reputational damages. The Barclays Group has an overarching ERMF that sets out the approach to internal governance which the Barclays Bank UK Group has adopted.

Management of operational risk (continued)

Organisation and structure

Barclays Bank UK PLC Board Risk Committee

- Reviews Barclays Bank UK Group's operational risk profile, on behalf of the Barclays Bank UK PLC Board
- Considers and recommends Barclays Bank UK Group's risk appetite for operational risk
- Reviews the management of Barclays Bank UK Group operational risk, supported by feedback from the Barclays Bank UK PLC Board Audit Committee
- Commissions, receives and considers reports on key financial and non-financial risk issues in the Barclays Bank UK Group

Barclays UK Risk Committee

- Proposes operational risk appetite to Barclays Bank UK PLC Board Risk Committee and Barclays Group Risk Committee. Reviews and recommends risk limits and/or tolerances to control risk appetite to the Barclays Group Risk Committee
- Monitors the Barclays Bank UK Group risk profile and the utilisation of risk appetite
- Reviews appetite, limit usage and risk management within tolerance agreed by the Barclays Bank UK PLC Board
- Reviews deep dives of specific risk as requested
- Reviews any critical breaches (including dispensation and waivers) against risk policy/ framework or limits and reviews Lessons Learned and their impact on the risk profile
- Reviews recommendation plans and actions taken, and agrees any further action required
- Reviews remediation plans and actions taken and agrees any further action required
- Escalates to the Barclays Bank UK PLC Board level and Barclays Group Risk Committee
- Oversees operational Risk Capital

BUK Business/ Function Risk Committees

- Manage and oversee risk at business/function level
- Evaluate to the Barclays UK Risk Committee

Barclays UK Operational Risk Committee

- Manage and oversee operational risk across Barclays UK Risk
- Escalates to the Barclays UK Risk Committee

Barclays Group Risk Committee

- Reviews and recommends risk appetite and risk limit across operational risks to the Barclays PLC Board
- Monitors the Barclays Group risk profile and utilisation of risk appetite
- Reviews appetite, limit usage and risk managements within tolerance agreed by Barclays PLC Board
- Reviews deep dives of specific risks as requested
- Review the impact of any material acquisitions and disposals on the risk profile
- Reviews remediation plans and action taken, and agrees any further action required
- Escalates to the Barclays PLC Board level

Barclays PLC Board Audit Committee

- Oversees the operating effectiveness of the control environment
- Oversees remediation of control issues
- Gives feedback to the Barclays PLC Board Risk Committee where concerns exist over the impact on residual risk through either the design or operating effectiveness of the control environment

Barclays Bank UK PLC Controls Committee

- Oversees the effectiveness of the control environment
- Oversees control remediation activities
- Reviews and approves annual control testing plans for Barclay Bank UK Group
- Oversees implementation of the Barclays Control Framework across Barclays Bank UK Group
- Requests deep dive presentations relating to the control environment
- Escalates to the Barclays Bank UK PLC Board level and Barclays Group Control Committee

Barclays Group Controls Committee

- Oversees the effectiveness of the control environment
- Oversees control remediation activities
- Reviews and recommends the control framework
- Oversees the execution of the Operational Risk Framework consistently across Barclays Group
- Oversees risk and internal control matters including significant issues
- Escalates to the Barclays PLC Board level

BUK Business/Function Control Committees

- Manage and oversee the control environment at the business/function level
- Escalates to the Barclays UK PLC Controls Committee

Operational Risk Categories

Operational risks are grouped into risk categories to support effective risk management, measurement and reporting. These operational risk categories are defined as follows:

- **Data Management Risk & Information Risk:** The risk that the Barclays Group data and records are not defined, captured, stored or managed in accordance with their value, and legal and regulatory requirements
- **Financial Reporting Risk:** The risk of a material misstatement or omission within the Barclays Group's external financial reporting, regulatory reporting or internal financial management reporting
- **Fraud Risk:** The risk of financial loss when an internal or external party acts dishonestly with the intent to obtain an undue benefit, cause a loss to, or to expose either the Barclays Group or its customers and clients to a risk of loss.

Management of operational risk (continued)

- **Information Security Risk:** The risk that the Barclays Group information is not protected against potential unauthorised access, use, modification, disruption or destruction
- **Operational Recovery Planning Risk:** The risk that the Barclays Group does not understand the impact of operational disruption on its business services, is unable to recover business services within agreed timeframes, or does not have the ability to effectively respond to a crisis
- **Payments Process Risk:** The risk of payments being processed inaccurately, with delays, without appropriate authentication and authorisation. It also covers the risk associated with ineffective management associated with payment/card scheme membership
- **People Risk:** The set of risks associated with employing and managing people, appropriate resourcing for requirements, recruitment and development risks
- **Premises Risk:** The risk of business detriment or harm to people due to premises and infrastructure issues
- **Physical Security Risk:** The risk of business detriment, financial loss or harm to people as a result of any physical security incident impacting the Group or a Group employee - relating to harm to people, unauthorised access, intentional damage to premises or theft or intentional damage to movable assets
- **Change Delivery Management Risk:** The risk of failing to deliver and implement the agreed change initiatives and business outcomes required to deliver the Barclays Group and Business Unit Strategy within agreed timelines. This risk exists whenever there is change is in flight (delivery risk) and or fails to recognise incremental risk to the business that the change may introduce once it is delivered (delivered risk)
- **Supplier Risk:** The risk that is introduced to the firm or entity as a consequence of obtaining services or goods from another legal entity or entities whether external or internal as a result of inappropriate and/or inadequate selection, management, or exit management
- **Tax Risk:** The risk of unexpected tax cost in relation to any tax for which the Barclays Group is liable, or of reputational damage on tax matters with key stakeholders such as tax authorities, regulators, shareholders or the public. Tax cost includes tax, interest or penalties levied by a taxing authority
- **Technology Risk:** The risk to the Barclays Group that comes about through its dependency on technological solutions
- **Transaction Operations Risk:** The risk of an unintentional error in the execution of a customer transaction resulting in delayed or inaccurate processing

The Operational Risk Taxonomy also includes operational risks associated with other Principal Risks, including Compliance, Legal, Climate, Model, Reputation Risk and the Financial Risks (Credit, Market, Treasury and Capital).

These risks may result in financial and/or non-financial impacts including legal/regulatory breaches or reputational damage.

Connected Risks

The Barclays Group also recognises that there are certain threats/risk drivers which are interconnected and have the potential to impact the Group's strategic objectives. These are referred to as Connected Risks and require an overarching and integrated risk management and / or reporting approach, including:

- **Data:** The risks associated with the management, quality and control of data, its protection and confidentiality and its correct usage
- **Resilience:** The risk of the organisation's ability to anticipate, prevent, adapt, respond to, recover and learn from internal or external disruption, continuing to provide important business services to customers and clients, and minimise any impact on the wider financial system
- **Third-Party Service Management:** The risk associated with Third-Party Service Providers - defined as all entities that have entered into an arrangement with the Barclays Group in order to provide business functions, activities, goods, and/or services.

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 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 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 Group Risk Committee 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 Operational Risk team 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 the Barclays Bank UK Group businesses.

Management of operational risk (continued)

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 Framework

The Operational Risk Framework comprises a number of elements which allow the Barclays Bank UK Group to manage and measure its operational risk profile and to calculate the amount of operational risk capital that the Barclays Bank UK Group needs to hold to absorb potential losses. The minimum, mandatory requirements for each of these elements are set out in the Operational Risk Framework and supporting policies. This framework is implemented across the Barclays Bank UK Group with all legal entities, businesses and functions required to implement and operate an Operational Risk Framework that meets, as a minimum, the requirements detailed in the operational risk policies.

The Operational Risk Framework is a key component of the ERMF and has been designed to improve risk management and meet a number of external governance requirements including the Basel Capital Accord, the Capital Requirements Directive and Turnbull guidance as an evaluation framework for the purposes of Section 404(a) of the Sarbanes-Oxley Act. It also supports the Sarbanes-Oxley requirements.

The Operational Risk Framework includes the following elements:

Risk and Control Self-Assessments

Risk and control self-assessments (RCSAs) are the way in which the Barclays Bank UK Group identifies and assesses the risks which are inherent in the material processes operated by the Barclays Bank UK Group. Managers in the business use the RCSA approach to evaluate the controls in place to mitigate those risks and assess the residual risk exposure to the Barclays Bank UK Group. The businesses / functions are then able to make decisions on what action, if any, is required to reduce the level of residual risk to the Barclays Bank UK Group. These risk assessments are monitored on a regular basis to maintain that each business understands the risks it faces.

Risk Events

An operational risk event is any circumstance where, through the lack or failure of a control, the Barclays Bank UK Group has actually, or could have, made a loss. The definition includes situations in which the Barclays Bank UK Group could have made a loss, but in fact made a gain, as well as incidents resulting in reputational damage or regulatory impact only.

A standard threshold is used across the Barclays Bank UK Group for reporting risk events and part of the analysis includes the identification of improvements to processes or controls, to reduce the recurrence and/or magnitude of risk events. For significant events, both financial and non-financial, this analysis includes the completion of a formal lessons learnt report.

The Barclays Bank UK Group also maintains a record of external risk events which are publicly available and is a member of the Operational Risk data eXchange (ORX), a not-for-profit association of international banks formed to share anonymous loss data information. This external loss information is used to support and inform risk identification, assessment and measurement.

Operational Risk Appetite

The Barclays Bank UK PLC Board approves an Operational Risk Appetite Statement on an annual basis, establishing the level of operational risk that is acceptable in pursuit of the Barclays Bank UK Group's strategic objectives.

Operational risks are assessed and monitored against the Board approved Operational Risk Appetite, with Risk Reduction Plans established for any risks that are above the acceptable level.

The Operational Risk Profile is monitored through Risk Committees and Board level in the context of Operational Risk Appetite.

Key Indicators

Key indicators (KIs) are metrics which allow the Operational Risk Profile to be measured and monitored against management's risk appetite. KIs include defined thresholds and performance is reported regularly to Management to drive action when risk exceeds acceptable limits.

