BARCLAYS CAPITAL SECURITIES LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

REGISTERED NUMBER: 1929333

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Barclays Capital Securities Limited
Directors' Report
For the year ended 31 December 2019

The Directors present their annual report together with the audited financial statements of Barclays Capital Securities Limited (the 'Company') for the year ended 31 December 2019.

Profit and dividends

The results of the Company show profit after tax of £109m (2018: £109m) and total income of £408m (2018: £437m). The Company has net assets of £1,125m (2018: £1,320m). Interim dividends of £100m and £150m were paid on 27 August 2019 and 20 December 2019 respectively for the year 2019 (2018: Nil). The Directors do not recommend the payment of a final dividend for 2019 (2018: Nil).

Post balance sheet events

The contractual guarantee from Barclays Bank Plc to the Company which covers credit exposures arising from Counterparty Credit risk ranked by risk weighted amount, with a limit of £1 as of 31 December 2019 had been increased to £500m on 3 March 2020 and subsequently to £1.5bn and £2.0bn on 17 March 2020 and 31 March 2020 respectively.

The Company is monitoring the potential downside risk associated with both the direct and indirect impact of the Coronavirus (COVID-19) outbreak. The Company continues to operate within its risk and capital limits which are being actively monitored by management.

On 11 March 2020 it was announced (and substantively enacted on 17 March 2020) that the UK corporation tax rate would remain at 19% and not reduce to 17% (the previously enacted rate) from 1 April 2020. The deferred tax balances included within the accounts have been calculated with reference to the rate of 17%, as required under IFRS. However, following the substantive enactment of the rate of 19%, it is anticipated that the reversal of temporary differences will occur at this rate and that the maximum impact on the quantum of net deferred tax liability recognised is assessed to be immaterial.

There were no other important events affecting the Company which have occurred since 31 December 2019.

Directors

The Directors of the Company, who served during the year 2019 and up to the date of signing the financial statements, are as shown below:

Michael Ashley – Non-Executive Director and Board Audit Committee Chairman
Tim Breedon – Non-Executive Director and Board Risk Committee Chairman
Helen Keelan – Non-Executive Director
Steven Ewart – Chief Financial Officer
Stephen Dainton – Chief Executive Officer
Sir Gerry Grimstone – Non-Executive Director (resigned 28 February 2019)

Corporate Governance Statement

The Board aspires to have high standards of corporate governance and, in accordance with The Companies (Miscellaneous Reporting) Regulations 2018, has set out below the corporate governance arrangements it deems most appropriate to apply.

In line with other subsidiaries in the Barclays PLC Group ('Barclays Group'), we have chosen not to adopt and report against the revised 2018 UK Corporate Governance Code, which is designed for premium listed companies and, whilst we fully support the introduction of the Wates Corporate Governance Principles for Large Private Companies (in particular the focus on purpose, culture and employee and stakeholder engagement), we feel they are less appropriate for a wholly-owned subsidiary of a premium listed company which is also a complex financial institution subject to a comprehensive regulatory regime. We have therefore adopted our own corporate governance principles and arrangements which we believe are most appropriate for the Company, and are designed to ensure effective decision-making to promote the Company's success for the long term.

Our primary aim is that our governance:

- is effective in providing challenge, advice and support to management;
- provides checks and balances, and encourages constructive challenge;
- drives informed, collaborative and accountable decision-making; and
- creates long-term sustainable value for our shareholder, the ultimate shareholders of Barclays and our wider stakeholders.

Set out below are the principles which underpin our corporate governance arrangements and how these principles have been applied during 2019.

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

Our corporate governance principles and how the Company has applied them during 2019

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

- Through the leadership of the Board, a clear vision for the Company's purpose and overall values is articulated, underpinning and defining the strategy and culture of the organisation. This is embedded at every level of management.
- Culture remains a core area of focus with the Board actively promoting ethical leadership and accountability whilst supporting and reinforcing the Barclays' Code of Conduct, the Barclays Way, and the Barclays Values, to achieve a dynamic and positive culture.

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

- Clear division of responsibilities between the Chair and Chief Executive documented by the Company.
- Policies and protocols are in place to support effective decision-making and independent challenge including: the Barclays Group's corporate governance manual setting out clearly how the Barclays Group entities and their respective boards and board committees should interact and Barclays' Charter of Expectations, setting out clearly the role and responsibilities of each Director
- Board duties are executed in part through Board Committees – Board Audit Committee, Board Risk Committee, Board Remuneration Committee and Board Nominations Committee - which provide oversight and make recommendations on the matters delegated to them by the Board.

- Appropriate information and support is provided to the Board to enable them to undertake their work with due care and discharge their responsibilities.

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

- The size and composition of the Board is appropriate to a large UK Investment Firm (the principal activities of which are outlined on page 9). A good balance exists between Executive and Non-Executive Directors who bring a strong combination of technical, finance (including significant financial services experience), risk and audit experience. In addition, the independent non-executive directors bring independent challenge. The BCSL Board is composed of Michael Ashley (Chair, Non-Executive Director), Tim Breedon (Non-Executive Director), Helen Keelan (Non-Executive Director), Stephen Dainton (Chief Executive Officer) and Steven Ewart (Chief Financial Officer).
- All appointments to the Board and senior management are based on merit and objective criteria with a strong acknowledgement of the benefits of diversity (gender, ethnicity and thought) for an effective Board and organisation. Diversity will remain a key area of focus. Further detail, including on the Barclays Group Board Diversity Policy, can be found in the Barclays PLC Annual Report and Accounts 2019.
- During the year, the Board appointed Michael Ashley as Chair of the Board, replacing Sir Gerry Grimstone.
- During the year, consideration was given to the composition of the Board to ensure continued effectiveness, and it was agreed that existing Board composition would remain in place. A review of the Board's effectiveness will be undertaken during 2020 in accordance with Barclays Group Policy on Legal Entities and Directors.

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

- Principal risks have been identified, as articulated on pages 10-13, with robust processes in place to evaluate and manage such risks; including regular reporting to, and oversight by, the Board Risk Committee and the Board.
- The Board approves, within the parameters set by Barclays PLC, the Company's risk appetite; the level of risk the Company is prepared to accept across different risk types.
- Effectiveness of risk management and internal controls is reviewed regularly by the Board Risk Committee (with responsibility for providing oversight on current and potential future risk exposures) and the Board Audit Committee (with responsibility for controls, including reviewing audit reports, internal controls and risk management systems).
- The Board Audit Committee continues to provide its oversight of financial reporting processes and the work of the external and internal auditors (including independence and effectiveness).

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

- Barclays' Remuneration Policy is set by the Barclays Group Remuneration Committee, and adopted by the Company's independent Board Remuneration Committee. This policy is applied to all employees of the Barclays Group, including those carrying out work for the Company, though the Company does not have any employees as of 31 December 2019. As the executive directors of the Board are not employed by the Company, and carry out their duties in addition to their roles for BBPLC, the section of the remuneration principle above relating to the alignment of executive remuneration to the Company's purpose, values and delivery of the strategy does not apply to the Company.
- Remuneration approaches for those on the Board or Executive Committee of the Company are developed in accordance with the Barclays Group's formal and transparent procedures (ensuring no director is involved in deciding their own remuneration outcome) and having regard to workforce remuneration policies and alignment of incentives and rewards with culture and performance as reviewed annually by the Barclays Group Remuneration Committee.

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

- Through the Company's defined purpose and strategy, key stakeholders on whom the success of the Company depends are identified. Please see pages 9-10 of the Strategic Report for detail of our key stakeholders.
- The Board seeks to understand key stakeholder's views, and the impact of the Company's behaviour on them. Detail on how we engaged with our stakeholders in 2019, and the link between stakeholder management and key decisions is set out in the section 172(1) statement on page 9 of the Strategic Report.
- The Board monitors key indicators across areas such as culture and conduct on a continuing and ongoing basis.

Going concern

After reviewing the Company's performance projections (including the implications of the UK's decision to leave the European Union and from the COVID-19 outbreak), the available banking facilities and taking into account the support available from Barclays Bank Plc and the ability and intent of Barclays Bank Plc to continue to provide support to the Company, the Directors are satisfied that the Company has adequate access to resources to enable it to meet its obligations and to continue in operational existence for the foreseeable future. In addition to the internal stress testing scenario, this review included reference to an additional stress testing scenario with severity of downside stresses aligned to the stress experienced in Q1 2020, effectively assuming further market deterioration of similar magnitude. Consequently, the Directors have adopted the going concern basis in preparing these financial statements.

Statement of Directors' responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Financial Risk Management

The Company's activities are exposed to a variety of financial risks. The Company is required to follow the requirements of the Barclays Group risk management policies, which include specific guidelines on the management of foreign exchange, interest rate and credit risks, and advice on the use of financial instruments to manage them. The main financial risks that the Company is exposed to are outlined in Note 29.

Directors' third party indemnity provisions

Qualifying third-party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force during the course of the financial year ended 31 December 2019 for the benefit of the then Directors and, at the date of this report, are in force for the benefit of the Directors in relation to certain losses and liabilities, including qualifying third party indemnity provisions and qualifying indemnity provisions which may occur (or have occurred) in connection with their duties, powers or office.

Environment

Barclays focuses on addressing environmental issues where we believe we have the greatest potential to make a difference. We focus on managing our own carbon footprint and reducing our absolute carbon emissions, developing products and services to help enable the transition to a low carbon economy, and managing the risks of climate change to our operations, clients, customers and society at large.

We invest in improving the energy efficiency of our operations and offset the emissions remaining through the purchase of carbon credits. We also have a long-standing commitment to managing the environmental and social risks associated with our lending practices, which is embedded into our risk processes. A governance structure is in place to facilitate clear dialogue across the business and with suppliers around issues of potential environmental and social risk.

Disclosure of global greenhouse gas emissions is prepared at a Barclays Group level with information available in the Barclays PLC 2019 Annual Report with fuller disclosure available on our website at https://home.barclays/citizenship/

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

Customers and clients are central to the Barclays business – without them, Barclays would not exist. Barclays works hard to understand the needs of its customers and clients to inform and improve its products and services. Barclays engages with them in a variety of ways, including conducting a wide-range of customer and client research; using the invaluable insight to inform and improve Barclays products and services.

Barclays supply chain helps it deliver for all its customers, clients and stakeholders. Barclays engages with its suppliers through its contractual arrangements and requirements to ensure suppliers adhere to the Barclays' Supplier Code of Conduct and Supply Control Obligations through pre-contract attestation. From such engagement suppliers have identified prompt payment as critical. Barclays is a signatory to the Prompt Payment Code in the UK, committing to pay its suppliers within clearly defined terms. Please see page 34 of the Barclays PLC Annual Report 2019 for detail on Barclays' supplier on-time payment by value performance in 2019.

Further detail on Barclays' customer, client and supplier engagement is set out on pages 14 to 15 and page 33 of the Barclays PLC Annual Report 2019.

Pillar 3 disclosures

In accordance with the rules of the Financial Conduct Authority and Prudential Regulation Authority, the Company's parent, Barclays Bank PLC and its ultimate parent Barclays Plc has published information on its risk management objectives and policies and on its regulatory capital requirements and resources. This information is available at: https://home.barclays/investor-relations/reports-and-events/annual-reports/

Creditors' payment policy

The principal activity of the Company is the provision of financial services. It does not have trade creditors and as such the disclosure of the creditor's payment policy is not applicable.

Independent Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Statement of disclosure of information to the auditor

So far as the Directors are aware, there is no relevant audit information of which the Company's Auditors are unaware. The Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

FOR AND ON BEHALF OF THE BOARD

Steven Ewart
Director
23 April 2020

Company Number 1929333

Barclays Capital Securities Limited
Strategic Report
For the year ended 31 December 2019

Business review and principal activities

The principal activities of the Company include the provision of Equity Financing, Equity Derivatives, Cash Equities and Agency Execution Services.

Business performance

The results of the Company show profit after tax of £109m (2018: £109m) and total income of £408m (2018: £437m). The Company has net assets of £1,125m (2018: £1,320m).

Business environment

The economic conditions of 2019 continued to provide a challenging context for banking and financing activity. Features such as the low interest rate environment, the UK's withdrawal from the EU and global trade tensions combined to dampen and delay deal activity, particularly primary issuance. That meant the global Markets revenue pool shrank by 2%[a]. The company remains vigilant to these risks and their potential impact on global trade and investment. The Company's activities are authorised and regulated by the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').

The evolving operating environment presents opportunities and risks which we continue to evaluate to ensure that we appropriately adapt our strategy and its delivery.

[a] Source: Coalition FY19 vs FY18 Preliminary Competitor Analysis of total industry revenue pool

Strategy and future outlook

The Company operates within a complex group structure where streamlining activities and improving efficiencies across the Barclays Group is a key priority, for both the Company and the wider Group management, as regulatory change comes into effect. The Company will continue to review its strategy in line with the Barclays Group strategic objectives. The Company's overriding objective is to provide its clients with well-constructed and appropriate solutions to their requirements. The Company will continue to focus on geographies and products where it has competitive advantage. During the year, the Company surrendered its license and closed its representative office in Shanghai as it was not used.

Section 172(1) statement

The Directors have acted in a way that they considered, in good faith, to be most likely to promote the success of Barclays Capital Securities Limited for the benefit of its member, and in doing so had regard, amongst other matters, to:

- the likely consequences of any decision in the long term;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment; and
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

The Directors also took into account the views and interests of a wider set of stakeholders, including our regulators, the Government, and non-government organisations. You can find out more about who Barclays' key stakeholders are, how they've been engaged with, the key issues raised and actions taken on pages 16 to 17 of the Barclays PLC Annual Report 2019 which is incorporated by reference into this statement.

Considering this broad range of interests is an important part of the way the Board makes decisions, although in balancing those different perspectives it will not always be possible to deliver everyone's desired outcome.

How does the Board engage with stakeholders?

The Board will sometimes engage directly with certain stakeholders on certain issues, but the size and distribution of our stakeholders and of the Company means that stakeholder engagement often takes place at an operational level.

In addition, to ensure a more efficient and effective approach, certain stakeholder engagement is led at Barclays Group level, in particular where matters are of group-wide significance or have the potential to impact the reputation of the Barclays Group.

The Board considers and discusses information from across the organisation to help it understand the impact of the Company's operations, and the interests and views of our key stakeholders. It also reviews strategy, financial and operational performance as well as information covering areas such as key risks, and legal and regulatory compliance. This information is provided to the Board through reports sent in advance of each Board meeting, and through in-person presentations.

As a result of these activities, the Board has an overview of engagement with stakeholders, and other relevant factors, which enables the Directors to comply with their legal duty under section 172 of the Companies Act 2006.

The following is an example of how the Directors have had regard to the matters set out in sections 172 (1)(f) when discharging their section 172 duties and the effect of that on certain of the decisions taken by them.

Engagement in action

Mitigating Customer Impact

In reviewing Barclays' plans for the Barclays Group in the context of the planned UK withdrawal from the European Union, the Board received regular updates on the business transfers into Barclays Bank Ireland PLC and considered how to minimise the resultant impacts on a range of stakeholders including customers and clients, colleagues and suppliers. The Board's decision to use a banking business transfer scheme (under part VII of the Financial Services and Markets Act 2000) gave the Directors the flexibility to oversee key decision points in line with developments in the political environment in order to minimise unnecessary disruption to customers and clients.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are exposed to a number of risks. These risks are formally reviewed by the Board and appropriate processes put in place to monitor and mitigate them.