Risk Scenarios

Risk scenarios is a summary of the extreme potential risk exposures for the Barclays Bank UK Group covering the complete range of risks. The scenarios include an assessment of the key drivers for the exposure, occurrence and impact of the scenario allowing a review of the corresponding control environment if required. The risk scenario assessments are a key input to the calculation and benchmarking of economic capital requirements (see following section on operational risk measurement). The assessment considers analysis of the current and emerging risk profile, internal and external loss experience, KIs, RCSAs and other relevant information. The businesses and functions analyse potential extreme scenarios, considering the:

- circumstances and contributing factors that could lead to an extreme event;
- potential financial impacts
- likelihood of an extreme event occurring.

Management then determines whether the potential risk exposure is acceptable or whether changes in risk management control or business strategy are required. The risk scenarios are regularly re-assessed, taking into account trends in risk factors.

Management of operational risk (continued)

Reporting

The ongoing monitoring and reporting of operational risk is a key component of the Operational Risk Framework. Reports and management information are used by the Operational Risk function and by legal entity and business management to understand, monitor, manage and control operational risks and losses.

The operational risk profile is reviewed by senior management at legal entity Risk Committee meetings as well as the Operational Risk Committee, Group Risk Committee and Board Risk Committee, Board Audit Committee and the Board.

Operational Risk Measurement

The Barclays Bank UK Group assesses its Operational Risk Capital requirements using the Standardised Approach (TSA).

Insurance

As part of its risk management approach, The Barclays Bank UK Group also uses insurance to mitigate the impact of some operational risks.

Management of model risk

Model risk

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.

Since models are imperfect and incomplete representations of reality, they may be subject to uncertainty, errors and inappropriate use affecting the accuracy of their output. This can result in inappropriate business decisions being made, financial loss, regulatory risk, reputational risk and/or inadequate capital reporting. Models may also be misused, for instance applied to products that they were not intended for, or not adjusted, where fundamental changes to their environment would justify re-evaluating their core assumptions.

Robust model risk management is crucial to assessing and managing model risk within a defined risk appetite. Strong model risk culture, appropriate technology environment, and adequate focus on understanding and resolving model limitations are crucial components.

Organisation and structure

The Barclays Group allocates substantial resources to identify and record models and their usage, document and monitor the performance of models, validate models and adequately address model limitations. The Barclays Group manages model risk as an enterprise level risk similar to other Principal Risks.

The Barclays Group has a dedicated Model Risk Management ('MRM') function that consists of six 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 (MRF); (iii) Framework team, responsible for the Model Risk Policy and associated standards; (iv) Infrastructure Delivery and Oversight, responsible for the delivery of model inventory including associated data quality & reporting and oversight of Quantitative Processes; (v) COO, responsible for strategy, communications and business management; and (vi) 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. VCoE is aligned to the Group Model Risk Governance team.

The MRF is defined and implemented through Model Risk Policy and Standards that prescribe the Barclays Group-wide, end-to-end requirements for the identification, measurement and management of model risk, covering model documentation, development, testing, monitoring, annual review, independent validation and approval, change and reporting processes.

The function reports to the Barclays Group CRO and operates a global framework. Implementation of best practice standards is a central objective of the Barclays Group. Model risk reporting flows to senior management as depicted below.

Barclays Bank UK PLC Board Risk Committee

- Considers and recommends Barclays Bank UK Group's Risk appetite for model risk
- Reviews the Barclays Bank UK Group's model risk profile on behalf of the Barclays Bank UK PLC Board
- Reviews the management of the Barclays Bank UK Group's model risk
- Commissions, receives and considers reports on key financial and non-financial risk issues in the Barclays Bank UK Group

Barclays UK Risk Committee

- Reviews and recommends the proposed model risk appetite and risk profile for Barclays Bank UK Group
- Reviews and recommends limits and/or tolerances to control risk appetite

Barclays UK Model Management Committee

- Reviews and monitors model risk for all risk and financial measurement models in Barclays UK
- Oversees capital regulatory requirements including all material aspects of the rating and estimation process
- Oversees Barclays UK models control environment

Barclays Group Risk Committee

- Reviews and approves for consideration the proposed risk appetite for model risk
- Reviews and monitors the Barclays Group risk profile for model risk, including emerging risks, against expected trends, and the utilisation of risk appetite

Barclays UK Board Audit Committee

- 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

Management of model risk (continued)

Roles and responsibilities

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 Group Models Database (GMD), the Barclays Group-wide model inventory. The heads of the relevant model ownership areas (typically, the Barclays Bank UK PLC Chief Risk Officer, Chief Executive Officer, Chief Financial Officer, Treasurer, etc.) annually attest to the completeness and accuracy of the 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. The model owner works with the relevant technical teams (model developers, implementation, monitoring, data services, regulatory) to 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. While all models are reviewed and re-approved for continued use each year, the validation frequency and the level of review and challenge applied by IVU is tailored to the materiality and complexity of each model. Validation includes a review of the model assumptions, conceptual soundness, data, design, performance testing, compliance with external requirements if applicable, as well as any limitations, proposed remediation and overlays with supporting rationale. Material model changes are subject to prioritised validation and approval
- Defining model risk appetite in terms of risk tolerance, and qualitative metrics which are used to track and report model risk
- Maintaining specific standards that cover model risk management activities relating to stress testing challenger models, model overlays and vendor models

Management of compliance risk

Compliance 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 (i.e. Conduct risk), and the risk to Barclays, its clients, customers or markets from a failure to comply to comply with the Laws, Rules and Regulations applicable to the firm.

Overview

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

Compliance Risk incorporates market integrity, customer protection, financial crime and product and design and review and Laws, Rules and Regulation risks.

Organisation and Structure

The governance of Compliance 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 to the Barclays Bank UK PLC Board Risk Committee.

The Barclays Bank UK Group Risk Committee is the primary second line governance committee for the oversight of the compliance risk profile. The risk committees' responsibilities include the identification and discussion of any emerging compliance risk exposures. The committee also safeguards the independence of, and oversees the performance of, the Barclays Bank UK Group Compliance Function.

Barclays Bank UK PLC Board Risk Committee

- Reviews the effectiveness of the processes by which the Barclays Bank UK Group identifies and manages Compliance Risk, including annually reviewing the effectiveness of the Barclays Group Compliance Risk Management Framework as it applies to the BBUK Group.
- Reviews periodic Compliance Risk reports, which will include adopting Compliance Risk metrics as set by the Barclays PLC Board Risk Committee, agreeing any specific Barclays Bank UK Group business and function metrics and performance against the same and compliance with the Barclays UK Group Compliance Risk Policies.
- Maintains oversight of the Barclays Bank UK Group's Compliance Function.

Barclays Bank UK Controls Committee

Acts as the primary governance mechanism for the Vertical Owners to oversee the effectiveness of the Control Environment in relation to Compliance Risk, including remediation of control failures relating to Compliance Issues and Risk Events and to oversee the effectiveness of the control environment for Compliance Risk within the risk appetite and tolerance approved by the Board (Group or Entity as relevant).

Barclays UK Risk Committee

Acts as the primary governance mechanism for the Horizontal Owners to oversee the Compliance Risk profile and the implementation of the CRMF. This includes, but is not limited to;

- Overall assessment of the Business/ Function Compliance Risk Profile.
- Approval of Compliance Risk Tolerance.
- Check and challenge Compliance Risk Profile reports (including Compliance Risk Dashboard).
- Identifying and discussing any emerging Compliance Risk exposures
- Review information related to the implementation of the CRMF

Roles and Responsibilities

The Compliance Risk Management Framework (CRMF) outlines how the Barclays Bank UK Group manages and measures its Compliance 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 Compliance Risk in line with the CRMF at the entity and subsidiary level. This includes overseeing the development and maintenance of the relevant Compliance Risk policies and standards including monitoring and reporting on the consistent application and effectiveness of the implementation of controls to manage Compliance 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 Compliance Risk in accordance with the CRMF, as defined within their regulatory Statement of Responsibilities.

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

The governance of Compliance 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 committee for the oversight of the Compliance Risk Profile. The Barclays Bank UK risk committee's responsibilities include the identification and discussion of any emerging compliance risks exposures in the Barclays Bank UK Group.

Management of reputation risk

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.

Overview

A reduction of trust in the Barclays Bank UK Group's integrity and competence may reduce the attractiveness of 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 and structure

The Barclays UK Risk Committee is the most senior executive body responsible for reviewing and monitoring the effectiveness of the Barclays Bank UK Group's management of reputation risk.

Barclays Bank UK PLC Board

- Reviews the effectiveness of the process by which the Barclays Bank UK Group identifies and manages reputation risk
- Considers and evaluates regular reports on the Barclays Bank UK Group's reputation risk issues and exposures
- Considers whether significant business decisions will compromise the Barclays Bank UK Group's ethical policies or core business beliefs and values

Barclays UK Risk Committee

- Reviews the monitoring processes utilised by Compliance, and Public Policy and Corporate Responsibility to ensure they are proportionate given the level of risk identified in the businesses
- Reports reputation issues in accordance with Barclays Group's Reputation Risk Management Framework for all material issues which may have the potential to incur reputation risk for the Barclays Bank UK Group

Barclays Bank UK Group Business Risk Committees/Forums

- Review and escalate reputation risks in accordance with Barclays Group's Reputation Risk Management Framework

Roles and responsibilities

The Barclays Bank UK Group Chief Compliance Officer is responsible for overseeing the management of reputation risk for Barclays Bank UK Group, and Public Policy & Corporate Responsibility is responsible for publication of appropriate Reputation Risk Policies, Standards and Control requirements and overseeing adherence, as well as providing Reputation Risk management advice and guidance and acting as subject matter experts on Reputation Risk matters. Reputation risk is by nature pervasive and can be difficult to quantify, requiring more subjective judgement than many other risks. 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 Group and the Barclays Bank UK Group are required to operate within established reputation risk appetite, and their component businesses prepare reports highlighting their most significant current and potential reputation risks and issues and how they are being managed. These reports are a key internal source of information for the quarterly reputation risk reports which are prepared for the Barclays UK Risk Committee and the semi-annual reputation risk reports which are prepared for the Barclays Bank UK PLC Board.

Management of legal risk

Legal risk

The risk of loss or imposition of penalties, damages or fines from the failure of the Barclays Bank UK Group to meet applicable laws, rules, regulations or contractual requirements or to assert or defend its intellectual property rights.

Overview

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. This seeks to mitigate legal risk, including through the implementation of Barclays Group-wide legal risk policies, requiring engagement of legal professionals in situations that have the potential for legal risk, identification and management of legal risks by those legal professionals, and escalation of legal risk as necessary. Legal risk is also mitigated by the complementary requirements of the compliance risk management framework, including the responsibility of legal professionals to proactively identify, communicate and provide legal advice on applicable laws, rules and regulations. 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 provides support to all areas of the bank and is not formally part of any of the three lines of defence. Except in relation to the legal advice it provides or procures, the Legal Function is subject to oversight from the second line of defence with respect to its own operational and compliance risks, as well as with respect to the legal risk to which the bank is exposed.

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, producing the Barclays Group-wide risk appetite statement 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.

Management of legal risk (continued)

Barclays Bank UK PLC Board Risk Committee

- Considers and recommends to the Barclays Bank UK PLC Board legal risk appetite and tolerances for the Barclays Bank UK Group
- Reviews the legal risk profile and the management of legal risk for the Barclays Bank UK Group
- Commissions, receives and considers reports on key legal risk issues for the Barclays Bank UK Group

Barclays Bank UK Group Risk Committee

- Oversees the legal risk profile for Barclays Bank UK Group with respect to its legal risk appetite and tolerances
- Escalate to Barclays Bank UK PLC Board level and Barclays Group Risk Committee

Barclays Group Risk Committee

- Reviews and monitors the Barclays Group legal risk profile with respect to legal risk appetite and tolerances
- Reviews and recommends to the Barclays PLC Board Risk Committee legal risk appetite and tolerances
- Escalates and reports to Barclays Group Board level

Legal Executive Committee

- Oversees, reviews and challenges, as appropriate the legal risk profile and effectiveness of the legal risk control environment across the Barclays Group with respect to legal risk appetite and tolerances
- Escalates and reports to Barclays Group Risk and Controls Committees as appropriate

Barclays Group Controls Committee

- Oversees the effectiveness of the Barclays Group legal risk control environment with respect to legal risk appetite and tolerances
- Escalates to Barclays Group Risk Committee and reports to Barclays Group Board level

Barclays Bank UK Group Controls Committee

- Oversees the effectiveness of the legal risk control environment for Barclays Bank UK Group with respect to its legal risk appetite and tolerances
- Escalate to Barclays Bank UK PLC Board level and Barclays Group Controls Committee

Appendix A – Countercyclical capital buffer

Table 70: CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

The below table shows the geographical distribution of credit exposures relevant to the calculation of the countercyclical buffer in line with CRR Article 440. Note that exposures in the below table are prepared in accordance with CRD Article 140 and as such exclude exposures to central governments/banks, regional governments, local authorities, public sector entities, multilateral development banks, international organisations and institutions and hence the exposure values differ to those found in the Analysis of credit risk section.

	General credit exposures		Relevant credit exposures – Market risk				Own fund requirements						
As at 31 December 2023	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Securitisation exposures Exposure value for non-trading book	Total exposure value	Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securiti-sation positions in the non-trading book	Total	Risk-weighted exposure amounts	Own fund requirements weights	Counter-cyclical buffer rate (%)
Breakdown by country	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	%	%
NORWAY	84	0	0	0	0	84	1	0	0	1	10	0.02%	2.50%
UNITED KINGDOM	7,925	211,610	0	0	10,080	229,615	4,259	0	115	4,374	54,685	99.78%	2.00%
SWEDEN	0	0	0	0	0	0	0	0	0	0	0	0	2.00%
AUSTRALIA	0	0	0	0	0	0	0	0	0	0	0	0	1.00%
IRELAND	0	0	0	0	0	0	0	0	0	0	0	0	1.00%
HONG KONG	0	0	0	0	0	0	0	0	0	0	0	0	1.00%
GERMANY	0	0	0	0	0	0	0	0	0	0	0	0	0.75%
FRANCE	105	0	0	0	0	105	2	0	0	2	21	0	0.50%
CYPRUS	0	0	0	0	0	0	0	0	0	0	0	0	0.50%
Total (countries with existing CCyB rate)	8,114	211,610	0	0	10,080	229,804	4,262	0	115	4,377	54,716	99.84%	n/a
Total (rest of the world less than 1% requirement)	252	51	0	0	39	342	7	0	0	7	89	0.16%	n/a
Total	8,366	211,661	0	0	10,119	230,146	4,269	0	115	4,384	54,805	100.00%	

Appendix A – Countercyclical capital buffer (continued)

Table 70: CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer (continued)

	General credit exposures		Relevant credit exposures – Market risk				Own fund requirements						
As at 31 December 2022	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Securitisation exposures Exposure value for non-trading book	Total exposure value	Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securiti-sation positions in the non-trading book	Total	Risk-weighted exposure amounts	Own fund requirements weights	Counter-cyclical buffer rate (%)
Breakdown by country	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	%	%
Norway	104	—	—	—	—	104	2	—	—	2	21	0.04%	2.0%
Denmark	—	—	—	—	—	—	—	—	—	—	—	—	2.0%
United Kingdom	6,258	217,269	—	—	9,962	233,489	4,283	—	115	4,398	54,976	99.40%	1.0%
Sweden	52	—	—	—	—	52	1	—	—	1	10	0.02%	1.0%
Hong Kong	—	—	—	—	—	—	—	—	—	—	—	—	1.0%
Luxembourg	—	—	—	—	—	—	—	—	—	—	—	—	0.5%
Total (countries with existing CCyB rate)	6,414	217,269	—	—	9,962	233,645	4,286	—	115	4,401	55,007	99.46%	n/a
Total (rest of the world less than 1% requirement)	1,267	63	34	—	—	1,364	24	1	—	25	303	0.54%	n/a
Total	7,681	217,332	34	—	9,962	235,009	4,310	1	115	4,426	55,310	100.00%	

Appendix A – Countercyclical capital buffer (continued)

Table 71: CCyB2 - Amount of institution-specific countercyclical capital buffer

This table shows an overview of institution specific countercyclical exposure and buffer requirements.

		As at 31.12.23	As at 31.12.22
		£m	£m
1	Total risk exposure amount	**72,102**	72,719
2	Institution specific countercyclical capital buffer rate	**2.0%**	1.0%
3	Institution specific countercyclical capital buffer requirement	**1,439**	723

Appendix B – Disclosure on asset encumbrance

Asset encumbrance arises from collateral pledged against secured funding and other collateralised obligations. Barclays Bank UK Group funds a portion of assets and other securities via repurchase agreements and other similar borrowing and pledges a portion of customer loans and advances as collateral in securitisation, covered bond and other similar structures. Barclays Bank UK Group monitors the mix of secured and unsecured funding sources within the Group's funding plan and seeks to efficiently utilise available collateral to raise secured funding and meet other collateral requirements.

Assets are considered encumbered when they have been pledged or used to secure, collateralise or credit enhance a transaction which impacts their transferability and free use. This includes repurchase or other similar agreements predominately with market counterparties, and to a lesser extent with other entities of the Barclays group and through the issuance of Covered bonds and securitisations. Assets may also be encumbered under secured funding arrangements with central banks. In advance of such encumbrance, assets are often positioned with central banks to facilitate efficient future draw down.

There may be occasions where agreements are in place to over-collateralise funding structures such as securitisations and covered bonds. This is on an individual transaction basis and will typically result in higher levels of encumbrance. Encumbered assets comprise a range of different currencies, primarily GBP with minor amounts of encumbered assets denominated in EUR and USD.

The group has £54.0bn (2022 : £63.5bn) of underlying assets and cover pool assets of securitisations and covered bonds, of which £23.2bn (2022 : £24.8bn) of assets are encumbered and £30.8bn (2022 : £38.7bn) are unencumbered. In total, BUK has £7.0bn (2022 : £7.0bn) of retained securitisations and retained covered bonds.

The tables below (AE1, AE2 and AE3) are prepared based on the regulatory scope of consolidation that is consistent with other liquidity reporting disclosures. Each of the reported values in the tables below are derived from the median of values reported quarterly to the regulator over the period 1 January 2023 to 31 December 2023 and will not agree to those disclosed in the Barclays Bank UK PLC Annual Report (on page 226) which are prepared on an IFRS scope of consolidation and reflects the 31 December 2023 position.

Table 72: AE1 - Encumbered and unencumbered assets

		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	050	060	080	090	100
As at 31 December 2023		£m	£m	£m	£m	£m	£m	£m	£m
010	**Assets of the reporting institution**	**29,645**	**7,474**			**272,178**	**77,186**		
030	Equity instruments	**—**	**—**	**—**	**—**	**1**	**—**	**1**	**—**
040	Debt securities	**4,288**	**4,287**	**4,288**	**4,287**	**33,824**	**33,718**	**33,824**	**33,718**
050	of which: covered bonds	**—**	**—**	**—**	**—**	**5,131**	**5,054**	**5,131**	**5,054**
060	of which: securitisations	**—**	**—**	**—**	**—**	**7,002**	**7,001**	**7,002**	**7,001**
070	of which: issued by general governments	**4,147**	**4,146**	**4,147**	**4,146**	**18,969**	**18,924**	**18,969**	**18,924**
080	of which: issued by financial corporations	**70**	**70**	**70**	**70**	**14,632**	**14,632**	**14,632**	**14,632**
090	of which: issued by non-financial corporations	**—**	**—**	**—**	**—**	**289**	**203**	**289**	**203**
120	Other assets	**25,288**	**2,876**			**237,373**	**42,456**		
		10	30	40	50	60	80	90	100
As at 31 December 2022		£m	£m	£m	£m	£m	£m	£m	£m
10	Assets of the reporting institution	32,787	8,874			284,019	89,334		
30	Equity instruments	—	—	—	—	1	—	1	—
40	Debt securities	6,445	6,415	6,445	6,415	30,826	30,140	30,826	30,140
50	of which: covered bonds	179	179	179	179	3,244	3,161	3,244	3,161
60	of which: securitisations	—	—	—	—	5,957	5,947	5,957	5,947
70	of which: issued by general governments	6,164	6,134	6,164	6,134	17,263	16,930	17,263	16,930
80	of which: issued by financial corporations	124	124	124	124	4,020	3,855	4,020	3,855
90	of which: issued by non-financial corporations	—	—	—	—	307	109	307	109
120	Other assets	26,349	2,322			254,393	60,286		

The Other Assets component of Carrying amount of encumbered assets of £25.3bn (December 2022 : £26.3bn) predominantly contains loans and advances pledged as collateral in secured funding arrangements with central banks, covered bonds and other similar secured structures. This also contains cash collateral posted for derivative margin requirements.