Material existing and emerging risks potentially impacting more than one Principal Risk

Business conditions, general economy and geopolitical issues

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

A deterioration in global or local economic and market conditions may lead to (amongst other things): (i) deteriorating business, consumer or investor confidence, which in turn may lead to lower client activity; (ii) subdued asset prices including the value of any collateral held by the Company; and (iii) mark-to-market losses in trading portfolios resulting from changes in factors such as credit ratings, share prices and solvency of counterparties.

Geopolitical events may lead to further financial instability and affect economic growth. In particular:

- The decision of the UK to leave the EU may give rise to further economic and political consequences, including for investment and market confidence in the UK and the remainder of the EU.

- Global GDP growth weakened in 2019, as elevated policy uncertainty weighed on manufacturing activity and investment. As a result, a number of central banks, most notably the Federal Reserve and the European Central Bank (ECB), pursued monetary easing. Whilst the direct and indirect impact of the COVID-19 outbreak remains uncertain, a number of central banks and governments have announced financial stimulus packages in anticipation of a very significant negative impact on GDP during 2020. Concerns remain as to whether these policy tools will counter anticipated macro-economic risks and a prolongation of the outbreak could significantly adversely affect economic growth, affect specific industries or countries or affect the Company's business operations and services it receives from the Barclays Group. In addition, an escalation in geopolitical tensions, increased use of protectionist measures or a disorderly withdrawal by the UK from the EU may also negatively impact the Company's business in affected regions.

Material existing and emerging risks impacting individual Principal Risks

- **Market risk**

Market risk is the risk of loss arising from potential adverse changes in the value of the Company's assets and liabilities from fluctuation in market variables including, but not limited to, interest rates, foreign exchange, equity prices, dividend expectation, credit spread, implied volatilities and asset correlations. The Company incurs market risk via trading activities with clients and via the liquid assets that the Company holds. The Company manages the risk through a range of complementary approaches to identify and evaluate market risk. These are measured, limited and monitored by market risk specialists.

- **Credit risk**

Credit risk is the risk of loss to the Company from the failure of clients, customers or counterparties including sovereigns, to fully honour their obligations to the Company including the whole and timely payment of principal, interest, collateral and other receivables. Credit risk also arises through downgrading of counterparties whose credit instruments the Company may be holding, causing the value of those assets to fall. The Company employs a range of risk measurement techniques and methodologies to mitigate credit risk.

- **Liquidity risk**

Liquidity risk is the risk that the Company's cash and committed facilities may be insufficient 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. The Company maintains a mixture of long term and short term committed facilities including financial support from its parent, Barclays Bank Plc, that are designed to ensure the Company has sufficient available funds for operations.

The Company is part of a Domestic Liquidity Sub-Group (DoLSub) for Liquidity Management requirements under the European Capital Requirements Directive (CRDIV) and the European Capital Requirements Regulation (CRR). The DoLSub arrangement constitutes Barclays Bank Plc and Barclays Capital Securities Limited. Barclays has obtained an extension until 30 June 2021 to the waiver from the PRA to supervise both entities as a single Liquidity Sub-Group on the back of a Liquidity Credit Support agreement that allows the free movement of funds between the two entities, enabling them to meet their individual and joint obligations as they become due. As a result of the DoLSub arrangement, any risks to the liquidity position of Barclays Bank PLC are also a direct risk to the Company. This agreement gives rise to potential contingent liabilities albeit not quantifiable and hence not disclosed separately.

- **Operational risk**

Operational risk is the risk of loss to the Company from inadequate or failed processes or systems, human factors or due to external events (e.g. fraud or cyber risk) where the root cause is not due to credit or market risk. The company's businesses are dependent on the ability to process a large number of transactions efficiently and accurately. The Company has outsourced operational activities within the Company to other Barclays Group entities including the Group Service Company. These outsourced activities are managed through various intra-group service agreements between Barclays Bank Plc and the Group Service Company, in which the Company is a service beneficiary. The Company continues to be accountable for the risk arising from the actions of the outsourced activities. Failure to adequately manage outsourcing risk through control environments which remain robust to ever changing threats and challenges could result in increased losses, inability to perform critical economic functions, client detriment, potential regulatory censure and penalty, legal liability and reputational damage. The Company assesses its risk and control environment across its functions with a view to maintaining an acceptable level of residual risk.

- **Capital and Regulatory risk**

Capital risk is the risk that the Company has an insufficient level or composition of capital to support its normal business activities and to meet its regulatory capital requirements under normal operating environments or stressed conditions. Rules dictating the measurement of capital may be tightened which would constrain the Company's planned activities and contribute to adverse impacts on the Company's earnings.

Regulatory risk arises from a failure or inability to comply fully with the laws, regulations or codes applicable specifically to the financial services industry. Non-compliance could lead to fines, public reprimands, damage to reputation, increased prudential requirements, enforced suspension of operations or, in extreme cases, withdrawal of authorisations to operate.

To meet regulatory provisions by the PRA affecting capital adequacy and large exposures reporting, the Company has the following in place as at 31 December 2019:

- A contractual guarantee of £1bn from Barclays Bank Plc to cover credit exposures arising from Counterparty Credit risk. The guarantee covers large exposures which are in excess of 23% of the company's eligible capital relevant for limits to large exposures. This guarantee will remain in effect until terminated by either of the parties to the guarantee by providing 30 business days' notice in writing to the other party.

- A contractual guarantee from Barclays Bank Plc to cover credit exposures arising from Counterparty Credit risk ranked by risk weighted amount. The guarantee limit is set to £1 and can be amended from time to time with agreement between both parties. This guarantee will remain in effect until terminated by either of the parties to the guarantee by providing 30 business days' notice in writing to the other party. The guarantee limit had been increased to £500m on 3 March 2020 and subsequently to £1.5bn and £2.0bn on 17 March 2020 and 31 March 2020 respectively.

- A contractual guarantee from Barclays Bank Plc to cover secured financing transactions to non-core internal large exposures which are in excess of the company's eligible capital relevant for limits to large exposures. The main exposures to which this guarantee relates to are Barclays Capital Inc, Barclays Securities Japan Limited and Barclays Bank Ireland Plc. The guarantee limit is set to £1 and can be amended from time to time with agreement from both parties. Barclays Bank Plc may terminate this guarantee at any time by providing 30 business days' notice in writing.

- A contractual guarantee of £1.5bn from Barclays Bank Plc to cover exposure with Barclays Capital Luxembourg Sarl for stock loan transactions. Barclays Bank Plc may terminate this guarantee at any time by providing 30 business days' notice in writing.

- Floating rate perpetual subordinated write down securities (AT1 securities) issued for £200m on 22 August 2019, which are included within additional Tier 1 capital;

- A subordinated loan agreement with Barclays Bank Plc comprising debt of €17m and US$24.5m, which are included within Tier 2 capital;

- Subordinated callable notes of £150m issued on 22 August 2019 and £150m issued on 19 December 2019, which are included within Tier 2 capital.

The Company's capital management strategy is to continue to maximise shareholder value by prudently optimising both the level and composition of its capital resources.

The Company's capital management objectives are to:

- Maintain sufficient capital resources to support the Company's risk appetite.
- Maintain sufficient capital resources to meet the PRA's minimum regulatory capital ratios.

External Regulatory Capital Requirements

The Company is subject to the Capital Requirements Regulation (CRR) and Capital Requirements Directive (CRD) implementation of Basel 3 within the EU (collectively known as CRD IV) on 1 January 2014. The rules are supplemented by the Regulatory Technical Standards and the PRA's rulebook, including the implementation of the transitional rules. Rules and guidance are still subject to change as certain aspects of CRD IV are dependent on final technical standards and clarifications to be issued by the European Banking Authority (EBA) and adopted by the European Commission and the PRA. All capital and risk weighted assets (RWAs) calculations reflect the Company's interpretation of the current rules.

The Company has been granted approval by the PRA to adopt advanced approaches for computing credit, market and operational risk capital requirements. The Company uses 'The Standardised Approach' (TSA) for operational risk regulatory capital purpose with effect from 1 April 2018, based on PRA approval. Pillar 1 capital requirements are generated using the Company's risk models together with standardised calculations.

In December 2017, the Basel Committee on Banking Supervision (BCBS) finalised Basel 3 eliminating the model based approaches for certain categories of RWAs (for example, operational risk RWAs, CVA volatility and credit risk RWAs for equity exposures), revised the standardised approach's risk weights for a number of exposure categories, replaced the four existing approaches for operational risk (including the advanced measurement approach) with a single standardised measurement approach and established 72.5% of standardised approach RWAs for exposure categories as a floor for RWAs calculated under the advanced approaches (referred to as the "output floor").

The majority of the final Basel 3 changes are expected to be implemented commencing 1 January 2022, with a five-year phase-in period for the output floor and with a single Standardised Measurement Approach.

CRD IV Capital ratios

The current regulatory requirement is to meet a fully loaded CRD IV CET1 ratio comprising the required 4.5% minimum CET1 ratio and Capital Conservation Buffer (CCB) of 2.5%.

Also forming part of the Buffer requirement is the Counter-Cyclical Capital Buffer (CCyB) and the Systemic Risk Buffer (SRB). The Company's CCyB is based on the buffer rate applicable for each jurisdiction in which the Company has exposures. On 28 November 2018, the Financial Policy Committee (FPC) set the CCyB rate for UK exposures at 1%. The buffer rates set by other national authorities for non-UK exposures are currently not material. Overall, this results in a 0.29% CCyB for the Company as at 31 December 2019. On 11 March 2020, the FPC reduced the CCyB for UK exposures to 0% with immediate effect and this has the effect of reducing the CCyB requirement from 0.29% to 0.11% based on 31 December 2019 position. No SRB has been set to date.

The Company's Pillar 2A requirement for 2019, based on a point in time assessment, was equal to 3.84% of which

56% needs to be met with CET1 capital, equating to approximately 2.2% of the RWAs. The Company's 2019 Pillar 2A add-on was reduced from 4.5% to 3.8% effective 31 October 2019 with 2.2% of RWAs needing to be met in CET1 form. All capital and RWA calculations reflect the Company's interpretations of the current rules.

As at 31 December 2019, the Company's CET1 ratio was 15.8% (2018: 13.4%) which exceeds the 2019 minimum requirement of 9.45% including the minimum 4.5% of CET1 requirement, 2.16% of Pillar 2A requirement, a 2.5% CCB buffer and a 0.29% CCyB buffer.

The table below provides details of the Company's CRD IV transitional capital ratios, capital resources and RWAs at 31 December 2019 and 2018.

	2019	**2018**
Risk weighted assets (in £'000)	5,409,563	7,610,066
Common Equity Tier 1 capital ratio	15.8%	13.4%
Tier 1 capital ratio	19.5%	14.1%
Total capital ratio	25.2%	16.9%

The Company's Total capital ratio increased to 25.2% (2018: 16.9%), as a result of a 29% decrease in RWAs to £5,410m and 6% increase in total capital primarily due to AT1 and subordinated debt capital issued during 2019.

Key performance indicators

The Board of Directors monitors progress on the overall strategy by reference to profit after tax as a key performance indicator. The financial performance metrics are aimed at generating long term sustainable returns. Total income decreased by 6% to £408m from 2018. Total operating expenses decreased by 6% to £220m from 2018. Profit after tax remained stable at £109m (2018: £109m).

FOR AND ON BEHALF OF THE BOARD

Steven Ewart
Director

23 April 2020
Company Number 1929333

Independent Auditor's Report to the members of Barclays Capital Securities Limited

Opinion

We have audited the financial statements of Barclays Capital Securities Limited ("the company") for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows and related notes, including the significant accounting policies and other explanatory information.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Independent Auditor's Report to the members of Barclays Capital Securities Limited

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 2, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Independent Auditor's Report to the members of Barclays Capital Securities Limited

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

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

R. Faulkner

Richard Faulkner (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
23 April 2020

Barclays Capital Securities Limited
Income Statement for the year ended 31 December 2019

Figures in Pounds Sterling thousand	Note	2019	2018
Continuing operations:			
Net interest expense	4	(2,897)	(1,000)
Net fee and commission income	5	57,758	90,398
Net trading Income	6	353,425	347,256
Total income		**408,286**	**436,654**
Credit impairment release / (charges)	7	103	(44)
Net operating income		**408,389**	**436,610**
Operating expenses	8	(220,348)	(233,519)
Profit before tax		**188,041**	**203,091**
Taxation	10	(78,661)	(93,755)
Profit after tax		**109,380**	**109,336**
Other comprehensive income / (loss) that may be recycled to profit or loss			
Currency translation reserve		-	(1)
Total comprehensive income for the year attributable to equity holders of the Parent		**109,380**	**109,335**

All recognised gains and losses are included in the Statement of Comprehensive Income.

The accompanying notes from pages 24 to 75 form an integral part of the financial statements.

Barclays Capital Securities Limited
Statement of Financial Position as at 31 December 2019

Figures in Pounds Sterling thousand	Note	2019	2018
Assets			
Current assets			
Cash and cash equivalents	11	763,458	582,345
Trading portfolio assets	12	19,901,033	12,389,627
Derivative financial instruments	13	5,536,462	6,813,352
Financial assets mandatorily at fair value	15	33,482,118	30,477,198
Loans and other receivables at amortised cost	16	33,472,462	34,699,163
Other assets	17	116,229	161,266
		93,271,762	**85,122,951**
Non-current assets			
Financial assets mandatorily at fair value	15	500,432	382,751
Loans and other receivables at amortised cost	16	50,625	11,651
Deferred tax assets	18	-	746
Investments in subsidiaries	19	-	-
		551,057	**395,148**
Total assets		**93,822,819**	**85,518,099**
Liabilities			
Current liabilities			
Trading portfolio liabilities	12	10,868,481	12,647,799
Derivative financial instruments	13	7,028,111	7,316,936
Repurchase agreements at amortised cost	14	7,522,208	-
Financial liabilities mandatorily at fair value	20	39,923,586	30,215,407
Borrowings	21	25,467,177	25,782,155
Other liabilities	22	326,356	253,096
Current tax liabilities	23	3,856	5,639
		91,139,775	**76,221,032**
Non-current liabilities			
Repurchase agreements at amortised cost	14	-	7,028,049
Financial liabilities mandatorily at fair value	20	813,872	784,178
Borrowings	21	743,409	164,477
Deferred tax liabilities	18	471	-
		1,557,752	**7,976,704**
Total liabilities		**92,697,527**	**84,197,736**
Shareholders' equity			
Share capital	24 (i)	571,071	821,071
Other equity instruments	24 (ii)	200,000	-
Other reserves	25	250,000	(18)
Retained earnings		104,221	499,310
Total equity		**1,125,292**	**1,320,363**
Total equity and liabilities		**93,822,819**	**85,518,099**

The accompanying notes from pages 24 to 75 form an integral part of the financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 23 April 2020 and were signed on its behalf by:

SJG

Steven Ewart
Director

23 April 2020
Company Number 1929333

Barclays Capital Securities Limited
Statement of Changes in Equity for the year ended 31 December 2019

Figures in Pounds Sterling thousand	Ordinary shares	Preference shares	Other equity instruments	Capital redemption reserve	Currency translation reserve	Retained earnings	Total equity
Balance as at 1 January 2019	**571,070**	**250,001**	**-**	**-**	**(18)**	**499,310**	**1,320,363**
Profit for the year						109,380	109,380
Currency translation difference					18		18
Redemption of preference shares		(250,000)		250,000		(250,000)	(250,000)
Issue of other equity instruments			200,000				200,000
Dividends paid on ordinary shares (Refer Note 24(iii))						(250,000)	(250,000)
Other equity instruments coupons paid						(4,469)	(4,469)
Balance at 31 December 2019	**571,070**	**1**	**200,000**	**250,000**	**-**	**104,221**	**1,125,292**

Balance as at 1 January 2018	**571,070**	**250,001**	**-**	**-**	**(17)**	**389,974**	**1,211,028**
Profit for the year						109,336	109,336
Currency translation difference					(1)		(1)
Balance at 31 December 2018	**571,070**	**250,001**	**-**	**-**	**(18)**	**499,310**	**1,320,363**

The accompanying notes from pages 24 to 75 form an integral part of the financial statements.