Carrying amount of unencumbered assets of £272.2bn (December 2022 : £284.0bn) contains:

Appendix B – Disclosure on asset encumbrance (continued)

- £33.8bn (December 2022 : £30.8bn) of debt securities that may be monetised to generate liquidity through use as collateral for secured funding or through outright sale;
- £42.5bn (December 2022 : £60.3bn) of balances at central banks;
- £184.5bn (December 2022 : £183.8bn) of loans and advances which would be suitable for use in secured funding, some of which are already in a form such that, they can be used to raise funding without further management actions. This also includes excess collateral already in secured funding vehicles;
- £11.4bn (December 2022 : £9.1bn) of balances that are not readily available for encumbrance in the normal course of business that represents derivative assets, reverse repos, settlement balances, intangibles and deferred tax assets.

The carrying amount of assets encumbered decreased to £29.6bn (December 2022 £32.8bn) primarily driven by covered bonds and repo maturities.

Table 73: AE2 - Collateral received and own debt securities issued

		Fair value of encumbered collateral received or own debt securities issued[a]		Unencumbered	
				Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	060
As at 31 December 2023		£m	£m	£m	£m
130	**Collateral received by the reporting institution**	**477**	**477**	**1,955**	**1,605**
140	Loans on demand	—	—	—	—
150	Equity instruments	—	—	—	—
160	Debt securities	**477**	**477**	**1,955**	**1,605**
170	*of which: covered bonds*	—	—	***489***	***489***
180	*of which: securitisations*	***4***	***4***	***1,025***	***1,025***
190	*of which: issued by general governments*	***477***	***477***	***52***	***52***
200	*of which: issued by financial corporations*	***4***	***4***	***1,928***	***1,578***
210	*of which: issued by non-financial corporations*	—	—	—	—
220	Loans and advances other than loans on demand	—	—	—	—
230	**Other collateral received**	—	—	—	—
240	**Own debt securities issued other than own covered bonds or**	—	—	—	—
241	**Own covered bonds and asset-backed securities issued and not yet**			**6,227**	—
250	**TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED**	**30,130**	—		

		010	030	040	060
As at 31 December 2022		£m	£m	£m	£m
130	Collateral received by the reporting institution	852	852	845	845
140	Loans on demand	—	—	—	—
150	Equity instruments	—	—	—	—
160	Debt securities	852	852	845	845
170	*of which: covered bonds*	—	—	—	—
180	*of which: securitisations*	—	—	*490*	*490*
190	*of which: issued by general governments*	*852*	*852*	*310*	*310*
200	*of which: issued by financial corporations*	—	—	*37*	*37*
210	*of which: issued by non-financial corporations*	—	—	—	—
220	Loans and advances other than loans on demand	—	—	—	—
230	Other collateral received	—	—	—	—
240	Own debt securities issued other than own covered bonds or securitisations	—	—	—	—
241	Own covered bonds and asset-backed securities issued and not yet			5,750	—
250	TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	33,639	—		

Note

a. Collateral received and pledged does not include collateral sourced through securities financing transaction which are sold short.

Appendix B – Disclosure on asset encumbrance (continued)

Table 74: AE3 - Sources of encumbrance

		Matching liabilities, contingent liabilities or securities lent[a]	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered[a]
		010	030
As at 31 December 2023		**£m**	**£m**
010	**Carrying amount of selected financial liabilities**	**19,897**	**26,354**
120	**Other sources of encumbrance**	**3,957**	**3,957**
170	**Total sources of encumbrance**	**23,782**	**30,130**
		010	030
As at 31 December 2022		**£m**	**£m**
010	Carrying amount of selected financial liabilities	22,721	29,967
120	Other sources of encumbrance	3,874	3,874
170	Total sources of encumbrance	26,782	33,639

Note

a. Collateral received and pledged does not include collateral sourced through securities financing transaction which are sold short.

Carrying amount of selected financial liabilities of £19.9bn (December 2022 : £22.7bn) primarily relates to repurchase agreements, secured debt issuance and cash collateral posted for derivatives margin requirements. £3.9bn (December 2022 : £3.9bn) of other sources of encumbrance primarily represents stock lending agreements.

Total assets encumbered decreased to £30.1bn (December 2022 : £33.6bn) primarily driven by covered bonds and repo maturities.

Appendix C – Disclosure on remuneration

Barclays Bank UK PLC remuneration

The following disclosures are made by applying instructions provided in Annex XXXIV and the tables as presented in Annex XXXIII of the PRA Rulebook, Disclosure (CRR) Part in application of Article 450 CRR.

Remuneration governance

The mandate and responsibilities of Barclays Bank UK PLC ('BBUKPLC') Board Remuneration Committee (the 'Committee') are included in the 2023 BBUKPLC Annual Report. In the course of its deliberations, the Committee considers the views of the BUK Chief Executive Officer, the BUK Human Resources Director and the BUK Reward Director. The BUK Finance Director and BUK Chief Risk Officer also provide regular updates on the entity's financial performance and risk profile respectively. PwC as an external consultant provided an informal update to the Committee on regulatory developments, shareholder context, ESG considerations and wider workforce trends.

The Committee held five meetings during 2023 and this is the summary of attendance:

Member	Meetings attended
Michael Jary (Chair)	5/5
Avid Larizadeh Duggan	5/5
Tracy Corrigan	4/5

The Committee has adopted the overarching principles and parameters of the remuneration policy set by the Barclays PLC Remuneration Committee, as disclosed in the Remuneration report within the Barclays PLC Annual Report 2023 (the 'Remuneration report').

The Committee reviewed and adopted the remuneration philosophy in 2023 without change. For 2023 there were not any substantive changes to the all-employee remuneration policy.

Performance management and remuneration

Barclays' remuneration philosophy (set out below) links remuneration to achieving sustainable performance. In this context, sustainable performance means making a positive and enduring difference to investors, customers and communities, taking pride in leaving things better than we found them and playing a valuable role in society. Our remuneration philosophy applies to all employees of Barclays PLC globally (including those individuals identified as MRTs) and aims to reinforce our belief that effective performance management is critical to enabling the delivery of our business strategy in line with our Values. Employees who adhere to Barclays' Values and contribute to Barclays' success are rewarded accordingly.

This is achieved by basing performance assessment on clear standards of delivery and behaviour. This starts with employees aligning their personal objectives each year ('what' they will deliver) to business and team goals, to support the delivery of the business strategy and good client/customer outcomes, to a consistently excellent standard. Behavioural expectations ('how' people will achieve their objectives) are set in the context of our Values and Mindset.

Performance is assessed against both financial and non-financial criteria. Other factors are also taken into consideration within the overall performance assessment, including core job responsibilities, behaviours towards risk and control, colleague and stakeholder feedback as well as input from the control functions and Chief Controls Office, where appropriate. Details of Barclays' financial and non-financial performance, and how they relate to the incentive pool, can be found as part the BPLC Remuneration Chair's statement in the Remuneration report. Similar considerations were made by the BBUKPLC Committee in respect of the BBUKPLC incentive pool.

Through our approach to performance management, the equal importance of both what an individual has delivered and how the individual has achieved this is emphasised, encouraging balanced consideration of each dimension. These elements are assessed and rated independently of each other, there is no overall rating. This allows for more robust and reflective conversations between managers and team members on the individual components of performance.

Barclays' remuneration philosophy

The remuneration philosophy below sets out the basis upon which Barclays made remuneration decisions and set remuneration policies during 2023. Barclays' remuneration philosophy applies to all employees globally.

Attract and retain talent needed to deliver Barclays' strategy	Long-term success depends on the talent of our employees. This means attracting and retaining an appropriate range of talent to deliver against our strategy, and paying the right amount for that talent
Align pay with investor and other stakeholder interests	Remuneration should be designed with appropriate consideration of the views, rights and interests of stakeholders. This means listening to our shareholders, other investors, regulators, government, customers and employees and ensuring their views are appropriately represented in remuneration decision-making
Reward sustainable performance	Sustainable performance means making a positive and enduring difference to investors, customers and communities, taking pride in leaving things better than we found them, and playing a valuable role in society
Support Barclays' Values and culture	Results must be achieved in a manner consistent with our Values. Our Values, culture and Mindset should drive the way that business is conducted
Align with risk appetite, risk exposure and conduct expectations	Designed to reward employees for achieving results in line with the Group's risk appetite and conduct expectations
Be fair, transparent and as simple as possible	We are committed to ensuring pay is fair, simple and transparent for all our stakeholders. This means all employees and stakeholders should understand how we reward our employees and fairness should be a lens through which we make remuneration decisions

The Barclays Group remuneration policy is reviewed annually by the Barclays PLC Remuneration Committee. The Committee is asked to review and adopt any changes to the policy, where appropriate.

Appendix C – Disclosure on remuneration (continued)

Risk adjustment and remuneration

Another key feature of our remuneration philosophy is the alignment of remuneration with our risk appetite and with the conduct expectations of Barclays, our regulators and other stakeholders. The Committee takes risk and conduct events very seriously and ensures that there are appropriate adjustments to individual remuneration and, where necessary, the incentive pool.

The Remuneration Review Panel (the 'Panel'), which reports to the Committee, supports the Committee in this process. The Panel is chaired by the Group HR Director and includes the Group Heads of Risk, Compliance, Legal and Internal Audit as well as the CEO of BBUKPLC and the President of Barclays Bank PLC. It applies our policies and processes for assessing compensation adjustments for risk and conduct events.

We have robust processes for considering risk and conduct as part of individual performance management, with outcomes reflected in individual remuneration decisions. Line managers have primary accountability for ensuring that risk and conduct issues are considered when assessing performance and making remuneration decisions. In addition, there is a secondary review by the control functions, for individuals involved in significant failures of risk management, conduct issues, regulatory actions or other major incidents that impact either the Group or a business area, to ensure these issues are properly considered. When considering individual responsibility, a variety of factors are taken into account, such as whether an individual was directly responsible, or whether the individual could be deemed indirectly responsible by virtue of seniority, including staff who drive BBUKPLC's culture and set its strategy.

Actions that may be taken where risk management and conduct falls below required standards include:

Individual adjustments	Current year annual bonuses may be adjusted downwards where individuals are found to be involved (either directly or indirectly) in a risk or misconduct event.
Collective adjustments	In addition to reductions to individuals' bonuses, the Committee considers and makes collective adjustments to the incentive pool for specific risk and conduct events. The Committee also adjusts the incentive pool to take account of an assessment of future risks, including conduct, non-financial factors that can support the delivery of a strong risk management, control and conduct culture, and other factors including reputation, and impact on customers, markets and other stakeholders. The Committee is supported in its consideration of this adjustment by the BBUKPLC Board Risk Committee.
Malus	Unvested deferred bonuses from prior years are subject to malus provisions, which enable the Committee to reduce the vesting level of deferred bonuses (including to nil) at its discretion. Events that may lead the Committee to do this include, but are not limited to, employee misconduct or a material failure of risk management.
Clawback	Clawback applies to any variable remuneration awarded to a MRT on or after 1 January 2015 in respect of years for which they were a MRT. Barclays may apply clawback if, at any time during the seven-year period from the date on which variable remuneration is awarded to a MRT: i. there is reasonable evidence of employee misbehaviour or material error, and/or ii. the firm or the business unit suffers a material failure of risk management, taking account of the individual's proximity to and responsibility for that incident. Clawback may be extended to 10 years for PRA/FCA Senior Managers where there are outstanding internal or regulatory investigations at the end of the seven-year clawback period.

Remuneration structure

Employees receive salary, pension and other benefits and are eligible to be considered for an annual bonus. Some employees, including some MRTs, also receive Role Based Pay ('RBP'). Remuneration of all MRTs is subject to a 2:1 maximum ratio of variable to fixed remuneration.

The remuneration of employees engaged in control functions is determined independently from the business they support and within the parameters of the incentive pool allocated to them by the Committee. Remuneration for control function employees is less weighted towards variable remuneration compared to front-office employees, with the ratio of variable to fixed remuneration typically limited to 1:1.

Fixed remuneration

Salary	Salaries reflect individuals' skills and experience and are reviewed annually. They are increased where justified by role change, increased responsibility, to reflect a change in the market rate or maintain appropriate competitive positioning. Salaries may also be increased in line with local statutory requirements and union and works council commitments.
Role Based Pay	Some MRTs receive a class of fixed pay called RBP to recognise the seniority, scale and complexity of their role. RBP may be adjusted where justified by a role or responsibility change or a change in the appropriate market rate.
Pension and benefits	The provision of a competitive package of benefits is important to attracting and retaining the talented staff needed to deliver Barclays' strategy. Employees have access to a range of country-specific company-funded benefits, including pension schemes, healthcare, life assurance and Barclays' share plans, as well as other voluntary employee-funded benefits. The cost of providing these benefits is defined and controlled.

Appendix C – Disclosure on remuneration (continued)

Variable remuneration

Annual bonus

Annual bonuses incentivise and reward the achievement of Group, business and individual objectives, and reward employees for demonstrating individual behaviours in line with Barclays' Values and Mindset.

The ability to recognise performance through variable remuneration enables the Group and BBUKPLC to control their cost base flexibly and to react to events and market circumstances. Bonuses remain a key feature of remuneration practice in the highly competitive market for talent in the financial services sector.

Annual bonuses may be delivered in both 'up-front' and deferred components. For MRTs (excluding 'de minimis' MRTs), both the up-front and deferred components have cash and share portions, in the case of the share portions subject to retention periods of either six or twelve months.

Bonus deferral

The Committee is careful to control the proportion of variable to fixed remuneration paid to individuals and to ensure an appropriate amount is deferred to future years. The typical deferral structures are:

For MRTs:

Incentive award	Amount deferred
< £500,000	40% of total award
£500,000 to £1,000,000	60% of total award
> £1,000,000	60% up to £1,000,000 100% above £1,000,000

For de minimis MRTs/non-MRTs

Incentive award	Amount deferred
Up to £65,000	0%
> £65,000	Graduated level of deferral

Deferred bonuses are generally delivered in equal portions as deferred cash and deferred shares (save for the Barclays PLC Executive Directors for whom they are delivered 100% as deferred shares) subject to the rules of the deferred cash and share plans (as amended from time to time) and to continued service. Deferred bonuses are subject to either a 3, 4, 5 or 7-year deferral period in line with regulatory requirements.

Where dividend equivalents cannot be delivered on deferred bonus shares, the number of deferred bonus shares awarded will be calculated using a share price discounted to reflect the absence of dividends or equivalent during the vesting period.

Shareholding

Share plans

Alignment of other MRTs with shareholders is achieved through deferral of incentive pay. The Committee encourages additional employee shareholding by operating voluntary all-employee share plans in locations representing 99% of employees globally.

Awards of guaranteed variable remuneration are only made in exceptional circumstances in the context of hiring and typically only when a new hire starts in the last quarter of the year. When determining a termination payment, Barclays considers any applicable: (a) contractual requirements; (b) policies; (c) local legal and regulatory requirements; and (d) legal and reputational risk.

Remuneration of MRTs in respect of the financial year

MRTs are BBUKPLC employees whose professional activities could have a material impact on BBUKPLC's risk profile, which includes (among others) the members of the BBUKPLC Board. A total of 112 individuals were MRTs in 2023 (2022: 97).

The following tables set out remuneration disclosures for individuals identified as MRTs for BBUKPLC. In the tables, the terms below mean:

- 'MB' means BBUKPLC's management body (i.e. the BBUKPLC Board);
- 'MB Supervisory function' means those individuals who were Non-Executive Directors of BBUKPLC during 2023;
- 'MB Management function' means those individuals who were Executive Directors of BBUKPLC during 2023;
- 'Other senior management' means those individuals (excluding the Executive Directors of BBUKPLC) who were members of the BBUKPLC Executive Committee during 2023 in accordance with Article 3(1)(9) of CRDIV; and
- 'Other identified staff' means MRTs excluding MRTs included in MB Supervisory function, MB Management function and Other senior management.

20 MRTs in 2023 benefited from the derogation in point (b) of Article 94(3) of the Capital Requirements Directive in respect of the remuneration requirements in points (l) and (m) of Article 94(1). The aggregate fixed remuneration for these MRTs was £3.72m and the aggregate variable remuneration was £0.88m.

Appendix C – Disclosure on remuneration (continued)

Table 75: UK REM1 - Remuneration awarded for the financial year (all figures are in £m except for 'Number of identified staff')

			MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Fixed remuneration	Number of identified staff	10	4	16.0	81.9
2		**Total fixed remuneration**	**1.7**	**4.3**	**9.2**	**22.1**
3		Of which: cash-based	1.7	3.8	8.6	20.2
4		(Not applicable in the UK)				
UK-4a		Of which: shares or equivalent ownership interests	—	0.3	—	—
5		Of which: share-linked instruments or equivalent non-cash instruments	—	—	—	—
UK-5x		Of which: other instruments	—	—	—	—
6		(Not applicable in the UK)				
7		Of which: other forms[a]	—	0.2	0.6	1.9
8		(Not applicable in the UK)				
9	Variable remuneration	Number of identified staff	—	3	13.0	76.0
10		**Total variable remuneration**	**—**	**3.0**	**6.9**	**10.8**
11		Of which: cash-based	—	1.5	3.5	6.1
12		Of which: deferred	—	1.0	1.9	2.1
UK-13a		Of which: shares or equivalent ownership interests	—	1.5	3.4	4.7
UK-14a		Of which: deferred	—	1.0	1.9	2.1
UK-13b		Of which: share-linked instruments or equivalent non-cash instruments	—	—	—	—
UK-14b		Of which: deferred	—	—	—	—
UK-14x		Of which: other instruments	—	—	—	—
UK-14y		Of which: deferred	—	—	—	—
15		Of which: other forms	—	—	—	—
16		Of which: deferred	—	—	—	—
17	**Total remuneration (2 + 10)**		**1.7**	**7.3**	**16.1**	**32.9**

Note

a. 'Other forms' of fixed remuneration represents an estimate for pensions and benefits during the year.

Appendix C – Disclosure on remuneration (continued)

Table 76: UK REM2 - Special payments to staff whose professional activities have a material impact on institution's risk profile (identified staff) (all figures are in £m except for 'Number of identified staff')

		MB Supervisory function	MB Management function	Other senior management	Other identified staff
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff	—	—	—	—
2	Guaranteed variable remuneration awards -Total amount	—	—	—	—
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	—	—	—	—
	Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	—	—	—	—
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	—	—	—	—
	Severance payments awarded during the financial year[a]				
6	Severance payments awarded during the financial year - Number of identified staff	—	—	1.0	5.0
7	Severance payments awarded during the financial year - Total amount	—	—	0.15	0.3
8	Of which paid during the financial year	—	—	0.15	0.3
9	Of which deferred	—	—	—	—
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	—	—	0.15	0.3
11	Of which highest payment that has been awarded to a single person	—	—	0.15	0.15

Note

a. The severance payments shown are variable remuneration but in accordance with paragraph 154 of the EBA Guidelines on sound remuneration they have not been taken into account for the purposes of the calculation of the 2:1 ratio. Had the severance payments been taken into account, the 2:1 ratio would have continued to have been met for all of the individuals.