Barclays Capital Securities Limited

Statement of Cash Flows for the year ended 31 December 2019

Figures in Pounds Sterling thousand	2019	2018
Continuing operations:		
Reconciliation of profit before tax to net cash flows from operating activities		
Profit before taxation	188,041	203,091
Adjustment for non-cash items:		
Impairment and write-offs	(103)	44
Currency translation reserves	-	(1)
Other non-cash movements	(28,575)	(34,962)
Cash flows from operating activities		
Net (increase)/decrease in trading portfolio assets	(7,511,406)	2,174,296
Net decrease/(increase) in derivative financial instrument assets	1,276,890	(2,385,525)
Net decrease in reverse repurchase agreements at amortised cost	-	5,360,638
Net (increase) in financial assets mandatorily at fair value	(3,122,601)	(29,119,524)
Net decrease/(increase) in loans and other receivables at amortised cost	1,187,727	(6,261,547)
Net decrease/(increase) in other assets	144	(67,925)
Net (decrease)/increase in trading portfolio liabilities	(1,779,318)	5,627,967
Net (decrease) in derivative financial instrument liabilities	(288,825)	(596,381)
Net increase/(decrease) in repurchase agreements at amortised cost	494,159	(9,861,938)
Net increase in financial liabilities mandatorily at fair value	9,737,873	28,582,479
Net (decrease)/increase in borrowings	(35,070)	6,462,481
Net increase in other liabilities	73,260	63,268
Corporate income tax (paid)	(5,639)	(1,856)
Net cash generated from operating activities	**186,557**	**144,605**
Cash flows from financing activities		
Net increase in subordinated debt borrowings	299,025	1,303
Issue of other equity instruments	200,000	-
Redemption of preference shares	(250,000)	-
Dividends paid on ordinary shares	(250,000)	-
Other equity instruments coupons paid	(4,469)	-
Net cash generated (used in)/from financing activities	**(5,444)**	**1,303**
Net increase in cash and cash equivalents	**181,113**	**145,908**
Cash and cash equivalents at the beginning of the year	582,345	436,437
Cash and cash equivalents at the end of year	**763,458**	**582,345**

The accompanying notes from pages 24 to 75 form an integral part of the financial statements.

1. *Reporting entity*

These financial statements are prepared for Barclays Capital Securities Limited (the 'Company'), the principal activities of the Company include provision of Equity Financing, Equity Derivatives, Cash Equities and Agency Execution Services. The financial statements are separate financial statements prepared for the Company only, in line with the UK Companies Act 2006. The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its Group. The parent undertaking of the smallest group that presents consolidated financial statements is Barclays Bank Plc and the ultimate holding company and the parent undertaking of the largest group that presents group financial statements is Barclays Plc, both of which prepare consolidated financial statements in accordance with International Financial Reporting standards ('IFRS') and interpretations issued by the IFRS Interpretations Committee ('IFRS IC') as published by the International Accounting Standards Board ('IASB') and accordingly consolidated financial statements have not been prepared based on the exemption provided under paragraph 4(a) of IFRS 10.

The Company is a private limited company domiciled and incorporated in the United Kingdom. The registered office of the Company is 1 Churchill Place, London, E14 5HP.

2. *Compliance with International Financial Reporting Standards*

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations ('IFRICs') issued by the Interpretations Committee, as published by the International Accounting Standards Board ('IASB'). They are also in accordance with IFRS and IFRIC interpretations endorsed by the European Union. The principal accounting policies applied in the preparation of the financial statements are set out below, and in the relevant notes to the financial statements. These policies have been consistently applied.

Basis of preparation

The financial statements have been prepared on a going concern basis under the historical cost convention modified to include the fair valuation of certain financial instruments to the extent required or permitted under IFRS 9 *'Financial Instruments'* as set out in the relevant accounting policies. They are presented in thousands of Pounds Sterling (£'000), the currency of the country in which the Company is incorporated.

Going Concern

After reviewing the Company's performance projections (including the implications of the UK's decision to leave the European Union and from the COVID-19 outbreak), the available banking facilities and taking into account the support available from Barclays Bank Plc and the ability and intent of Barclays Bank Plc to continue to provide support to the Company, the Directors are satisfied that the Company has adequate access to resources to enable it to meet its obligations and to continue in operational existence for the foreseeable future. In addition to the internal stress testing scenario, this review included reference to an additional stress testing scenario with severity of downside stresses aligned to the stress experienced in Q1 2020, effectively assuming further market deterioration of similar magnitude. Consequently, the Directors have adopted the going concern basis in preparing these financial statements.

New and amended standards

The accounting policies adopted are consistent with those of the previous financial year.

There are no new, amended or proposed standards that had had or are expected to have a material impact on the Company's accounting policies, other than the below.

IAS 12 – Income Taxes – Amendments to IAS 12

The IASB amended IAS 12 in order to clarify the accounting treatment of the income tax consequences of dividends. As a result of the amendment, the tax consequences of all payments on financial instruments that are classified as equity for accounting purposes, where those payments are considered to be a distribution of profit, will be included in, and will reduce, the income statement tax charge, with effect from 1 January 2019. The amendments of IAS 12 were applied to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied.

(a) Foreign currency translation

Items included in the financial statements of the Company are measured using their functional currency, being Pounds Sterling (GBP) the currency of the primary economic environment in which the entity operates.

Foreign currency transactions are translated into Sterling using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies are retranslated at the rate prevailing at the period end. Foreign exchange gains and losses resulting from the retranslation and settlement of these items are recognised in the income statement except for qualifying cash flow hedges or hedges of net investment.

The Company's foreign operations (including its Shanghai Representative Office which was closed during the year) based outside the UK have different functional currencies. Prior to consolidation (or equity accounting) the assets and liabilities of the non-Sterling operations are translated at the closing rate and the items of income, expense and other comprehensive income are translated into Sterling at the rate on the date of the transactions. Exchange differences arising on the translation of foreign operations are included in the currency translation reserves within equity. These are transferred to the Income Statement when the Company loses control, joint control or significant influence over the foreign operation or on disposal of operation.

(b) Fees and commissions and Revenue recognition

The Company applies IFRS 15 *Revenue from Contracts with Customers*. The standard establishes a five-step model governing revenue recognition. (Refer Note 5 on Fees and Commission for further details). The Company recognises fee and commission income charged for services provided on completion of the underlying transaction.

(c) Interest

Interest income or expense is recognised on all interest bearing financial assets and liabilities held at amortised cost using the effective interest rate method.

The effective interest rate is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to the net carrying amount of the instrument. The application of the method has the effect of recognising income (and expense) receivable (or payable) on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

(d) Net Trading Income

Net trading income is trading income arising from the margins which are achieved through market-making, customer business, and from changes in market value caused by movements in interest and foreign exchange rates, equity prices and other market variables. Trading positions in financial instruments are valued on a fair value basis. The resulting income is included in trading income along with interest and dividends arising from long and short positions and funding costs relating to trading activities.

(e) Current Tax & Deferred Income Tax

Income tax payable on taxable profits ('current tax') is recognised as an expense in the period in which the profits arise. Income tax recoverable on tax allowable losses is recognised as an asset only to the extent that it is regarded as recoverable by offset against current year or prior year taxable profits.

Deferred income tax is provided in full, using the liability method, on temporary differences arising from the differences between the tax basis of the assets and liabilities and their carrying amount in the Company's financial statements. Deferred Income tax is determined using tax rates and legislation enacted or substantially enacted by the Balance Sheet date and that are expected to apply when the deferred tax asset is realised or deferred tax liability is settled.

Deferred tax assets are recognised on deductible temporary differences, carry forward of unused tax losses and unused tax credits to the extent that it is regarded as probable that sufficient tax profits will be available against which the deductible temporary difference, unused tax losses and unused tax credits can be utilised.

Deferred and current tax assets and liabilities are only offset where there is both the legal right to set off and intention to settle on a net basis or to realise the asset and settle the liability simultaneously with the same tax authority.

(f) Financial assets and liabilities

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

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

Classification and measurement
Financial assets are classified on the basis of two criteria:

i) The business model within which financial assets are managed; and
ii) Their contractual cash flow characteristics (whether the cash flows represent 'solely payments of principal and interest' (SPPI)).

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

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

Financial Assets / Liabilities at amortised cost

Financial assets will be measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect/pay contractual cash flows, and their contractual cash flows represent solely receipts/payments of principal and interest. Loans and receivables and other financial assets are held at amortised cost.

Financial liabilities are subsequently measured at amortised cost, except for trading liabilities and liabilities mandatorily at fair value, which are held at fair value through profit or loss. Borrowings, repurchase agreements and other financial liabilities are held at amortised cost.

Accounting for financial Assets at fair value through profit and loss account

Financial assets that are held for trading / mandatorily at fair value are recognised at fair value through profit or loss. In addition, financial assets are held at fair value through profit or loss if they do not contain contractual terms that give rise on specified dates to cash flows that are SPPI, or if the financial asset is not held in a business model that is either (i) a business model to collect the contractual cash flows or (ii) a business model that is achieved by both collecting contractual cash flows and selling. Subsequent changes in fair value for these instruments are recognised in the income statement in net investment income, except if reporting it in trading income reduces an accounting mismatch.

Determining the fair value

Where the classification of a financial instrument requires it to be stated at fair value, this is determined by reference to the quoted market price in an active market wherever possible. Where no such active market exists for the particular asset, the Company uses a valuation technique to arrive at the fair value, including the use of prices obtained in recent arms' length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Collateral

The Company obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of a lien over the customer's assets and gives the Company a claim on these assets for both existing and future liabilities.

The Company also receives collateral in the form of cash or securities in respect of other credit instruments, such as stock borrowing contracts, and derivative contracts in order to reduce credit risk. Collateral received in the form of securities is not recorded on the balance sheet. Collateral received in the form of cash is recorded on the balance sheet with a corresponding liability. These items are assigned to deposits received from banks or other counterparties. Any interest payable or receivable arising thereon is recorded as interest expense or interest income respectively except for funding costs relating to trading activities which are recorded in net trading income.

Impairment

The Company is required to recognise expected credit losses (ECLs) based on unbiased forward-looking information for all financial assets at amortised cost, lease receivables, debt financial assets at fair value through other comprehensive income, loan commitments and financial guarantee contracts. Intercompany exposures, including loan commitments and financial guarantee contracts, are also in scope under IFRS 9 for ECL purposes.

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

The measurement of expected credit loss involves increased complexity and judgement, including estimation of probabilities of default, loss given default, a range of unbiased future economic scenarios, estimation of expected lives, and estimation of exposures at default and assessing significant increases in credit risk. (Refer Note 7).

Key concepts and management judgments

The impairment requirements are complex and require management judgments, estimates and assumptions. Key concepts and management judgments include:

Definition of default, credit impaired assets; write offs, and interest income recognition

The definition of default for the purpose of determining expected credit losses has been aligned to the Regulatory Capital CRR Article 178 definition of default, which considers indicators that the debtor is unlikely to pay, includes exposures in forbearance and is no later than when the exposure is more than 90 days past due. When exposures are identified as credit impaired or purchased or originated as such, IFRS 9 requires separate disclosure and interest income is required to be calculated on the carrying value net of the impairment allowance.

Expected life

Lifetime expected credit losses must be measured over the expected life. This is restricted to the maximum contractual life and takes into account expected prepayment, extension, call and similar options. The exceptions are certain revolver financial instruments, such as credit cards and bank overdrafts, that include both a drawn and an undrawn component where the entity's contractual ability to demand repayment and cancel the undrawn commitment does not limit the entity's exposure to credit losses to the contractual notice period.

Discounting

Expected credit losses are discounted at the effective interest rate (EIR) at initial recognition or an approximation thereof and consistent with income recognition.

For loan commitments, the EIR is that rate that is expected to apply when the loan is drawn down and a financial asset is recognised. Issued financial guarantee contracts are discounted at a risk free rate. For variable/floating rate financial assets, the spot rate at the reporting date is used and projections of changes in the variable rate over the expected life are not made to estimate future interest cash flows or for discounting.

Modeling techniques

ECLs are calculated by multiplying three main components, being the probability of default (PD), loss given default (LGD) and the exposure at default (EAD), discounted at the original effective interest rate. The regulatory Basel Committee of Banking Supervisors (BCBS) ECL calculations are leveraged for IFRS 9 modelling but adjusted for key differences which include:

- BCBS requires 12 month through the economic cycle losses whereas IFRS 9 requires 12 months or lifetime point in time losses based on conditions at the reporting date and multiple forecasts of the future economic conditions over the expected lives;

- IFRS 9 models do not include certain conservative BCBS model floors and downturn assessments and require discounting to the reporting date at the original EIR rather than using the cost of capital to the date of default;
- Management adjustments are made to modelled output to account for situations where known or expected risk factors and information have not been considered in the modelling process, for example forecast economic scenarios for uncertain political events; and
- ECL is measured at the individual financial instrument level, however a collective approach where financial instruments with similar risk characteristics are grouped together, with apportionment to individual financial instruments, is used where effects can only be seen at a collective level, for example for forward-looking information.

For the IFRS 9 impairment assessment, the Company applies the Barclays Group's risk Models to determine the PD, LGD and EAD. For stage 2 and 3, the Company applies lifetime PDs but uses 12 month PDs for stage 1.

The 12 month ECL is calculated by multiplying the 12 month PD, LGD and the EAD. The 12 month and lifetime PDs represent the PD occurring over the next 12 months and the remaining maturity of the instrument respectively. The EAD represents the expected balance at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdowns of committed facilities. The LGD represents expected losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of collateral value at the time it is expected to be realised and the time value of money.

Netting

Financial assets and liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a legally enforceable right to set off the recognised amounts in all circumstances and there is an intention to settle on a net basis, or to realise an asset and settle the liability simultaneously.

The Company enters into master agreements with counterparties whenever possible and, when appropriate, obtains collateral. Master agreements provide that, if an event of default occurs, all outstanding transactions with the counterparty will fall due and all amounts will be settled on a net basis.

Accounting for derivatives

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

All derivative instruments are held at fair value through profit or loss, except for derivatives that are in a designated cash flow or net investment hedge accounting relationship. Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative. This includes terms included in a contract or financial liability (the host), which, had it been a standalone contract, would have met the definition of a derivative. If these are separated from the host, i.e. when the economic characteristics of the embedded derivative are not closely related with those of the host contract and the combined instrument is not measured at fair value through profit or loss, then they are accounted for in the same way as derivatives. For financial assets, the requirements are whether the financial asset contains contractual terms that give rise on specified dates to cash flows that are SPPI, and consequently the requirements for accounting for embedded derivatives are not applicable to financial assets.

(g) Securities borrowing, securities lending, repurchase and reverse repurchase agreements

Securities may be lent or sold subject to a commitment to repurchase them (stock lending arrangement). Such securities are retained on the balance sheet when substantially all the risks and rewards of ownership remain with the Company, and the counterparty liability is included separately on the balance sheet when cash consideration is received. Similarly, where the Company borrows or purchases securities subject to a commitment to resell them (stock borrowing arrangement) but does not acquire the risks and rewards of ownership, the transactions are treated as collateralised loans when cash consideration is paid, and the securities are not included in the balance sheet. These secured financing transactions are mandatorily or designated (as applicable) at fair value, and presented in the financial assets / liabilities at fair value through income statement.

(h) Investments in subsidiaries

Investments in subsidiaries are carried at cost less any accumulated impairment, if any.

(i) Cash and cash equivalents

For the purposes of the statement of cash flows, cash comprises demand deposits and cash equivalents. Cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value with original maturities of three months or less. Trading balances are not considered to be part of cash equivalents.

Client Money

Segregated client funds are excluded from the balance sheet of the Company in line with Financial Conduct Authority (FCA) Client Money Rules set out in the Client Assets Sourcebook Handbook ("CASS") CASS 7 Client Money Rules. For further details, please refer to Note 11.

(j) Issued debt securities

Issued financial instruments or their components are classified as liabilities where the contractual arrangement results in the Company having a present obligation to either deliver cash or another financial asset to the holder, to exchange financial instruments on terms that are potentially unfavourable or to satisfy the obligation otherwise than by the exchange of a fixed amount of cash or another financial asset for a fixed number of equity shares. Issued financial instruments, or their components, are classified as equity where they meet the definition of equity and confer on the holder a residual interest in the assets of the Company. The components of issued financial instruments that contain both liability and equity elements are accounted for separately with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component.

(k) Share capital and dividends

Share issue costs

Incremental costs directly attributable to the issue of new shares or options or the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are paid or, if earlier, approved by the Company's shareholders.

(l) Provisions

Figures in Pounds Sterling thousand	2019	2018

Provisions are recognised for present obligations arising as consequences of past events where it is more likely than not that a transfer of economic benefits will be necessary to settle the obligation, and these can be reliably estimated.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised but are disclosed unless they are remote.

(m) Critical accounting estimates and judgments

The preparation of financial statements in accordance with IFRS requires the use of estimates. It also requires management to exercise judgement in applying the accounting policies. The key areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the individual financial statements are disclosed in Fair Value of financial instruments in Note 27. There are no other areas involving significant accounting estimates and judgements.

4. Net interest expense

	2019	2018
Net Interest expense	(2,897)	(1,000)
	(2,897)	**(1,000)**

Interest expense relates to Interest on Subordinated Debt funding of £334m (2018: £35m) held at amortised cost.

5. Net fee and commission income

The Company applies IFRS 15 *Revenue from Contracts with Customers*. The standard establishes a five-step model governing revenue recognition. The five-step model requires 'the Company' to (i) identify the contract with the customer, (ii) identify each of the performance obligations included in the contract, (iii) determine the amount of consideration in the contract, (iv) allocate the consideration to each of the identified performance obligations and (v) recognise revenue as each performance obligation is satisfied.

The Company recognises fee and commission income charged for services provided by the Company on completion of the underlying transaction.

Fee and commission income is disaggregated by fee types that reflect the nature of the services offered by the Company in accordance with IFRS 15. All fee and commission income is accounted for in scope of IFRS 15. Information on the services provided and fee types is detailed below.

Fee Type		
Markets Execution	164,760	207,614
Management and Advisory	25,104	17,113
Service fees from affiliates	25,256	29,580
Total revenue from contracts with customers	**215,120**	**254,307**
Transfer pricing and revenue share	(32,633)	(17,145)
Fee and commission income	**182,487**	**237,162**
Non Affiliates	(46,629)	(55,464)
Affiliates	(78,100)	(91,300)
Fee and commission expense	**(124,729)**	**(146,764)**
Net fee and commission income	**57,758**	**90,398**

The net fee and commission income (including the previous year comparatives) have been regrouped and presented as below:

Figures in Pounds Sterling thousand	2019	2018

i) The net fee and commission income presented in earlier years included service fees from affiliate presented net under fees and commission expense from affiliates. These have been disaggregated into fee and commission income and fee and commission expenses.
ii) The transfer pricing and revenue share were presented net under markets execution in earlier years. These have been disaggregated and presented separately.

Fee types

Markets Execution

Markets Execution fees are earned for executing client transactions with various exchanges and over-the-counter markets and assisting clients with clearing transactions. Markets Execution fees are recognised at the point in time the associated service has been completed which is generally the trade date of the transaction. Market execution fees is contributed by the Cash Equities and Equity Derivatives businesses of the Company.

Cash Equities earn fees from agency execution of clients' orders either relating to single stock, basket of stocks or providing direct market access to allow clients to place their order for execution through the Barclays' electronic trading solution. Equity Derivatives earn fees for the execution of clients' orders on equities flow derivatives.

Markets Execution fees are earned by the Company as part of a collaborative arrangement with affiliated entities. Collaborative arrangements are outside the scope of IFRS15 however are recognised following the revenue recognition pattern of the underlying activity in accordance with IFRS15 principles. The amounts reported in Markets Execution fees are the Company's gross revenues prior to the allocation to the affiliates under transfer pricing and revenue sharing agreements.

Management and Advisory Fees

Advisory Fees are generated from advisory services provided to clients by the Cash Equities business. Advisory fees relate to research services to deliver differentiated market insight, actionable ideas and collaborative services. The fees are recognised at the point in time when the services related to the transaction have been completed under the terms of engagement and the related cost is recognised as incurred in fee and commission expense.

Service fees from Affiliates

Fee and commission income includes Sales credits revenues which are compensation for services provided by the Company to an affiliate entity. Sales credits are in scope of IFRS 15 and are generally recognised at point in time when the services related to the transaction have been completed and the Company is entitled to the compensation.

Transfer pricing and revenue share

Transfer pricing revenues relate to a revenue allocation process (revenue sharing) between affiliate entities for transactions where the affiliate entities mutually provide services to a customer. Profit sharing revenues relate to a global profit split used to allocate net revenue for certain businesses when multiple affiliated entities participate in delivering the service to customers, but it is not possible to determine an arm's length remuneration amount through a sales credit or transfer pricing process. Both transfer pricing and profit sharing revenues are collaborative arrangements outside the scope of IFRS15 however are recognised following the revenue recognition pattern of the underlying activity in accordance with IFRS15 principles.

The Company has a global profit sharing model for its Equity Financing business. The Equities Financing business earns fee income from prime brokerage services provided to its clients which includes markets execution fees and clearing and settlement services. Refer Note 35 for Related Party disclosures.

The Company has a transfer pricing agreement for its Agency Derivative Services (ADS) business. ADS earns fee income from derivatives execution and clearing services. Refer Note 35 for the Related Party disclosures.

Fee and Commission Expense - Non Affiliates

There are no significant costs incurred to obtain the performance / execution contracts. Costs to fulfil the contracts include the execution fees and clearing fees charged by third parties, agents fees, brokerage paid and the registry / messaging services fees, which are recognised as incurred. There are no other costs that are incurred to generate or enhance resources to satisfy future performance obligations.

Fee and Commission Expense - Affiliates

Fee and commission expenses paid to affiliates include Sales credits paid to affiliates for sales services provided to the Company. These sales services are directly incremental to the Company generating income, which include both fee and commission income and net trading income.

Remaining performance obligations

The Company applies the practical expedient of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less or because the Company has a right to consideration that corresponds directly with the value of the service provided to the client or customer. Upon review, the Company determined that no material remaining performance obligations are in scope of the remaining performance obligations disclosure.

Contract assets and contract liabilities

The Company has no material contract assets or contract liabilities as at 31 December 2019.

Figures in Pounds Sterling thousand

6. Net trading Income

	2019	2018
Net trading income	353,425	347,256

The amounts presented in the above table are net of transfer pricing arrangements and profit sharing agreements.

7. Credit impairment

	Impairment	Recoveries	Total 2019	Impairment	Recoveries	Total 2018
Loans and Advances at amortised cost	103	-	103	(44)	-	(44)
Total Impairment Charges	103	-	103	(44)	-	(44)

Refer Note 31 for more details on impairment movements during the year.

8. Operating expenses

	2019	2018
The nature of the operating expenses is as follows:		
Recharges	(219,739)	(228,031)
Staff costs (refer note 9)	(112)	(116)
Auditor's remuneration		
- audit of the Company's financial statements[a]	(91)	(91)
- Other audit related services[b]	(388)	(351)
Other administration and general expenses	(18)	(4,930)
	(220,348)	**(233,519)**

The majority of operating expenses of the Company, including staff costs and administrative costs, have been borne by Parent / fellow subsidiary undertakings and recharged by way of management charges.

Notes

[a] Comprises the fees for the statutory audit of the Company.

[b] Comprises services in relation to statutory and regulatory filings. These include audit services for the review of interim financial information.

Employees and key management, including Directors

Directors' remuneration

Executive Directors

The Executive directors did not receive any emoluments; were not entitled to any benefits under Long Term Incentive Schemes or the Share Value Plan; and did not accrue any retirement benefits in respect of their services to the Company during the year 2019 (2018: Nil). The Executive directors are employed by another Group company and their services to this Company are considered incidental to other services provided. No Director exercised options under the Barclays Plc Share Save Scheme in 2019 (2018: Nil).

Non-Executive Directors

With effect from 25 September 2019, each of the Non-Executive directors were entitled to an annual fee of £20,000 for their services to the Company. Total fees paid to the Non-Executive directors in 2019 was £15,952 in 2019 (2018: Nil).

Figures in Pounds Sterling thousand

9. Staff costs

	2019	2018
Wages and Salaries	(96)	(98)
Social security costs	(11)	(12)
Other pension costs	(5)	(6)
	(112)	**(116)**

The monthly average number of persons employed during the year was 1 (2018: 1) and the Company has no employees as at end of the current year following closure of the Shanghai Representative Office (Refer Note 3(a) for further details). Staff costs for the current and previous year relate to the Company's Shanghai Representative Office. The majority of services are provided by staff employed by Parent / other Barclays Group Companies and recharged by way of management charges.

10. Taxation

	2019	2018
Major components of the tax expense		
Current tax charge:		
Current year	(78,300)	(86,317)
Adjustments for prior years	856	(7,659)
	(77,444)	**(93,976)**
Deferred tax charge/(credit):		
Current year	64	1,386
Adjustments for prior years	(1,276)	(1,160)
Rate Change Adjustment	(5)	(5)
	(1,217)	**221**
Tax charge:	**(78,661)**	**(93,755)**

The tax charge is based on the standard UK corporation tax rate of 19%. In addition, from 1 January 2016, the company is subject to the banking surcharge of 8%. As a result, the main rate of UK corporation tax for year ended 31 December 2019 is 27%.

The table below shows the reconciliation between the actual tax charge and the tax charge that would result from applying the standard UK corporation tax rate to the Company's profit before tax.

	2019	2018
Profit before taxation	188,041	203,091
Tax charge based on the standard UK corporation tax rate of 27% (2018: 27%)	(50,771)	(54,834)
Tax effect of adjustments on taxable income		
Adjustments in respect of prior years	(420)	(8,819)
Non-creditable taxes including withholding taxes	(28,695)	(30,095)
Non-taxable income	23	(2)
AT1 tax credit[a]	1,207	-
Impact of change in tax rates	(5)	(5)
	(78,661)	**(93,755)**
Effective tax rate[a]	41.8%	46.2%

The effective tax rate of 41.8% (2018: 46.2%) is due to the fact that the overseas tax credit offset is available only to the extent of the tax capacity and the balance of non-creditable overseas tax credits is written off through tax expenses.

Figures in Pounds Sterling thousand

[a] Effective from 1 January 2019, due to an IAS 12 update, the tax relief on payments in relation to AT1 instruments has been recognised in the tax charge of the Income statement. The effective tax rate would have been 42.4% if this amendment was not effective, thereby tax reliefs on payments in relation to AT1 instruments of £4.6m being included in retained earnings.

11. Cash and cash equivalents

Cash and cash equivalents consist of:

	2019	2018
Bank Balances	763,458	582,345

The Company holds monies on behalf of some clients in accordance with the Client Money Rules issued by the FCA. These client monies are separated from the Company's funds and are held in segregated bank accounts, and are excluded from the Balance Sheet of the Company as stated in Note 3(i). As at 31 December 2019, the Company's client monies amounted to £70,505,662 (2018: £89,717,519).

12. Trading portfolio

Trading portfolio assets

	2019	2018
Equity Securities	19,552,837	12,117,444
Debt Securities	348,196	272,183
	19,901,033	**12,389,627**

Trading portfolio liabilities

	2019	2018
Equity Securities	10,830,827	12,597,463
Debt Securities	37,654	50,336
	10,868,481	**12,647,799**

Refer Note 27 for analysis of the fair values of these securities and the valuation methodology, Note 31 for credit risk and Note 32 for maturity disclosures.

13. Derivative financial instruments

Net fair values of derivative financial instruments held by the Company are as follows:

As at 31 December 2019	Fair value assets	Fair value liabilities
Foreign exchange derivatives		
Forward foreign exchange	42,167	39,333
Foreign exchange options	15,035	-
Currency swaps	26,184	61,505
Interest rate derivatives		
Interest rate swaps	359,263	243,872
Equity and stock index derivatives		
Options bought and sold	1,967,140	2,996,648
Swaps and forwards	2,107,537	2,179,118
Exchange traded futures /options (bought/sold)	1,019,136	1,506,449
Credit derivatives		
OTC swaps	-	1,186
Total derivatives held for trading	**5,536,462**	**7,028,111**

Figures in Pounds Sterling thousand

As at 31 December 2018	Fair value assets	Fair value liabilities
Foreign exchange derivatives		
Forward foreign exchange	38,514	207,865
Foreign exchange options	18,725	-
Currency swaps	23,007	32,285
Interest rate derivatives		
Interest rate swaps	303,267	204,036
Equity and stock index derivatives		
Options bought and sold [a]	1,965,037	2,115,665
Swaps and forwards	2,931,605	3,107,635
Exchange traded futures / options - bought and sold [a]	1,533,001	1,648,138
Credit derivatives		
OTC swaps	196	1,313
Total derivatives held for trading	**6,813,352**	**7,316,937**

Refer Note 27 for analysis of the fair values of these derivatives and the valuation methodology, Note 31 for credit risk and Note 32 for maturity disclosures.

[a] 2018 figures restated to reclassify £1,530m and £1,647m of fair value assets and liabilities respectively from Options bought and sold to Exchange traded futures / options – bought and sold.

14. Securities borrowing, securities lending, repurchase and reverse repurchase agreements

Reverse repurchase agreements (and stock borrowing or similar transaction) are a form of secured lending whereby the Company provides a loan or cash collateral in exchange for the transfer of collateral, generally in the form of marketable securities subject to an agreement to transfer the securities back at a fixed price in the future. Repurchase agreements are where the Company obtains such loans or cash collateral, in exchange for the transfer of collateral.