Appendix C – Disclosure on remuneration (continued)

Table 77: UK REM3 - Deferred remuneration (all figures are in £m)

	Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e. changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1	**MB Supervisory function**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
2	Cash-based	—	—	—	—	—	—	—	—
3	Shares or equivalent ownership interests	—	—	—	—	—	—	—	—
4	Share-linked instruments or equivalent non-cash instruments	—	—	—	—	—	—	—	—
5	Other instruments	—	—	—	—	—	—	—	—
6	Other forms	—	—	—	—	—	—	—	—
7	**MB Management function**	**5.9**	**0.6**	**5.3**	**—**	**—**	**0.1**	**0.6**	**0.2**
8	Cash-based	1.7	0.2	1.5	—	—	—	0.2	—
9	Shares or equivalent ownership interests	4.2	0.4	3.8	—	—	0.1	0.4	0.2
10	Share-linked instruments or equivalent non-cash instruments	—	—	—	—	—	—	—	—
11	Other instruments	—	—	—	—	—	—	—	—
12	Other forms	—	—	—	—	—	—	—	—
13	**Other senior management**	**10.5**	**2.0**	**8.5**	**—**	**—**	**0.2**	**2.1**	**0.3**
14	Cash-based	3.9	0.7	3.2	—	—	—	0.7	—
15	Shares or equivalent ownership interests	6.6	1.3	5.3	—	—	0.2	1.4	0.3
16	Share-linked instruments or equivalent non-cash instruments	—	—	—	—	—	—	—	—
17	Other instruments	—	—	—	—	—	—	—	—
18	Other forms	—	—	—	—	—	—	—	—
19	**Other identified staff**	**10.1**	**2.3**	**7.8**	**—**	**—**	**0.1**	**2.4**	**0.3**
20	Cash-based	3.7	0.7	3.0	—	—	—	0.7	—
21	Shares or equivalent ownership interests	6.4	1.6	4.8	—	—	0.1	1.7	0.3
22	Share-linked instruments or equivalent non-cash instruments	—	—	—	—	—	—	—	—
23	Other instruments	—	—	—	—	—	—	—	—
24	Other forms	—	—	—	—	—	—	—	—
25	**Total amount**	**26.5**	**4.9**	**21.6**	**—**	**—**	**0.4**	**5.1**	**0.8**

Appendix C – Disclosure on remuneration (continued)

Table 78: UK REM4 - Remuneration of 1 million EUR or more per year

	EUR	Identified staff that are high earners as set out in Article 450(i) CRR
1	1 000 000 to below 1 500 000	12
2	1 500 000 to below 2 000 000	1
3	2 000 000 to below 2 500 000	1
4	2 500 000 to below 3 000 000	2
5	3 000 000 to below 3 500 000	1

Table 79: UK REM5 - Information on remuneration of staff whose professional activities have a material impact on institution's risk profile (identified staff) (all figures are in £m except for 'Total number of identified staff')

		Management body remuneration			Business areas						
		MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
1	Total number of identified staff										111.9
2	Of which: members of the MB	10	4	14							
3	Of which: other senior management				—	10.0	—	3.0	3.0	—	
4	Of which: other identified staff				—	37.0	—	13	31.9	—	
5	Total remuneration of identified staff	1.7	7.3	9.0	—	26.0	—	10.4	12.6	—	
6	Of which: variable remuneration	—	3.0	3.0	—	10.3	—	4.2	3.2	—	
7	Of which: fixed remuneration	1.7	4.3	6.0	—	15.7	—	6.2	9.4	—	

Appendix D – Compliance to Pillar3 requirements

CRR ref.	High-level summary	Compliance reference
Disclosure requirements and policies		
431 (1)	Requirement to publish Pillar 3 disclosures	Barclays publishes Pillar 3 disclosures
431 (2)	Firms with permission to use specific modelled risk methodologies	Refer to Page 7 - Scope of permission for calculation approaches and pages 76 to 145 - Barclays' approach to managing risks section for granular information.
431 (3)	Institution must have a formal policy to verify the comprehensiveness and overall appropriateness of the disclosures	Barclays has a dedicated Pillar 3 policy
431 (4)	Institution to ensure that quantitative disclosures are accompanied by a qualitative narrative and any other supplementary information where deemed appropriate	Quantitative disclosures are accompanied by a narrative to explain significant changes compared to previous disclosures
431 (5)	Explanation of ratings decision upon request	Barclays provides explanations of declined credit decisions to SMEs in writing, when required. There is also an appeals process available. In the case of larger SMEs, direct discussions between clients and Barclays relationship managers take place
Non-material, proprietary or confidential information		
432 (1)	Institutions may omit information that is not material if certain conditions are respected	Compliance with this provision is covered by Barclays' policy
432 (2)	Institutions may omit information that is proprietary or confidential if certain conditions are respected	Compliance with this provision is covered by Barclays' policy
432 (3)	Where 432 (2) apply this must be stated in the disclosures, and more general information must be disclosed	Compliance with this provision is covered by Barclays' policy
Frequency and scope of disclosure		
433	Institution shall publish the disclosure in the manner set out in Articles 433a, 433b and 433c in conjunction with article 4 (145), (146), (147), (148)	Compliance with this provision is covered by Barclays' policy. See pages 4 & 5 for basis of preparation
433a	Specifies information to be disclosed by large institution along with frequency in conjunction with rule 2.3 of PRA rulebook.	
433b	Specifies information to be disclosed by small & non complex institution along with the frequency	
433c	Specifies information to be disclosed by other institutions along with frequency	
Means of disclosures		
434 (1)	To include disclosures in one appropriate medium, or provide clear cross -reference	Most disclosures are contained within this document. Signposting directs the reader to other publications where appropriate. Note that remuneration disclosures are contained in a dedicated publication
434 (2)	Disclosures to be made available on websites or in any other appropriate location as an archive	Pillar3 disclosures are published in the Bank's Investor relations website
Uniform disclosure formats		
434a	PRA have developed uniform disclosure formats for publications	Barclays makes use of disclosure formats provided in Annexure K of PRA rulebook

Appendix D – Compliance to Pillar3 requirements (continued)

CRR ref.	High-level summary	Compliance reference
434b	Timing and Means of Disclosures under Article 441	This does not apply to Barclays Bank UK PLC
Risk management objectives and policies		
435 (1) (a)	Disclose information on strategies and processes; organisational structure, reporting systems and risk mitigation/hedging	Risk management strategy: page 76
		Climate Risk: page 87
435 (1) (b)		Credit Risk: page 89
435 (1) (c)		Counterparty Credit Risk: page 101
435 (1) (d)		Market Risk: page 121
		Operational Risk: page 136
		Treasury and Capital Risk - Capital: page 132
		Treasury and Capital Risk - Liquidity: page 129
		Model Risk: page 141
		Compliance Risk: page 143
		Reputation Risk: page 144
		Legal Risk: page 145
435 (1) (e)	Inclusion of a declaration approved by the Board on adequacy of risk management arrangements	See page 79. This statement covers all Principal Risks
435 (1) (f)	Inclusion of a concise risk statement approved by the Board	See page 80.
435 (2)	Information on governance arrangements, including information on Board composition and recruitment, and risk committees	See page 78 for a description of the risk committees. Pages 26-27 of the Annual Report contains information on Board composition, experience and recruitment
435 (2) (a)	Number of directorships held by directors	

Director	Number of Directorships	Number of Directorships held for the purposes of CRD IV
(held as at 31/12/2023)		
Sir John Kingman (Chair)	4	2
Vanessa Bailey	6	3
Tracy Corrigan	7	3
Avid Larizadeh Duggan	8	2
Matt Hammerstein	6	1
Michael Jary	11	2
John Liver	3	2
Claire Peel	2	1
Chris Pilling	6	3
Andrew Ratcliffe	7	1
Bernadette Wightman	1	1

CRR ref.	High-level summary	Compliance reference
435 (2) (b)	Recruitment policy of Board members, their experience and and expertise	Please see pages 26-27 of the 2023 Annual Report
435 (2) (c)	Policy on diversity of Board membership and results against targets	Please see page 27 of the 2023 Annual Report
435 (2) (d)	Disclosure of whether a dedicated risk committee is in place, and number of meetings in the year	We had 10 BRC formal Committee meetings in 2023
435 (2) (e)	Description of information flow on risk to Board	Covered in the Risk management section - Pages 78-80

Appendix D – Compliance to Pillar3 requirements (continued)

CRR ref.	High-level summary	Compliance reference
Scope of application		
436 (a)	Name of institution	See under 'Basis of Preparation' on page 6
436 (b)	Difference in basis of consolidation for accounting and prudential purposes, whether those entities are fully or proportionally consolidated and whether the holdings in those legal entities are deducted from own funds	Page 9 / Table 5 : LI3 Outline of the differences in the scopes of consolidation
436 (c)	Disclosure of the breakdown of assets and liabilities of the financial statements prepared in accordance with requirements on regulatory consolidation.	Page 8 /Table 3: LI1– Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories
436 (d)	Disclosure of the reconciliation of the carrying value amounts in the financial statements under regulatory scope of consolidation and the exposure amount used for regulatory purposes.	Page 9 /Table 4: LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements
436 (e)	Disclosure of the breakdown of the amounts of the constituent elements of an institution's prudent valuation adjustment.	Page 28 /Table 18: PV1 - Prudent valuation adjustments
436 (f)	Disclosure of any current or expected material practice or legal impediment to the prompt transfer of own funds or repayment of liabilities between parent and subsidiaries.	None noted
436 (g)	Capital shortfalls in any subsidiaries outside of scope of consolidation	Entities outside the scope of consolidation are appropriately capitalised
436 (h)	Making use of articles on derogations from a)prudential requirements or b) liquidity requirements for individual subsidiaries/ entities	Barclays Bank UK PLC makes use of these provisions according to its waiver from PRA
Own funds		
437 437 (a) 437 (b) 437 (c) 437 (d) (i) 437 (d) (ii) 437 (d) (iii) 437 (e) 437 (f)	Requirements regarding capital resources table	Page 13 / Table 7: CC1 - Composition of regulatory capital Page 15 / Table 8: CC2 – Reconciliation of regulatory own funds to balance sheet in the audited financial statements Standalone document: Summary of terms and conditions of own funds and eligible liabilities
Disclosure of own funds and eligible liabilities		
437a (a) 437a (b) 437a (c) 437a (d)	Disclosure of requirements regarding MREL / TLAC tables	Refer to page 39 / Table 22: TLAC2 in the BPLC Pillar 3 document. MREL disclosures are not applicable for Barclays Bank UK PLC
Own funds requirement and risk-weighted exposure amounts		
438 (a)	Summary of institution's approach to assessing adequacy of capital levels	Page 135/ ICAAP information
438 (b)	The amount of the additional own funds requirements based on the supervisory review and evaluation process and its composition in terms of Common Equity Tier 1, additional Tier 1 and Tier 2 instruments	Page 11 /Table 6: UK KM1 - Key metrics
438 (c)	Result of ICAAP on demand from authorities	Page 135/ ICAAP information
438 (d)	The total risk-weighted exposure amount and the corresponding total own funds requirement	Page 17 /Table 10: OV1 – Overview of risk weighted exposure amounts
438 (e)	Requirement to disclose specialised lending and equity exposures under the simple risk weighted approach	Page 55 /Table 35: CR10 – Specialised lending and equity exposures under the simple risk weighted approach

Appendix D – Compliance to Pillar3 requirements (continued)

CRR ref.	High-level summary	Compliance reference
438 (f)	Disclosure of the exposure value and risk-weighted exposure amount of own funds instruments held in relation to insurance activities that institutions do not deduct from own funds	There is no applicable data to be published in respect of this table
438 (g)	Disclosure of the supplementary own funds requirement and the capital adequacy ratio of the financial conglomerate.	There is no applicable data to be published in respect of this table
438 (h)	The variations in the risk-weighted exposure amounts of the current disclosure period compared to the immediately preceding disclosure period that result from the use of internal models, including an outline of the key drivers explaining those variations.	Page 18 / CR8 – RWEA flow statements of credit risk exposures under the advanced IRB approach
Exposure to counterparty credit risk (CCR)		
439 (a)	Description of process to assign internal capital and credit limits to CCR exposures, including the methods to assign those limits to exposures to central counterparties	Page 101
439 (b)	Discussion of process to secure collateral and establishing reserves	
439 (c)	Discussion of management of Wrong-Way Exposures	
439 (d)	Disclosure of collateral to be provided (outflows) in the event of a ratings downgrade	See the liquidity risk management section on pages 129 - 131
439 (e)	Composition of collateral for CCR exposures	Page 67 / Table 46: CCR5 – Composition of collateral for CCR exposures
439 (f)	Analysis of CCR exposure by approach for derivative transactions	Page 65 / Table 44: CCR1 – Analysis of CCR exposure by approach
439 (g)	Analysis of CCR exposure by approach for securities financing transactions	
439 (h)	Transactions subject to own funds requirements for CVA risk	Page 67 /Table 48: CCR2 - Transactions subject to own funds requirements for CVA risk
439 (i)	Exposures to CCPs	Page 67 /Table 47: CCR8 - Exposures to CCPs
439 (j)	Disclosure of credit derivative exposures	There is no applicable data to be published in respect of this table
439 (k)	Estimate of Alpha, if applicable	The Alpha used by Barclays is 1.4.
439 (l)	Disclosure of CCR exposure by portfolio and PD range under standardised and IRB approach	There is no applicable data to be published in respect of this table
439 (m)	Disclosure of the size of institutions on- and off-balance-sheet derivative business as calculated in accordance with Article 273a(1) or (2), as applicable.	This covers disclosure on simplified SA-CCR and OEM which is not applicable to Barclays'
Countercyclical capital buffers		
440 (a)	Geographical distribution and risk-weighted exposure amounts of relevant credit exposures	Barclays ' countercyclical buffer is currently set at 2% for UK exposures. In other jurisdictions where CCyB is being applied, Barclays does not have material relevant exposures. See page 147 / Table 70: CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer, page 149 / Table 71: CCyB2 - Amount of institution-specific countercyclical capital buffer
440 (b)	Amount of the institution specific countercyclical capital buffer	
Indicators of global systemic importance		
441	Disclosure of the indicators of global systemic importance	Barclays Bank UK PLC is not a GSII, this disclosure is not applicable
Credit risk adjustments		
442 (a)	Disclosure of bank's definitions of past due and impaired and the differences, if any, between the definitions for accounting and regulatory purposes	Pages 91 - 98 provide a complete description of credit quality measures Note 8 Credit Impairment Charges - 'Definition of default, credit impaired assets, write-offs, and interest income recognition' in the Barclays Bank UK PLC Annual Report 2023.

Appendix D – Compliance to Pillar3 requirements (continued)

CRR ref.	High-level summary	Compliance reference
442 (b)	Approaches for calculating credit risk adjustments	Pages 91 - 98 provide a complete description of credit quality measures
442 (c)	Information on the amount and quality of performing, non-performing and forborne exposures for loans, debt securities and off-balance-sheet exposures, including their related accumulated impairment, provisions and negative fair value changes due to credit risk and amounts of collateral and financial guarantees received	Page 56 / Table 36: CR1 - Performing and non-performing exposures and related provisions Page 61 / Table 41: CQ3 - Credit quality of performing and non-performing exposures by past due days Page 63 / Table 42: CQ4 - Quality of non-performing exposures by geography Page 64 / Table 43: CQ5 - Credit quality of loans and advances to non-financial corporations by industry`
442 (d)	Ageing analysis of accounting past due exposures	Barclays Non-performing loans and advances' ratio stands below 5%, hence additional NPL disclosure required in point (c) and (f) of Article 442 in templates CR2a, CQ2, CQ6 and CQ8 are not published.
442 (e)	Disclosure of gross carrying amounts of performing and non-performing exposure and their related provisions and the net carrying amounts and their distribution by geographical area and industry type	
442 (f)	Changes in the stock of non-performing loans and advances and related net accumulated recoveries	Page 58 / Table 38: CR2 - Changes in the stock of non-performing loans and advances
442 (g)	Breakdown of loans and debt securities by residual maturities	Page 58 / Table 37: CR1-A - Maturity of exposures
Encumbered and unencumbered assets		
443	Disclosures on encumbered and unencumbered assets	See page 150: Disclosures on asset encumbrance.
Use of Standardised approach		
444 (a)	Names of the ECAIs used in the calculation of standardised approach RWAs, and reasons for any changes	Page 36: Credit quality analysis of standardised exposures.
444 (b)	Exposure classes associated with each ECAI	
444 (c)	Explanation of the process for translating external ratings into credit quality steps	
444 (d)	Mapping of external rating to credit quality steps	Page 36 / Table 23: Relationship of long-term external credit ratings to credit quality steps under the standardised approach
		Page 37 / Table 24: Credit quality steps and risk weights under the standardised approach
444 (e)	Exposure value post-credit risk mitigation, by credit quality step	Page 30 / Table 19: CR4 - Standardised credit risk exposure and CRM effect Page 31 / Table 20: CR5 – Standardised approach
Exposure to market risk		
445	Disclosure of position risk, large exposures exceeding limits, FX, settlement and commodities risk	Page 68 / Table 49: MR1 – Market risk under the standardised approach
Operational risk		
446	Disclosure of the scope of approaches used to calculate operational risk	Page 73 / Table 54: OR1 Operational risk own funds requirements and risk weighted exposure amounts/ Page 136 ORA Qualitative information on operational risk

Appendix D – Compliance to Pillar3 requirements (continued)

CRR ref.	High-level summary	Compliance reference
Disclosure of key metrics		
447 (a)	Provide an overview of regulatory metrics and ratios	Page 11 / Table 6: UK KM1 - Key metrics
447 (b)		
447 (c)		
447 (d)		
447 (e)		
447 (f)		
447 (g)		
447 (h)		Not applicable for Barclays Bank UK PLC
Exposures to interest rate risk on positions not included in the trading book		
448 (1) (a)	Information on the impact on the Bank's economic value of equity (EVE) and net interest income (NII) from the six standardised interest rate shock scenarios	Page 27 / Table 17 : IRRBB1 Quantitative information on IRRBB
448 (1) (b)		
448 (1) (c)	Description of key modelling and parametric assumptions used to calculate changes in the economic value of equity and in the net interest income required under Article 448 (1)(a) and 448 (1)(b)	Page 133 IRRBB risk management objectives and policies
448 (1) (d)	Explanation of the significance of the risk measures disclosed under under Article 448 (1)(a) and 448 (1)(b)and of any significant variations of those risk measures since the previous disclosure	
448 (1) (e)	Description of how institutions define, measure, mitigate and control the interest rate risk of their non-trading book activities	
448 (1) (f)	Description of the overall risk management and mitigation strategies	
448 (1) (g)	Information on average and longest repricing maturity assigned to non-maturing deposits	
448 (2)	By way of derogation from paragraph 1 of this Article, the requirements set out in points (c) and (e)(i) to (e)(iv) of paragraph 1 of this Article for description relating to economic value of equity shall not apply to institutions that use the standardised framework	This does not apply to Barclays Bank UK PLC

Appendix D – Compliance to Pillar3 requirements (continued)