Accounting for repurchase agreements including other similar lending and borrowing

The Company may sell (a repurchase agreement) or lend securities subject to a commitment to repurchase or redeem them. The securities are retained on the balance sheet as the Company retains substantially all the risks and rewards of ownership. Consideration received (or cash collateral provided) is accounted for as a financial liability at amortised cost if the relevant repurchase agreements satisfy the SPPI conditions as per IFRS 9.

	2019	2018
Repurchase agreements at amortised cost		
Current liabilities	7,522,208	-
Non-current liabilities	-	7,028,049
	7,522,208	**7,028,049**

Figures in Pounds Sterling thousand	2019	2018

15. Financial assets mandatorily at fair value

Current assets:		
Debt securities	49,978	128,996
Loans and Advances	3,944,253	3,461,888
Reverse Repurchase agreements	29,487,887	26,886,314
Total	33,482,118	30,477,198

Non-current assets:		
Debt securities	170,152	158,010
Loans and Advances	216,579	224,741
Reverse Repurchase agreements	113,701	-
Total	500,432	382,751

Debt securities are mainly Notes issued by branches and subsidiaries of Barclays Bank Plc, which the Company buys in the secondary market in its capacity as market maker for the Notes. Refer Note 27 for analysis of the fair values of these instruments and the valuation methodology, Note 31 for credit risk and Note 32 for maturity disclosures.

16. Loans and other receivables

Current assets:		
Settlement balances	13,990,965	17,389,518
Other loans and receivables	19,481,497	17,309,645
Total	33,472,462	34,699,163

Non-current assets:		
Other loans and receivables	50,625	11,651
Total	50,625	11,651

The majority of the Company's loans and other receivables are transactions with related parties consisting of branches and subsidiaries of Barclays Bank Plc (Note 35).

17. Other assets

Trade and other receivables - Financial	72,527	135,321
Trade and other receivables - Non Financial	43,702	25,945
Total	116,229	161,266

Figures in Pounds Sterling thousand

18. Deferred tax assets and liabilities

The following table shows the movement on deferred tax assets and liabilities during the year.

Assets	As at 1 January 2019	Transitional Adjustment	Prior year Adjustments to Income Statement	(Charged)/ credited to Income Statement	As at 31 December 2019
Other provisions	746	-	(1,276)	59	(471)
Deferred tax assets / (liabilities)	**746**	**-**	**(1,276)**	**59**	**(471)**
Falling due in one year					
Falling due after one year					**(471)**

Assets	As at 1 January 2018	Transitional Adjustment	Prior Year Adjustments to Income Statement	(Charged)/ credited to income statement	As at 31 December 2018
Other provisions	1,160	-	(1,160)	1,317	1,317
Effects of changes in accounting policy[a]	-	(635)	-	64	(571)
Deferred tax assets	**1,160**	**(635)**	**(1,160)**	**1,381**	**746**
Falling due in one year					-
Falling due after one year					**746**

[a] Following the adoption of IFRS 9 Financial Instruments on 1 January 2018, £2.7m was reclassified to retained earnings creating a deferred tax liability of £0.6m as of 31 December 2018.

Legislation has been introduced to reduce the main rate of UK corporation tax to 19% from 1 April 2017 and 17% from 1 April 2020. In addition, from 1 January 2016, the company is subject to the banking surcharge of 8%. Deferred tax on the other provisions has been recognised at 27%, corporate tax rate of 19% and banking surcharge of 8%, when this is expected to unwind. All other deferred tax assets and liabilities have been calculated at the future unwind rate of 25% (2018: 25%), being future corporate tax rate of 17% and banking surcharge of 8%, when the deferred tax assets and liabilities are expected to unwind.

On 11 March 2020 it was announced (and substantively enacted on 17 March 2020) that the UK corporation tax rate would remain at 19% and not reduce to 17% (the previously enacted rate) from 1 April 2020. The deferred tax balances included within the accounts have been calculated with reference to the rate of 17%, as required under IFRS. However, following the substantive enactment of the rate of 19%, it is anticipated that the reversal of temporary differences will occur at this rate and that the maximum impact on the quantum of net deferred tax liability recognised is assessed to be immaterial.

Deferred income tax assets have not been recognised on unused foreign tax credits of £1,611,417 (2018: £1,611,417) to the extent that they are not regarded as recoverable in the foreseeable future. There is currently no expiry date for the use of these foreign tax credits.

Figures in Pounds Sterling thousand

19. Investment in subsidiary

Name of Subsidiary	Registered Office Address	Class of Shares/ Units	Name of immediate parent	Total proportion of Nominal value held by immediate parent (%)
Barclays Capital Nominees (No. 2) Limited	1 Churchill Place, London, E14 5HP, England	Ordinary	Barclays Capital Securities Limited	100

Consolidated financial statements have not been prepared. See Note 1.

20. Financial liabilities mandatorily at fair value

Current liabilities

	Fair Value 2019	Contractual amount due on maturity 2019	Fair Value 2018	Contractual amount due on maturity 2018
Deposits	1,644,221	1,647,845	1,890,897	1,896,096
Repurchase agreements	36,223,076	36,225,403	28,049,613	28,062,258
Other financial liabilities	2,056,289	2,055,096	274,897	275,555
	39,923,586	**39,928,344**	**30,215,407**	**30,233,909**

Non-current liabilities

	Fair Value 2019	Contractual amount due on maturity 2019	Fair Value 2018	Contractual amount due on maturity 2018
Repurchase agreements	-	-	4,475	4,569
Other financial liabilities	813,872	843,927	779,703	831,673
	813,872	**843,927**	**784,178**	**836,242**

Financial liabilities mandatorily at fair value are primarily made up of Intercompany deposits, repurchase agreements and fully funded derivatives. Refer Note 27 for analysis of the fair values of these instruments and the valuation methodology and Note 32 for maturity disclosures.

21. Borrowings

	2019	2018
Current liabilities:		
Bank loans and overdrafts	12,193,294	8,352,979
Other borrowings	17,847	932
Settlement balances	13,256,036	17,428,244
Total	**25,467,177**	**25,782,155**

Figures in Pounds Sterling thousand	2019	2018
Non-current liabilities:		
Bank loans and overdrafts	409,730	129,823
Other borrowings	333,679	34,654
Total	**743,409**	**164,477**

The majority of the Company's borrowings have a contractual maturity of not more than three months (Note 32).

Other borrowings include a subordinated loan agreement with Barclays Bank Plc comprising debt of US$24.5m (2018: US$24.5m) and €17m (2018: €17m) with a contractual maturity of one to three years and subordinated callable notes issued to Barclays Bank Plc during the year in two tranches of £150m each with a contractual maturity of five to ten years and over ten years respectively (Note 32 and 34).

The majority of the Company's borrowings are transactions with related parties comprising of branches and subsidiaries of Barclays Bank Plc (Note 35). The fair value of borrowings is set out in Note 27.

22. Other liabilities

Trade & other payables - financial	312,104	253,096
Trade & other payables - non-financial	14,252	-
Total	**326,356**	**253,096**

23. Current tax liabilities

Current tax liabilities are as follows:

UK corporation tax payable	3,856	5,639

24. Shareholders' equity

(i) Share capital

Particulars of the Company's share capital were as follows:

Authorised		
650,000,000 Ordinary shares	650,000	650,000
1,000 non-cumulative preference shares	1	1
661,499,000 Redeemable non-cumulative preference shares	661,499	661,499
As at 31 December	**1,311,500**	**1,311,500**

Allotted and fully paid		
571,070,000 Ordinary shares	571,070	571,070
1,000 non-cumulative preference shares	1	1
250,000,000 Redeemable non-cumulative preference shares	-	250,000
As at 31 December	**571,071**	**821,071**

The par value of the ordinary shares is £1 each. The par value of the preference shares is £1 each. All issued shares are fully paid.

Both classes of preference shares have priority over ordinary shares in the payment of dividends or in the event of a winding up. The redeemable non-cumulative preference shares of £250m were redeemed in full in August 2019.

Figures in Pounds Sterling thousand

The ordinary shareholders are entitled to vote at any general meeting of the Company, whereas the preference shareholders have no voting rights.

(ii) Other equity instruments

The Company issued floating rate perpetual subordinated write down securities (AT1 securities) during the year. The AT1 securities are perpetual securities with no fixed maturity and are structured to qualify as AT1 instruments under prevailing capital rules applicable as at the relevant issue date.

	Initial call date	2019	2018
Additional Tier 1 (AT1) securities issuance	2024	200,000	-
As at 31 December		**200,000**	**-**

The principal terms of the AT1 securities are described below:

- AT1 securities rank behind the claims against the Company of 1) unsubordinated creditors; 2) claims which are expressed to be subordinated to the claims of unsubordinated creditors of the Company but no further or otherwise; 3) claims which are in respect of any secondary non preferential debts; 4) claims which are, or are expressed to be, junior to the claims of other creditors of the Company, whether subordinated or unsubordinated, other than those whose claims rank, or are expressed to rank, pari passu with, or junior to, the claims of the Holders of the AT1 securities.
- AT1 securities bear a floating rate of interest. Interest on the AT1 securities is due and payable only at the sole discretion of the Company, and the Company shall have sole and absolute discretion at all times and for any reason to cancel (in whole or in part) any interest payment that would otherwise be payable on any interest payment date.
- AT1 securities are undated and are redeemable, at the option of the Company, in whole or in part five years from the date of issue and every three months thereafter. In addition, the AT1 securities are redeemable, at the option of the Company, in whole in the event of certain changes in the tax or regulatory treatment of the AT1 securities. Any redemptions require the prior consent of the PRA.
- Should the fully loaded CET1 ratio of the Company fall below 7%, the AT1 securities are irrevocably written down by an amount equal to the lower of 1) the amount necessary to generate sufficient CET1 capital to restore the Company's CET1 ratio to at least 7%; or 2) the amount that would reduce the principal amount of the AT1 securities to zero.

(iii) Dividends

In respect of the financial year ended 31 December 2019, the Directors have paid interim dividends totaling £250m (2018: Nil) on the ordinary shares and do not recommend the payment of a final dividend (2018: Nil).

25. Other reserves

	2019	2018
Capital redemption reserve	250,000	-
Currency translation reserve	-	(18)
Total	**250,000**	**(18)**

Capital redemption reserve
The capital redemption reserve has been created in relation to the redemption of preference shares during the year.

Currency translation reserve
The currency translation reserve representing the cumulative loss on the translation of the foreign operations of the Company (Shanghai Representative Office) has been released to the Income statement during the year, upon closure of the Representative Office.

26. Interest in structured entities

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

Unconsolidated structured entities

The Company may hold interests in structured entities it would not have to consolidate even if consolidated financial statements were prepared; and where it holds no interests in structured entities, it may have sponsored the entity. The nature and extent of its interests in unconsolidated structured entities, and the risks associated with its interest in those entities are set out below.

Unconsolidated structured entities in which the Company has an interest

An interest in a structured entity is any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the structured entity for the Company but which it is not able to influence or is insufficient to lead to the consolidation of the structured entity. Such interests include but are not limited to holdings of debt or equity securities, derivatives that transfer financial risks to the Company, and in some cases financial guarantees and investment management fee agreements. At the market, plain-vanilla interest rate swaps and derivatives that are determined to introduce risk to a structured entity are not considered to be an interest in an entity.

The level of risk that the Company is exposed to is determined by the nature and purpose of it holding an interest in the entity.

Due to the large number of structured entities in which the Company holds interests, information about such entities has been provided summarised by the purpose of the entities, other than where the Company holds interests in a structured entity or is exposed to losses from a structured entity that are individually significant where more information is given. Significance is measured by reference to the greater of the carrying amount of the interest, or the maximum exposure to loss.

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

Maximum exposure to loss

Unless otherwise specified, the Company's maximum exposure to loss is the total of its on balance sheet positions and its off balance sheet contractual commitment to providing further finance and the nominal value of any guarantees provided, the availability of netting and credit protection held. The actual loss, due to the collateral held by the entities, the availability of netting, credit protection held and guarantee from Barclays Bank Plc, is likely to be immaterial.

The Company has a maximum exposure to loss of £3,306,160,691 (2018: £1,387,171,424) relating to interests in unconsolidated structured entities. The table below details the maximum exposure to loss of the Company:

Figures in Pounds Sterling thousand

As at 31 December 2019

Nature of interest	Balance Sheet line item	Secured Financing	Traded Derivatives	Loans and Advances	Total
Reverse repurchase agreements	Financial assets mandatorily at fair value	2,743,564	-	-	2,743,564
Derivative financial instruments - assets	Derivative financial instruments	-	4,486	-	4,486
Loans and other receivables	Loans and other receivables	-	-	557,903	557,903
Total on balance sheet exposures		2,743,564	4,486	557,903	3,305,953
Derivative notional	Off balance sheet	-	208	-	208
Maximum exposure to loss		2,743,564	4,694	557,903	3,306,161

As at 31 December 2018

Nature of interest	Balance Sheet line item	Secured Financing	Traded Derivatives	Loans and Advances	Total
Reverse repurchase agreement	Financial assets mandatorily at fair value	1,349,365	-	-	1,349,365
Loans and other receivables	Loans and other receivables	-	-	37,806	37,806
Total on balance sheet exposures		1,349,365	-	37,806	1,387,171
Derivative notional	Off balance sheet	-	-	-	-
Maximum exposure to loss		1,349,365	-	37,806	1,387,171

Secured financing

The Company routinely enters into reverse repurchase contracts, stock borrowing and similar arrangements on normal commercial terms where the counterparty to the arrangement is a structured entity. Due to the nature of these arrangements, especially the transfer of collateral and on-going margining, the Company has minimal exposure to the performance of the structured entity counterparty.

Traded derivatives

The Company enters into a variety of derivative contracts with structured entities which reference market risk variables such as interest rates, foreign exchange rates and credit indices amongst other things. The risk of loss may be mitigated through on-going margining requirements as well as a right to cash flows from the structured entity which are senior in the payment waterfall. Such margining requirements are consistent with market practice for many derivative arrangements and in line with the Company's normal credit policies

Notional amounts of the derivative arrangements have been provided as a better indication of the risks associated with these instruments rather than the size of the structured entities to which the Company has exposure.

Short term traded interests

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

27. Fair value of financial instruments

All financial instruments are initially recognised at fair value on the date of recognition and, depending on the classification of the asset or liability, may continue to be held at fair value either through profit or loss or other comprehensive income. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Wherever possible, fair value is determined by reference to a quoted market price for that instrument. For many of the Company's financial assets and liabilities, especially derivatives, quoted prices are not available, and valuation models are used to estimate fair value. The models calculate the expected cash flows under the terms of each specific contract, and then discount these values back to a present value. These models use as their basis independently sourced market parameters including, for example, interest rate yield curves, equities and commodities prices, option volatilities and currency rates.

For financial liabilities held at fair value, the carrying amount reflects the effect on fair value of changes in own credit spreads derived from observable market data, such as spreads on Barclays issued bonds or credit default swaps (CDS). Most market parameters are either directly observable or are implied from instrument prices. The model may perform numerical procedures in the pricing such as interpolation when input values do not directly correspond to the most actively traded market trade parameters.

On initial recognition, it is presumed that the transaction price is the fair value unless there is observable information available in an active market to the contrary. The best evidence of an instrument's fair value on initial recognition is typically the transaction price. However, if fair value can be evidenced by comparison with other observable current market transactions in the same instrument, or is based on a valuation technique whose inputs include only data from observable markets, then the instrument should be recognised at the fair value derived from such observable market data.

For valuations that have made use of unobservable inputs, the difference between the model valuation and the initial transaction price ('Day One profit') is recognised in profit or loss either:

- on a straight-line basis over the term of the transaction; or over the period until all model inputs will become observable where appropriate; or
- released in full when previously unobservable inputs become observable.

In case of 'Day one loss' the same is recognised upfront in the profit or loss.

Various factors influence the availability of observable inputs and these may vary from product to product and change over time. Factors include the depth of activity in the relevant market, the type of product, whether the product is new and not widely traded in the marketplace, the maturity of market modelling and the nature of the transaction (bespoke or generic). To the extent that valuation is based on models or inputs that are not observable in the market, the determination of fair value can be more subjective, dependant on the significance of the unobservable input to the overall valuation. Unobservable inputs are determined based on the best information available, for example by reference to similar assets, similar maturities or other analytical techniques.

Critical accounting estimates and judgements

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

Figures in Pounds Sterling thousand

Valuation

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

Quoted market prices – Level 1

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

Valuation technique using observable inputs – Level 2

Assets and liabilities classified as Level 2 have been valued using models whose inputs are observable in an active market. Valuations based on observable inputs include assets and liabilities such as swaps and forwards which are valued using market standard pricing techniques, and options that are commonly traded in markets where all the inputs to the market standard pricing models are observable. Level 2 valuation techniques can also include unobservable inputs that are not significant of the fair value measurement in its entirety.

Valuation technique using significant unobservable inputs – Level 3

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

The following table shows the Company's assets and liabilities that are held at fair value disaggregated by valuation technique (fair value hierarchy) and balance sheet classification:

As at 31 December 2019	Quoted market prices (Level 1)	Observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Financial assets				
Trading portfolio assets	18,796,730	885,660	218,643	19,901,033
Derivative financial assets	-	5,040,071	496,391	5,536,462
Financial assets at fair value	-	33,982,550	-	33,982,550
Total assets	**18,796,730**	**39,908,281**	**715,034**	**59,420,045**

	Quoted market prices (Level 1)	Observable inputs (Level 2)	Significant unobservabl e inputs (Level 3)	Total
Financial liabilities				
Trading portfolio liabilities	(10,707,775)	(160,698)	(8)	(10,868,481)
Derivative financial liabilities	-	(6,586,558)	(441,553)	(7,028,111)
Financial liabilities at fair value	-	(40,737,458)	-	(40,737,458)

Figures in Pounds Sterling thousand

Total liabilities	(10,707,775)	(47,484,714)	(441,561)	(58,634,050)

As at 31 December 2018	Quoted market prices (Level 1)	Observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Financial assets				
Trading portfolio assets	11,760,245	622,293	7,089	12,389,627
Derivative financial assets	-	6,273,791	539,561	6,813,352
Financial assets at fair value	-	30,859,949	-	30,859,949
Total assets	**11,760,245**	**37,756,033**	**546,650**	**50,062,928**
Financial liabilities				
Trading portfolio liabilities	(12,525,198)	(122,333)	(268)	(12,647,799)
Derivative financial liabilities	-	(6,659,181)	(657,755)	(7,316,936)
Financial liabilities at fair value	-	(30,999,585)	-	(30,999,585)
Total liabilities	**(12,525,198)**	**(37,781,099)**	**(658,023)**	**(50,964,320)**

Level 3 movement analysis

The following table summarises the movements in the level 3 balances during the year. The table shows gains and losses and includes amounts for all assets and liabilities transferred to and from level 3 during the year. Trading portfolio is disclosed on net basis as the Trading portfolio liabilities balance is immaterial. Transfers have been reflected as if they have taken place at the beginning of the year.

Analysis of movements in level 3 assets and liabilities

	As at 1 January 2019	Purchases	Sales	Settlements	Issues	Total gains and losses in the year recognised in the income statement	Transfers In/ (out)	As at 31 December 2019
Net Trading portfolio assets	6,821	4,892	(2,661)	(1)	-	36,132	173,452	218,635
Net derivative financial instruments (Equity derivatives)	(118,194)	58,501	-	5,400	(96,912)	206,303	(261)	54,837
Total	**(111,373)**	**63,393**	**(2,661)**	**5,399**	**(96,912)**	**242,435**	**173,191**	**273,472**

	As at 1 January 2018	Purchases	Sales	Settlements	Issues	Total gains and losses in the year recognised in the income statement	Transfers In/ (out)	As at 31 December 2018
Net Trading portfolio assets	29,767	3,936	-	(25)	-	(264)	(26,593)	6,821
Net derivative financial instruments (Equity derivatives)	(131,281)	172,922	-	95,583	(325,624)	10,621	59,585	(118,194)
Total	**(101,514)**	**176,858**	-	**95,558**	**(325,624)**	**10,357**	**32,992**	**(111,373)**

Figures in Pounds Sterling thousand

Valuation techniques and sensitivity analysis

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

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

The valuation techniques used for the material products within Levels 2 and 3, and observability and sensitivity analysis for products within Level 3 are described below.

Equity derivatives

Description: These are derivatives linked to equity indices and single names. This category includes exchange traded and OTC equity derivatives including vanilla and exotic options.

Valuation: The valuations of OTC equity derivatives are determined using industry standard models. Input parameters include stock prices, dividends, volatilities, interest rates, equity repurchase agreement curves and, for multi-asset products, correlations.

Observability: In general, input parameters are deemed observable up to liquid maturities which are determined separately for each parameter and underlying. Unobservable model inputs are determined by reference to liquid market instruments and applying extrapolation techniques to match the appropriate risk profile.

Level 3 sensitivity: Sensitivity is estimated based on the dispersion of consensus data services either directly or through proxies.

As part of risk management processes, an analysis is performed on products with significant unobservable parameters (Level 3) to generate a range of reasonably possible alternative valuations. The effect of stressing unobservable inputs to a range of reasonably possible alternatives, alongside considering the impact of using alternative models, would be to increase fair values by up to £31,452,000 (2018: £37,437,000) or to decrease fair values by up to £32,639,000 (2018: £37,437,000) with substantially all the potential effect impacting the income statement rather than reserves. The stresses applied take account of the nature of valuation techniques used, as well as the availability and reliability of observable proxy and historic data.

Unrecognised gains as a result of the use of valuation models using unobservable inputs

The amount that has yet to be recognised in income that relates to the difference between the transaction price, i.e. the fair value at initial recognition, and the amount that would have arisen had valuation models using unobservable inputs been used on initial recognition, less amounts subsequently recognised, was as follows:

	2019	2018
As at 1 January	23,120	29,585
Additions in year	13,172	5,216
Releases in year	(13,447)	(4,570)
Amortisations in year	(15,519)	(7,111)
As at 31 December	**7,326**	**23,120**

Figures in Pounds Sterling thousand

Significant unobservable inputs

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

		2019 Range		2018 Range		
Valuation technique(s)	Significant unobservable inputs	Min	Max	Min	Max	Units
Option model	Equity volatility	1	140	7	45	%
	Equity-equity correlation	(16)	100	0	100	%
Discounted cash flow	Discounted margin	(138)	313	(171)	301	bps

Valuation control framework

The valuation control framework covers fair value positions and is a key control in ensuring the material accuracy of valuations. The valuation control function within Finance is responsible for oversight of prudent and fair value adjustments and escalation of valuation issues.

Governance over the valuation process is the responsibility of the Valuation Committee, and this is the governance forum to which valuation issues are escalated. The Valuation Committee meets on a monthly basis and is responsible for overseeing valuation policy and practice within the Barclays Group.

Price verification uses independently sourced data that is deemed most representative of the market. The characteristics against which the data source is assessed are independence, reliability, consistency with other sources and evidence that the data represents an executable price. The most current data available at balance sheet date is used. Where significant variances are noted in the independent price verification process, an adjustment is made to fair value. Additional fair value adjustments may be made to reflect such factors as bid-offer spreads, market data uncertainty, model limitations and counterparty risk.

Financial assets and liabilities not held at fair value

The fair value is an estimate of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As a wide range of valuation techniques are often available, it may not be appropriate to directly compare this fair value information to independent market or other financial institutions. Different valuation methodologies and assumptions can have a significant impact on fair values which are based on unobservable inputs.

There is no difference between the fair value and carrying amount for assets and liabilities not held at fair value.

The following tables show the fair value of financial assets and liabilities measured at amortised cost analysed by fair value hierarchy and balance sheet classification:

As at 31 December 2019	***Fair Value***	**Quoted market prices (Level 1)**	**Observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Loans and other receivables	33,523,087	-	33,523,087	-
Other financial assets	72,527	-	72,527	-
Total Assets	**33,595,614**	-	**33,595,614**	-
Borrowings	26,210,586	379,449	25,831,137	-
Repurchase agreements	7,522,208	-	7,522,208	-

Figures in Pounds Sterling thousand				
Other financial liabilities	312,104	-	312,104	-
Total Liabilities	**34,044,898**	**379,449**	**33,665,449**	-

As at 31 December 2018	Fair Value	Quoted market prices (Level 1)	Observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Loans and other receivables	34,710,814	-	34,710,814	-
Other financial assets	135,321	-	135,321	-
Total Assets	**34,846,135**	-	**34,846,135**	-
Borrowings	25,946,632	145,834	25,800,798	-
Repurchase agreements	7,028,049	-	7,028,049	-
Other financial liabilities	253,096	-	253,096	-
Total Liabilities	**33,227,777**	**145,834**	**33,081,943**	-

Financial assets

The carrying value of financial assets held at amortised cost (including loans and other receivables and other lending such as reverse repurchase agreements) is determined in accordance with the relevant accounting policy (Note 3).

Loans and other receivables

There is minimal difference between the fair value and carrying amount due to the short term nature of the lending and the high credit quality of counterparties.

The fair value of loans and advances for the purpose of this disclosure is derived from discounting expected cash flows in a way that reflects the current market price for lending to issuers of similar credit quality and hence the balances are classified as level 2. Settlement balances and cash collateral are also classified as level 2.

Reverse repurchase agreements

The fair value of reverse repurchase agreements approximates carrying amount as these balances are generally short dated. These balances are therefore classified as level 2.

Financial liabilities

The carrying value of financial liabilities held at amortised cost (including customer accounts and other deposits such as repurchase agreements and subordinated liabilities) is determined in accordance with the accounting policy (Note 3).

Repurchase agreements

The fair value of repurchase agreements approximates carrying amounts as these balances are generally short dated. These balances are therefore classified as level 2.

Borrowings

The fair value hierarchy for borrowings is determined by reference to the observability of inputs into the fair value models. Inputs into the fair value models are considered observable, for example LIBOR or the Bank of England base rate, and hence the balances are classified as level 2. Settlement Balances and Bank Loans are classified as level 2. Nostro Liabilities are classified as level 1.

Figures in Pounds Sterling thousand

28. Offsetting financial assets and financial liabilities

In accordance with IAS 32 Financial Instruments: Presentation, the Company reports financial assets and financial liabilities on a net basis on the balance sheet only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The following table shows the impact of netting arrangements on:

- all financial assets and liabilities that are reported net on the balance sheet
- all derivative financial instruments and reverse repurchase and repurchase agreements and other similar secured lending and borrowing agreements that are subject to enforceable master netting arrangements or similar agreements, but do not qualify for balance sheet netting.

The table identifies those amounts that are covered by enforceable netting arrangements (offsetting arrangements and financial collateral) but do not qualify for netting under the requirements of IAS32 described above.

The 'Net amounts' presented below are not intended to represent the Company's actual exposure to credit risk, as a variety of credit mitigation strategies are employed in addition to netting and collateral arrangements.

	Amounts subject to enforceable netting arrangements					
			Related amounts not offset[2]			
As at 31 December 2019	Balance sheet total[1]	Amounts available for netting on the balance sheet	Financial instruments	Financial collateral	Net amount	Amounts not subject to enforceable netting arrangements[3]
	(a)	(b)	(c)	(d)	(e)=(b)+(c)+(d)	(f)=(a)-(b)
Derivative financial assets	5,536,462	5,493,903	(5,493,176)	-	727	42,559
Reverse repurchase agreements	29,601,588	29,410,814	-	(29,047,738)	363,076	190,774
Total Assets	**35,138,050**	**34,904,717**	**(5,493,176)**	**(29,047,738)**	**363,803**	**233,333**
Derivative financial liabilities	(7,028,111)	(6,893,691)	5,493,176	-	(1,400,515)	(134,420)
Repurchase agreements	(43,745,284)	(43,712,766)	-	43,594,404	(118,362)	(32,518)
Total Liabilities	**(50,773,395)**	**(50,606,457)**	**5,493,176**	**43,594,404**	**(1,518,877)**	**(166,938)**

Figures in Pounds Sterling thousand

	Amounts subject to enforceable netting arrangements					
			Related amounts not offset[2]			
As at 31 December 2018	Balance sheet total[1]	Amounts available for netting on the balance sheet	Financial instruments	Financial collateral	Net amount	Amounts not subject to enforceable netting arrangements[3]
	(a)	(b)	(c)	(d)	(e)=(b)+(c)+(d)	(f)=(a)-(b)
Derivative financial assets	6,813,352	6,809,078	(6,800,002)	-	9,076	4,274
Reverse repurchase agreements	26,886,313	26,802,558	-	(26,772,737)	29,821	83,755
Total Assets	**33,699,665**	**33,611,636**	**(6,800,002)**	**(26,772,737)**	**38,897**	**88,029**
Derivative financial liabilities	(7,316,936)	(7,288,285)	6,800,002	-	(488,283)	(28,651)
Repurchase agreements	(35,082,137)	(35,035,042)	-	34,996,218	(38,824)	(47,095)
Total Liabilities	**(42,399,073)**	**(42,323,327)**	**6,800,002**	**34,996,218**	**(527,107)**	**(75,746)**

1 The balance sheet total is the sum of 'Amounts available for netting on the balance sheet' that are subject to enforceable netting arrangements and 'Amounts not subject to enforceable netting arrangements.

2 Financial collateral is reflected at its fair value, but has been limited to the net balance sheet exposure so as not to include any over-collateralisation.

3 This column includes contractual rights of set-off that are subject to uncertainty under the laws of the relevant jurisdiction.

Derivative assets and liabilities

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

Repurchase and reverse repurchase agreements

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

29. Financial risks

The Company's activities are exposed to a variety of financial risks. These are credit risk, liquidity risk and market risk (which includes foreign currency risk, interest rate risk and price risk).

Consequently, the Company devotes considerable resources to maintaining effective controls to manage, measure and mitigate each of these risks, and regularly reviews its risk management procedures and systems to ensure that they continue to meet the needs of the business. The Company uses derivative financial instruments to hedge certain risk exposures.

The Board of Directors monitors the Company's financial risks and has responsibility for ensuring effective risk management and control.

Credit	Risk of the Company suffering financial loss if any of its customers, clients or market counterparties fail to fulfill their contractual obligations to the Company. See Note 31 (Credit risk).
Liquidity	Risk that the Company, although solvent, either does not have sufficient financial resources available to meet its obligation as they fall due, or can secure such resources only at excessive cost. This also results in a firm's inability to meet regulatory liquidity requirements. See Note 32 (Liquidity risk).
Capital	Risk that the Company has insufficient capital resources, which could lead to (i) a failure to meet regulatory requirements; or (ii) an inability to support business activity and growth.
Market	Risk of loss arising from potential adverse changes in the value of the Company's assets and liabilities from fluctuation in market variables including, but not limited to, interest rates, foreign exchange, equity prices, dividend expectation, implied volatility and asset correlations. See Note 30 (Market risk management).