CRR ref.	High-level summary	Compliance reference
Exposure to securitisation positions		
449 (a)	Objectives in relation to securitisation and re-securitisation activities and institutions role in the use of simple, transparent and standardised securitisations (STS)	Pages 125 - 127 / SECA Qualitative disclosure requirements related to securitisation exposures
449 (b)	Type of risk by level of seniority in the relevant securitisation positions providing distinction between STS and non-STS positions	
449 (b)(i)	the risk retained in own-originated transactions	
449 (b)(ii)	the risk incurred in relation to transactions originated by third parties	
449 (c)	Approaches for calculating the risk-weighted exposure amounts to relevant securitisation position along with a distinction between STS and non-STS position	
449 (d)	List of SSPEs and types of exposure to those SSPEs, including derivative contracts	
449 (d)(i)	SSPEs which acquire exposures originated by the institutions	
449 (d)(ii)	SSPEs sponsored by the institutions	
449 (d)(iii)	SSPEs and other legal entities for which the institutions provide securitisation-related services, such as advisory, asset servicing or management services	
449 (d)(iv)	SSPEs included in the institutions' regulatory scope of consolidation	
449 (e)	List of any legal entities in relation to which the institutions have disclosed that they have provided support	
449 (f)	List of legal entities affiliated with the institutions and that invest in securitisations originated by the institutions or in securitisation positions issued by SSPEs sponsored by the institutions	
449 (g)	Summary of accounting policies for securitisation activities	
449 (h)	Names of ECAIs used for securitisations	
449 (i)	Description of Internal Assessment Approach	
449 (j)	Separately for the trading book and the non-trading book, the carrying amount of securitisation exposures, including information on transfer of significant credit risk, separately for traditional and synthetic securitisations, and for STS and non-STS transactions and broken down by type of securitisation exposures	Page 69 / Table 50: SEC1 - Securitisation exposures in the non-trading book
449 (k)(i)	Aggregate amount of securitisation positions where institutions act as originator or sponsor and the associated risk-weighted assets and capital requirements by regulatory approaches	Page 70 / Table 51: SEC3 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor
449 (k)(ii)	Aggregate amount of securitisation positions where institutions act as investor and the associated risk-weighted assets and capital requirements by regulatory approaches	Page 71 / Table 52: SEC4 - Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor
449 (l)	Amount of exposures in default and the amount of the specific credit risk adjustments made by the institution during the current period, both broken down by exposure type	Page 72 / Table 53: SEC5 - Exposures securitised by the institution - Exposures in default and specific credit risk adjustments

CRR ref.	High-level summary	Compliance reference
Remuneration disclosures		
450	Remuneration	Appendix C contains the remuneration awards made to Barclays' Material Risk Takers. See the Directors' remuneration report (DRR) of the 2023 Annual Report for other remuneration disclosures
450 (1)	Disclosure of remuneration policy and practices for those categories of staff whose professional activities have a material impact on risk profile of the institution	
450 (2)	For Large institutions - Disclosure of institutions' collective management body to be made available for public, differentiating between executive and non-executive.	
Leverage		
451 (1) (a)	Leverage ratio, and breakdown of total exposure measure, including reconciliation to financial statements, and derecognised fiduciary items	Page 19 / Table 12: LR1 - Summary of reconciliation of accounting assets and leverage ratio exposures Page 20 / Table 13: LR2 - Leverage ratio common disclosure Page 22 / Table 14: LR3 - Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)
451 (1) (b)		
451 (1) (c)		
451 (1) (d)	Description of the risk management approach to mitigate excessive leverage, and factors that impacted the leverage ratio during the year	See page 20/ Table 13: LR2 - Leverage ratio common disclosure
451 (1) (e)		

Appendix D – Compliance to Pillar3 requirements (continued)

CRR ref.	High-level summary	Compliance reference
451 (1) (f)	In relation to the quarterly periods up to 31 December 2023, the leverage ratio calculated as if Article 468 of the CRR did not apply for purposes of the capital measure under Article 429(3) of Chapter 3 of the Leverage Ratio (CRR) Part	This doesn't apply to Barclays Bank UK PLC as we have not applied for relief, we are not disclosing this ratio.
451 (1) (g)	In relation to the quarterly periods up to 31 December 2024, the leverage ratio calculated as if Article 473a of the CRR did not apply for purposes of the capital measure under Article 429(3) of Chapter 3 of the Leverage Ratio (CRR) Part.	Page 20 / Table 13: LR2 - Leverage ratio common disclosure
451 (2)	LREQ firm must disclose each of the following - a) average exposure measure b) average leverage ratio c) average leverage ratio calculated as if central bank claims to be included in the total exposure measure d) countercyclical leverage ratio buffer	
451 (3)	LREQ firm must disclosure of changes in total exposure measure and tier 1 capital (leverage) over the quarter that have affected the bank's average leverage ratio	
451 (4)	Information on calculation o average exposure measure and average leverage ratio by LREQ firm's	
451 (5)	Information on calculation of average exposure measure , in relation to the quarterly periods up to 1 January 2023, by LREQ firm's	
Disclosure of liquidity requirement		
451a (1)	Information on liquidity coverage ratio, net stable funding ratio and liquidity risk management	Page 23 / Table 15: LIQ1 - Liquidity coverage ratio: LIQB Qualitative information on LCR
451a (2)	Information on liquidity coverage ratio	
451a (3)	Information on net stable funding ratio	Page 25 / Table 16: LIQ2 - Net Stable funding ratio
451a (4)	Disclose the arrangements, systems, processes and strategies put in place to identify, measure, manage and monitor their liquidity risk	Page 129 - 131/ LIQA Liquidity risk management
Use of the IRB approach to credit risk		
452 (a)	Permission for use of the IRB approach from authority	Page 103: Management of credit risk - IRB approach Page 7 / Table 1: The scope of the standardised and AIRB approaches for credit and counterparty credit risk excluding CVA Page 39 / Table 26: CR6A – Scope of the use of IRB and SA approaches; CRE Qualitative disclosure requirements related to IRB approach
452 (b)	Scope of the use of standardised and IRB approaches as well as exposure class subject to permanent partial use and to a roll-out plan	
452 (c) 452 (c) (i) 452 (c) (ii) 452 (c) (iii) 452 (c) (iv)	The control mechanisms for rating systems at the different stages of model development, controls and changes	
452 (d)	Functions involved in the development, approval and subsequent changes of the credit risk models	
452 (e)	Scope and main content of the reporting related to credit risk models	
452 (f) 452 (f)(i) 452 (f)(ii) 452 (f)(iii)	Description of the internal ratings process by exposure class, including the number of key models used with respect to each portfolio and a brief discussion of the main differences between the models within the same portfolio	

Appendix D – Compliance to Pillar3 requirements (continued)

CRR ref.	High-level summary	Compliance reference
452 (g)	For each exposure class, disclose the following information	Page 40 / Table 27: CR6 – IRB approach – Total Portfolios
452 (g)(i)	their gross on-balance-sheet exposure	
452 (g)(ii)	their off-balance-sheet exposure values prior to the relevant conversion factor	
452 (g)(iii)	their exposure after applying the relevant conversion factor and credit risk mitigation	
452 (g)(iv)	input relevant for the understanding of the risk weighting and the resulting risk exposure amounts disclosed across a sufficient number of obligor grades (including default)	
452 (g)(v)	for exposure classes, in relation to which institutions have received permission to use own LGDs and conversion factors for the calculation of risk-weighted exposure amounts, and for exposures for which the institutions do not use such estimates, the values referred to in points (i) to (iv) subject to that permission	
452 (h)	Back testing of PD per exposure class	Page 109-112 / Table 56 - 62 : CR9 IRB approach - Back-testing of PD per exposure class (fixed PD scale) ; Page 113 - 119 /Table 63 - 69 : CR9.1 IRB approach - Back-testing of PD per exposure class (only for PD estimates according to Article 180(1)(f))

Use of credit risk mitigation techniques

453 (a)	Policies and processes for on- and off-balance sheet netting	Pages 100 to 101 / CRC Qualitative disclosure requirements related to CRM techniques
453 (b)	Policies and processes for eligible collateral evaluation and management	
453 (c)	Description of types of collateral used by Barclays	
453 (d)	Types of guarantor and credit derivative counterparty, and their creditworthiness	
453 (e)	Disclosure of market or credit risk concentrations within risk mitigation exposures	
453 (f)	CRM techniques overview	Page 59 / Table 39: CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques
453 (g)	Disclose corresponding conversion factor and credit risk mitigation techniques with and without substitution effect	Page 30 / Table 19: CR4 - Standardised credit risk exposure and CRM effect Page 34 / Table 22: CR7-A – IRB approach – Disclosure of the extent of the use of CRM techniques
453 (h)	Exposures before and after the application of conversion factors and any associated credit risk mitigation	
453 (i)	Under standardised approach, for each asset class, disclose the risk-weighted exposure amount and the ratio between that risk-weighted exposure amount and the exposure value after applying the corresponding conversion factor and the credit risk mitigation associated with the exposure	
453 (j)	Under IRB approach,the risk-weighted exposure amount before and after recognition of the credit risk mitigation impact of credit derivatives. Disclosure to me made for each exposure class subject to permission to use own LGDs and conversion factors	Page 33 / Table 21: CR7 – IRB approach – Effect on the RWEAs of credit derivatives used as CRM techniques

Use of the Advanced Measurement Approaches to operational risk

454	Description of the use of insurance or other risk transfer mechanisms to mitigate operational risk	Page 73 / Table 54 : OR1 Operational risk own funds requirements and risk weighted exposure amounts; ORA - Qualitative information on operational risk

Appendix D – Compliance to Pillar3 requirements (continued)

Use of internal market risk models		
455 (a) (i)	Disclosure of the characteristics of the market risk models for each sub-portfolio	There is no applicable data to be published in respect of this table
455 (a) (ii)	Disclosure of the methodology and description of all-price risk measure and incremental risk charge	
455 (a) (iii)	Descriptions of stress tests applied to the sub-portfolios	
455 (a) (iv)	Methodology for back-testing and validating the models	
455 (b)	Scope of permission for use of the models.	
455 (c)	Policies and processes to determine which exposures are to be included in the trading book, and to comply with prudential valuation requirements	
455 (d) 455 (d) (i)	High/Low/Mean values of the daily value-at-risk measures over the reporting period and at the end of the reporting period	
455 (d) (ii)	The stressed value at risk over the reporting period and at the end of the reporting period	
455 (d) (iii)	The risk numbers for incremental default and mitigation risk and for the specific risk of the correlation trading portfolio over the reporting period and at the end of the reporting period	
455 (e)	The elements of the own fund calculation	
455 (f)	Weighted average liquidity horizons of portfolios covered by models	
455 (g)	Comparison of end-of-day VaR measures compared with one-day changes in portfolio's value	