Further Market Risk Factors

Risk factor	Description
Foreign exchange	Impact of changes in foreign exchange rates and volatilities.
Interest rate	Changes in the level or shape of interest rate expectations can impact prices of interest rate sensitive assets, such as bonds and derivatives instruments like interest rate swaps.
Equity	Risk due to changes in equity prices, volatilities and dividend yields, for example as part of trading activities.
Spread	Difference between bond yields and swaps rates that arises when a business has positions in both bonds and interest rate/inflation derivatives instruments. Both assets may trade at different levels but are fundamentally exposed to similar risk.
Basis	The impact of changes in interest rate tenor basis (e.g. the basis between swaps vs 3M LIBOR and swaps vs 6M LIBOR) and cross currency basis and is primarily generated as a result of trading activities.

30. Market risk

Market risk management

Market risk is the risk of loss arising from potential adverse changes in the value of the Company's assets and liabilities from fluctuation in market variables including, but not limited to, interest rates, foreign exchange, equity prices, dividend expectation, implied volatility and asset correlations. The Company has exposure to market risk through traded and non-traded market risk and can be impacted by changes in both the level and volatility of prices e.g. interest rates, credit spreads, equity prices and foreign exchange rates. The Company has implemented a range of risk management methods to mitigate and control these and other market risks to which the Company is exposed. However, it is difficult to predict with accuracy the changes in economic or market conditions and to anticipate the effects that such changes could have on the Company's financial performance.

Regulatory Value at Risk ('Regulatory VaR')

Regulatory VaR is an estimate of the potential loss arising from unfavourable market movements calibrated to a 99% confidence level over a 10-day holding period.

Model review and Regulatory Back - testing

Value at Risk is an important market risk measurement and control tool for the Company and is regularly assessed and reviewed internally by Group Executive and dedicated Model Risk Management (MRM) function. Barclays Group's VaR model has been approved by the PRA to calculate regulatory capital for designated trading book portfolios.

There are a number of regulatory measures which the Company has permission to use in calculating regulatory capital (internal models approval). These include Regulatory VaR, Stressed VaR ("SVaR") and Incremental Risk Charge ("IRC").

Regulatory back-testing counts the number of days when a loss (as defined by the PRA) exceeds the corresponding VaR estimate, measured at the 99% regulatory confidence level. The number of back-testing exceptions is not considered as indicating any concerns with the VaR model. The section on Model review and back testing is unaudited.

The table below shows the regulatory VaR statistics for the Company's trading activities:

Regulatory VaR (99%)	2019 Average	2019 High	2019 Low	2018 Average	2018 High	2018 Low
Interest rate risk	550	982	273	434	2,916	151
Spread risk	-	-	-	1	155	-
Equities risk	3,443	9,013	1,587	3,324	13,350	1,643
Foreign exchange risk	958	2,782	248	1,305	4,820	265
Basis risk	915	2,674	381	1,154	6,470	245
Diversification effect	(2,211)	n/a	n/a	(2,236)	n/a	n/a
Total Regulatory VaR	**3,655**	**9,324**	**1,979**	**3,982**	**13,869**	**2,101**

Note: The high and low regulatory VaR figures reported for each category did not necessarily occur on the same day as the high and low regulatory VaR reported as a whole. Consequently, a diversification effect balance for the high and low regulatory VaR figures would not be meaningful and is therefore omitted from the above table. Basis risk reported in 2019 includes the cross currency basis risk.

Stressed Value at Risk ('SVaR')

SVaR is an estimate of the potential loss arising from unfavourable market movements in a stressed environment and is identical to Regulatory VaR, but calibrated over a one-year stressed period.

For regulatory capital calculation purposes the Company computes a market risk capital requirement based on a ten-day, 99% VaR metric calibrated to a period of significant financial stress. This Stressed VaR ('SVaR') capital requirement is added to the market risk capital requirement arising from regulatory VaR and the Incremental Risk Charge on an undiversified basis.

Incremental Risk Charge ('IRC')

IRC is an estimate of the incremental risk arising from rating migrations and defaults beyond what is already captured in Regulatory VaR and SVaR for the non-correlation trading portfolio. IRC measures this risk at a 99.9% confidence level with a one year holding period and applies to all positions in scope for specific risk including sovereign exposure.

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	2019 Average	2019 High	2019 Low	2018 Average	2018 High	2018 Low
SVaR (99%)	8,127	16,688	3,261	6,357	10,721	3,285
IRC (99.9%)	1,680	1,985	1,521	1,862	3,884	1,342

Management of risks not fully captured in models, including Risks not in VaR (RNIVs)

In some instances, the Regulatory VaR model may not appropriately measure some market risks, especially where market moves are not directly observable via prices, the Company has policies to ensure that add-ons are applied where risks are not captured by the model. RNIVs refer to those key risks that are not captured, or not adequately captured, in Regulatory VaR and SVaR.

31. Credit risk

Credit risk is the risk of suffering financial loss, should any of the Company's customers or market counterparties fail to fulfill their contractual obligations to the Company.

Collateral can be an important mitigant of credit risk and the Company commonly obtains security for the funds advanced. When collateral is deemed appropriate, the Company takes a specific, agreed class of collateral. Alternatively, the Company may put in place other forms of credit risk mitigation, such as the use of credit derivatives.

Figures in Pounds Sterling thousand

Credit risk also arises through downgrading of counterparties whose credit instruments the Company may be holding, causing the value of those assets to fall. Furthermore, credit risk is manifested as country risk where difficulties experienced by the country in which the exposure is domiciled may impede payment or reduce the value of the asset or where the counterparty may be the country itself. Settlement risk is another special form of credit risk which is the possibility that the Company may pay a counterparty, for example - a bank in a foreign exchange transaction, and fail to receive the corresponding settlement in return.

The Company employs a range of risk measurement techniques and methodologies to mitigate credit risk. The majority of the Company's loans and other receivables are secured by collateral in the form of securities or are with other Barclays entities. The Company has master netting agreements in place which reduces the exposure in respect of derivative balances.

This analysis and all subsequent analyses of credit risk include only financial assets subject to credit risk. They exclude other financial assets, mainly equity securities held in the trading portfolio as well as non-financial assets.

Credit risk concentrations by geographical sector

The geographical analysis is based on the location of the customer to which the lending is made.

As at 31 December 2019	United Kingdom	Europe	Americas	Asia	Africa & Middle East	Total
Cash and cash equivalents	222,777	158,445	14,568	360,038	7,630	763,458
Trading portfolio assets (debt)	63,305	185,489	25,205	803	73,394	348,196
Derivative financial assets	5,488,281	48,181	-	-	-	5,536,462
Loans and other receivables	27,118,039	1,050,476	1,504,198	3,723,514	126,860	33,523,087
Other financial assets	29,886	29,875	6,089	6,404	273	72,527
Financial assets mandatorily at fair value	20,547,182	1,650,121	8,703,688	3,024,324	57,235	33,982,550
Total Assets	**53,469,470**	**3,122,587**	**10,253,748**	**7,115,083**	**265,392**	**74,226,280**

Figures in Pounds Sterling thousand

As at 31 December 2018	United Kingdom	Europe	Americas	Asia	Africa & Middle East	Total
Cash and cash equivalents	26,407	279,978	66,533	198,848	10,579	582,345
Trading portfolio assets (debt)	24,351	183,337	33,066	13,526	17,903	272,183
Derivative financial assets	6,813,307	41	4	-	-	6,813,352
Loans and other receivables	22,432,232	853,114	900,434	10,486,291	38,743	34,710,814
Other financial assets	103,590	22,567	4,331	4,578	255	135,321
Financial assets mandatorily at fair value [a]	18,605,362	1,068,662	7,213,970	3,915,382	56,573	30,859,949
Total Assets	**48,005,249**	**2,407,699**	**8,218,338**	**14,618,625**	**124,053**	**73,373,964**

[a]2018 figures of financial assets mandatorily at fair value restated to reclassify £3,859m from Africa & Middle East to Asia geographical sector.

Figures in Pounds Sterling thousand

Credit risk (continued)
Credit risk concentration by industrial sector

As at 31 December 2019	Government	Financial institutions - Bank	Financial institutions - Others	Manufac-turing	Mining & Quarrying	Property	Energy & water	Wholesale & retail distribution	Transport	Postal & communic-ations	Business & other Services	Total
Cash and cash equivalents	-	480,123	283,335	-	-	-	-	-	-	-	-	763,458
Trading portfolio assets (debt)	1,866	15,052	13,728	79,032	99,279	17,741	4,574	22,289	10,820	55,697	28,118	348,196
Derivative financial assets	-	5,493,655	42,807	-	-	-	-	-	-	-	-	5,536,462
Loans and other receivables	1,760	25,086,592	8,315,915	-	-	-	-	-	-	-	118,820	33,523,087
Other financial assets	-	23,190	49,337	-	-	-	-	-	-	-	-	72,527
Financial assets mandatorily at fair value	-	21,402,021	12,580,529	-	-	-	-	-	-	-	-	33,982,550
Total Assets	3,626	52,500,633	21,285,651	79,032	99,279	17,741	4,574	22,289	10,820	55,697	146,938	74,226,280

Figures in Pounds Sterling thousand

As at 31 December 2018	Government	Financial institutions - Bank	Financial institutions - Others	Manufac-turing	Mining & Quarrying	Property	Energy & water	Wholesale & retail distribution	Transport	Postal & communic-ations	Business & other services	Total
Cash and cash equivalents	-	539,818	42,527	-	-	-	-	-	-	-	-	582,345
Trading portfolio assets (debt)	1,984	8,655	10,694	80,596	-	31,152	39,611	5,725	21,206	21,702	50,858	272,183
Derivative financial assets	-	6,813,352	-	-	-	-	-	-	-	-	-	6,813,352
Loans and other receivables	-	18,668,154	16,028,589	767	-	3,954	194	-	-	215	8,941	34,710,814
Other financial assets	-	20,908	114,413	-	-	-	-	-	-	-	-	135,321
Financial assets mandatorily at fair value	-	18,909,589	11,950,360	-	-	-	-	-	-	-	-	30,859,949
Total Assets	1,984	44,960,476	28,146,583	81,363	-	35,106	39,805	5,725	21,206	21,917	59,799	73,373,964

Trading portfolio assets / financial assets designated at fair value – The Company's practice is to take into account credit risk when valuing these assets. The Company therefore expects little additional credit risk on these instruments, other than the credit risk component of trading market risk on these instruments. The trading market risk is monitored through the Daily Value at Risk ('DVaR') methodology.

In addition, many of the trading portfolios held are of very high quality, and include, for example, treasury bills and government bonds.

Derivative financial instruments – In addition to including the credit risk on these instruments in the DVaR methodology, the Company also uses a number of other techniques to reduce its exposure to credit risk on these instruments. These techniques include master netting agreements, which do not qualify for offset under IAS 32 but which give a legally enforceable right to net receivables and payables with the same counterparty, and the obtaining of cash collateral from counterparties who have a net exposure to the Company through Collateral Service Agreements.

Loans and other receivables – Loans and other receivables are spread across both geographical regions, maturity and individual counterparties. Analysis by geography, industry, staging analysis, L&A and impairment movement over time and maturity, based on the location of counterparties, may be found on Note 31 on pages 56 to 62.

Financial assets at fair value mainly include Reverse repurchase agreements largely secured by obtaining collateral from counterparties. The level of collateral is monitored daily for the collateral calls made or required.

The Company has secured a guarantee of £1bn (2018: £2.5bn) from its parent company Barclays Bank Plc, to cover exposures arising from counterparty credit risk. The guarantee would be applied against all exposures covered under Article 389 of the CRR, except in cases where the eligible counterparty is a direct or indirect subsidiary of Barclays PLC, and is not a sovereign which would receive a 0% risk weighting under the standardised approach in each case as determined by the Company. The exposures include the effects of netting where there is a master netting agreement in place or where the Company holds cash collateral. The guarantee does not expire unless mutually agreed between the Company and Barclays Bank Plc to terminate this guarantee arrangement.

Financial assets at amortised cost staging analysis

As at 31 December 2019	Stage 1	Stage 2 Not past due	Stage 2 <=30 days past due	Stage 2 >30 days past due	Stage 2 Total	Stage 3	Total
Gross exposure	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	763,458	-	-	-	-	-	763,458
Loans and other receivables	33,523,241	-	-	-	-	-	33,523,241
Other financial assets	72,527	-	-	-	-	-	72,527
Total	**34,359,226**	-	-	-	-	-	**34,359,226**
Impairment Allowance							
Cash and cash equivalents	-	-	-	-	-	-	-
Loans and other receivables	(154)	-	-	-	-	-	(154)
Total	**(154)**	-	-	-	-	-	**(154)**
Net exposure							
Cash and cash equivalents	763,458	-	-	-	-	-	763,458
Loans and other receivables	33,523,087	-	-	-	-	-	33,523,087
Other financial assets	72,527	-	-	-	-	-	72,527
Total	**34,359,072**	-	-	-	-	-	**34,359,072**

As at 31 December 2018	Stage 1	Stage 2 Not past due	Stage 2 <=30 days past due	Stage 2 >30 days past due	Stage 2 Total	Stage 3	Total
Gross exposure	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	582,345	-	-	-	-	-	582,345
Loans and other receivables	34,711,071	-	-	-	-	-	34,711,071
Other financial assets	135,321	-	-	-	-	-	135,321
Total	**35,428,737**	-	-	-	-	-	**35,428,737**
Impairment Allowance							
Cash and cash equivalents	-	-	-	-	-	-	-
Loans and other receivables	(257)	-	-	-	-	-	(257)
Total	**(257)**	-	-	-	-	-	**(257)**
Net exposure							
Cash and cash equivalents	582,345	-	-	-	-	-	582,345
Loans and other receivables	34,710,814	-	-	-	-	-	34,710,814
Other financial assets	135,321	-	-	-	-	-	135,321
Total	**35,428,480**	-	-	-	-	-	**35,428,480**

Financial assets at amortised cost - Movement in gross exposure and impairment allowance

£'000	STAGE 1 Exposure	STAGE 1 Impairment allowance	STAGE 2 Exposure	STAGE 2 Impairment allowance	STAGE 3 Exposure	STAGE 3 Impairment allowance	Total Exposure	Total Impairment allowance
Balance as at 1 January 2019	35,428,737	(257)	-	-	-	-	35,428,737	(257)
New financial assets originated or purchased	34,359,226	(12)	-	-	-	-	34,359,226	(12)
Net drawdowns / repayments / risk parameter changes	-	114	-	-	-	-	-	114
Other movements	-	1	-	-	-	-	-	1
Asset derecognised due to disposals	(35,428,737)		-	-	-	-	(35,428,737)	-
Balance as at 31 December 2019	**34,359,226**	**(154)**	-	-	-	-	**34,359,226**	**(154)**
Reconciliation of ECL movement to impairment (charge)/release for the period								
ECL movement excluding assets derecognised due to disposals and write-off		103		-		-		103
Income statement (charge)/release for the period		**103**		**-**		**-**		**103**

	STAGE 1 Exposure	STAGE 1 Impairment allowance	STAGE 2 Exposure	STAGE 2 Impairment allowance	STAGE 3 Exposure	STAGE 3 Impairment allowance	Total Exposure	Total Impairment allowance
Balance as at 1 January 2018	28,997,651	(213)	-	-	-	-	28,997,651	(213)
New financial assets originated or purchased	35,428,737	(132)	-	-	-	-	35,428,737	(132)
Net drawdowns / repayments / risk parameter changes	-	89	-	-	-	-	-	89
Other movements	-	(1)	-	-	-	-	-	(1)
Asset derecognised due to disposals	(28,997,651)	-	-	-	-	-	(28,997,651)	-
Balance as at 31 December 2018	**35,428,737**	**(257)**	-	-	-	-	**35,428,737**	**(257)**
Reconciliation of ECL movement to impairment (charge)/release for the period								
ECL movement excluding assets derecognised due to disposals and write-off		(44)		-		-		(44)
Income statement (charge)/release for the period		**(44)**		**-**		**-**		**(44)**

Figures in Pounds Sterling thousand

(a) Financial assets that are neither past due nor impaired

As at 31 December 2019	Strong	Satisfactory	Higher risk	Total
Cash and cash equivalents	756,509	6,949	-	763,458
Trading portfolio assets (debt)	227,572	114,164	6,460	348,196
Derivative financial assets	5,493,655	42,807	-	5,536,462
Loans and other receivables	32,037,540	1,485,547	-	33,523,087
Other assets	61,047	11,480	-	72,527
Financial assets mandatorily at fair value	32,751,017	1,231,533	-	33,982,550
Total Assets	**71,327,340**	**2,892,480**	**6,460**	**74,226,280**

As at 31 December 2018	Strong	Satisfactory	Higher risk	Total
Cash and cash equivalents	520,982	61,363	-	582,345
Trading portfolio assets (debt)	194,425	76,538	1,220	272,183
Derivative financial assets	6,799,537	13,815	-	6,813,352
Loans and other receivables	33,391,195	1,319,619	-	34,710,814
Other assets	33,640	101,681	-	135,321
Financial assets mandatorily at fair value	29,657,868	1,202,080	-	30,859,948
Total Assets	**70,597,647**	**2,775,096**	**1,220**	**73,373,963**

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

Satisfactory – whilst there is a high likelihood that the asset will be recovered and therefore of no cause for concern to the Company, the asset may not be collateralized or may relate to unsecured loans.

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

Figures in Pounds Sterling thousand

Maximum Exposure to Credit risk

Whilst the Company's maximum exposure to credit risk is the carrying value of the assets, in most cases the likely exposure is far less due to offsetting collateral, other netting and set off to mitigate the Company's exposure.

As at 31 December 2019	Maximum Exposures	Netting and set-off	Collateral	Net Exposure
Cash and cash equivalents	763,458	-	-	763,458
Trading portfolio assets (debt)	348,196	-	-	348,196
Derivative financial instruments	5,536,462	(5,493,176)	-	43,286
Loans and other receivables	33,523,087	(24,141,837)	-	9,381,250
Other assets	72,527	-	-	72,527
Financial assets mandatorily at fair value	33,982,550	(1,525,635)	(31,691,318)	765,597
Total	**74,226,280**	**(31,160,648)**	**(31,691,318)**	**11,374,314**

As at 31 December 2018	Maximum Exposures	Netting and set-off	Collateral	Net Exposure
Cash and cash equivalents	582,345	-	-	582,345
Trading portfolio assets (debt)	272,183	-	-	272,183
Derivative financial instruments	6,813,352	(6,800,002)	-	13,350
Loans and other receivables	34,710,814	(23,113,483)	-	11,597,331
Other assets	135,321	-	-	135,321
Financial assets mandatorily at fair value	30,859,949	(1,054,595)	(28,787,268)	1,018,085
Total	**73,373,964**	**(30,968,080)**	**(28,787,268)**	**13,618,615**

32. Liquidity risk

Liquidity Risk Management

Liquidity risk is the risk that the Company's cash and committed facilities may be insufficient to meet its debts as they fall due. The Company has the financial support of the parent undertaking Barclays Bank Plc, it also maintains banking facilities with Barclays Bank Plc. These facilities are designed to ensure the Company has sufficient available resources to meet its payments obligations as they fall due or, although solvent, only being able to meet these obligations at excessive cost. Additionally, resulting in the risk of the Company not meeting its regulatory liquidity requirements.

Barclays Plc has a comprehensive Liquidity Risk Management Framework (the Liquidity Framework) for managing the Barclays Group's liquidity risk. The Liquidity Framework is delivered via a combination of policy formation, review and governance, analysis, stress testing, limit setting and monitoring. The Company maintains a mixture of long term and short term committed facilities, including financial support from the parent, Barclays Bank Plc, that are designed to ensure the Company has sufficient available funds for operations.

Figures in Pounds Sterling thousand

Contractual maturity of financial assets and liabilities

As at 31 December 2019	On demand	Not more than three months	Over three months but not more than six months	Over six months but not more than one year	Over one year but not more than three years	Over three years but not more than five years	Over five years but not more than ten years	Over ten years	Total
Assets									
Cash and cash equivalents	763,458	-	-	-	-	-	-	-	763,458
Trading portfolio assets	19,901,033	-	-	-	-	-	-	-	19,901,033
Derivative financial assets	5,536,462	-	-	-	-	-	-	-	5,536,462
Loans and other receivables	21,673,983	11,255,176	137,903	405,400	-	50,625	-	-	33,523,087
Financial assets at fair value through Income statement	-	33,458,782	4,346	18,990	352,813	89,087	57,602	930	33,982,550
Other financial assets	-	72,527	-	-	-	-	-	-	72,527
Total Assets	47,874,936	44,786,485	142,249	424,390	352,813	139,712	57,602	930	93,779,117

Figures in Pounds Sterling thousand

As at 31 December 2019	On demand	Not more than three months	Over three months but not more than six months	Over six months but not more than one year	Over one year but not more than three years	Over three years but not more than five years	Over five years but not more than ten years	Over ten years	Total
Liabilities									
Trading portfolio liabilities	(10,868,481)	-	-	-	-	-	-	-	(10,868,481)
Derivative financial liabilities	(7,028,111)	-	-	-	-	-	-	-	(7,028,111)
Repurchase agreements	-	(7,522,208)	-	-	-	-	-	-	(7,522,208)
Borrowings	(14,914,990)	(9,662,455)	(339,778)	(549,954)	(392,790)	(50,619)	(150,000)	(150,000)	(26,210,586)
Financial liabilities mandatorily at fair value	-	(38,840,139)	(1,067,134)	(16,313)	(196,954)	(364,685)	(242,490)	(9,743)	(40,737,458)
Other financial liabilities	-	(312,104)	-	-	-	-	-	-	(312,104)
Total Liabilities	**(32,811,582)**	**(56,336,906)**	**(1,406,912)**	**(566,267)**	**(589,744)**	**(415,304)**	**(392,490)**	**(159,743)**	**(92,678,948)**
Liquidity excess/(gap)	15,063,354	(11,550,421)	(1,264,663)	(141,877)	(236,931)	(275,592)	(334,888)	(158,813)	**1,100,169**
Cumulative liquidity excess	15,063,354	3,512,933	2,248,270	2,106,393	1,869,462	1,593,870	1,258,982	1,100,169	-

Figures in Pounds Sterling thousand

As at 31 December 2018	On demand	Not more than three months	Over three months but not more than six months	Over six months but not more than one year	Over one year but not more than three years	Over three years but not more than five years	Over five years but not more than ten years	Over ten years	Total
Assets									
Cash and cash equivalents	582,345	-	-	-	-	-	-	-	582,345
Trading portfolio assets	12,389,627	-	-	-	-	-	-	-	12,389,627
Derivative financial assets	6,813,352	-	-	-	-	-	-	-	6,813,352
Loans and other receivables	19,011,791	15,553,709	34,135	99,528	-	-	11,651	-	34,710,814
Financial assets at fair value through Income statement	-	30,388,362	63,059	25,777	252,280	68,835	60,671	964	30,859,948
Other financial assets	-	135,321	-	-	-	-	-	-	135,321
Total assets	38,797,115	46,077,392	97,194	125,305	252,280	68,835	72,322	964	85,491,407

Figures in Pounds Sterling thousand

As at 31 December 2018	On demand	Not more than three months	Over three months but not more than six months	Over six months but not more than one year	Over one year but not more than three years	Over three years but not more than five years	Over five years but not more than ten years	Over ten years	Total
Liabilities									
Trading portfolio liabilities	(12,647,799)	-	-	-	-	-	-	-	(12,647,799)
Derivative financial liabilities	(7,316,936)	-	-	-	-	-	-	-	(7,316,936)
Repurchase agreements	-	-	-	-	(7,028,049)	-	-	-	(7,028,049)
Borrowings	(9,336,440)	(16,174,559)	(44,095)	(227,061)	(123,606)	-	(40,871)	-	(25,946,632)
Financial liabilities mandatorily at fair value	-	(29,457,391)	(684,654)	(73,363)	(239,467)	(284,391)	(139,286)	(121,033)	(30,999,585)
Other financial liabilities	-	(253,096)	-	-	-	-	-	-	(253,096)
Total liabilities	**(29,301,175)**	**(45,885,046)**	**(728,749)**	**(300,424)**	**(7,391,122)**	**(284,391)**	**(180,157)**	**(121,033)**	**(84,192,097)**
Liquidity excess/(gap)	9,495,940	192,346	(631,555)	(175,119)	(7,138,842)	(215,556)	(107,835)	(120,069)	**1,299,310**
Cumulative liquidity excess	9,495,940	9,688,286	9,056,731	8,881,612	1,742,770	1,527,214	1,419,380	1,299,310	-

The table below presents the cash flows payable by the Company under financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows of all financial liabilities (i.e. nominal values); whereas the Company manages the inherent liquidity risk based on discounted expected cash inflows. The balance in the below table does not agree directly to the balances in the balance sheet as the table incorporates all cash flows, on an undiscounted basis, related to both principal as well as those associated with all future coupon payments. Derivative financial instruments held for trading and trading portfolio liabilities are included in the on demand column at their fair value.

Figures in Pounds Sterling thousand

Contractual undiscounted cash flows

As at 31 December 2019	On demand	Not more than three months	Over three months but not more than six months	Over six months but not more than one year	Over one year but not more than three years	Over three years but not more than five years	Over five years but not more than ten years	Over ten years	Total
Liabilities									
Trading portfolio liabilities	(10,868,481)	-	-	-	-	-	-	-	(10,868,481)
Derivative financial liabilities	(7,028,111)	-	-	-	-	-	-	-	(7,028,111)
Repurchase agreements	-	(7,531,907)	-	-	-	-	-	-	(7,531,907)
Borrowings	(14,914,990)	(9,673,114)	(340,552)	(550,886)	(405,603)	(54,028)	(164,696)	(164,696)	(26,268,565)
Financial liabilities mandatorily at fair value	-	(38,846,937)	(1,065,016)	(16,390)	(196,906)	(375,332)	(261,520)	(10,170)	(40,772,271)
Other financial liabilities	-	(312,104)	-	-	-	-	-	-	(312,104)
Total liabilities	**(32,811,582)**	**(56,364,062)**	**(1,405,568)**	**(567,276)**	**(602,509)**	**(429,360)**	**(426,216)**	**(174,866)**	**(92,781,439)**
Liquidity excess/(gap)	15,063,354	(11,577,577)	(1,263,319)	(142,886)	(249,696)	(289,648)	(368,614)	(173,936)	**997,678**
Cumulative liquidity excess	15,063,354	3,485,777	2,222,458	2,079,572	1,829,876	1,540,228	1,171,614	997,678	-

Figures in Pounds Sterling thousand

As at 31 December 2018	On demand	Not more than three months	Over three months but not more than six months	Over six months but not more than one year	Over one year but not more than three years	Over three years but not more than five years	Over five years but not more than ten years	Over ten years	Total
Liabilities									
Trading portfolio liabilities	(12,647,799)	-	-	-	-	-	-	-	(12,647,799)
Derivative financial liabilities	(7,316,936)	-	-	-	-	-	-	-	(7,316,936)
Repurchase agreements	-	-	-	-	(7,180,849)	-	-	-	(7,180,849)
Borrowings	(9,336,440)	(16,174,604)	(44,885)	(227,966)	(125,125)	-	(47,853)	-	(25,956,873)
Financial liabilities mandatorily at fair value	-	(29,467,957)	(691,976)	(73,976)	(240,173)	(302,089)	(152,835)	(141,145)	(31,070,151)
Other financial liabilities	-	(253,096)	-	-	-	-	-	-	(253,096)
Total liabilities	(29,301,175)	(45,895,657)	(736,861)	(301,942)	(7,546,147)	(302,089)	(200,688)	(141,145)	**(84,425,704)**
Liquidity excess/(gap)	9,495,940	181,735	(639,667)	(176,637)	(7,293,867)	(233,254)	(128,366)	(140,180)	**1,065,704**
Cumulative liquidity excess	9,495,940	9,677,674	9,038,007	8,861,370	1,567,504	1,334,250	1,205,884	1,065,704	-

Figures in Pounds Sterling thousand	2019	2018

33. Assets pledged

Assets are pledged as collateral to secure liabilities under repurchase agreements, securitisations and stock lending arrangements or as collateral posted against derivative margin requirements. The carrying amount of financial assets pledged as collateral for liabilities as at 31 December 2019 is £10,950m (2018: £7,614m).

Collateral held as security for assets

Under certain transactions, including reverse repurchase agreements and stock borrowing transactions, the Company is allowed to resell or re-pledge the collateral held. The fair value at the balance sheet date of collateral accepted and re-pledged to others was as follows:

	2019	2018
Fair value of securities accepted as collateral	112,607,726	99,163,038
Of which fair value of securities re-pledged/transferred to others	95,909,856	83,105,017

34. Capital management

The below table provides details of the regulatory capital resources managed by the Company.

	2019	2018
Common Equity Tier 1 capital instruments	925,273	1,070,362
Common Equity Tier 1 deductions	(69,615)	(53,426)
Common Equity Tier 1 capital	**855,658**	**1,016,936**
Additional Tier 1 capital	200,000	56,379
Tier 1 capital	**1,055,658**	**1,073,315**
Tier 2 capital	308,260	209,105
Total Own Funds	**1,363,918**	**1,282,420**

To meet regulatory provisions by the PRA affecting capital adequacy and large exposures reporting, the Company has the following in place as at 31 December 2019:

- A contractual guarantee of £1bn (2018: £2.5bn) from Barclays Bank Plc to cover credit exposures arising from Counterparty Credit Risk. The guarantee covers large exposures which are in excess of 23% of the company's eligible capital relevant for limits to large exposures. This guarantee will remain in effect until terminated by either the beneficiary or the guarantor by providing 30 business days' notice in writing to the other party.
- A contractual guarantee from Barclays Bank Plc to cover credit exposures arising from Counterparty Credit risk ranked by risk weighted amount. The guarantee limit is set to £1 and can be amended from time to time with agreement between both parties. This guarantee will remain in effect until terminated either by the beneficiary or guarantor by providing 30 business days' notice in writing to the other party. The guarantee limit had been increased to £500m on 3 March 2020 and subsequently to £1.5bn and £2.0bn on 17 March 2020 and 31 March 2020 respectively.
- A contractual guarantee from Barclays Bank Plc to cover securities financing transactions to Non-Core internal large exposures which are in excess of the company's eligible capital relevant for limits to large exposures in accordance with Article 4(1)(71) (b) and Article 494 of the CRR. The guarantee limit is set to £1 and can be amended from time to time with agreement from both parties. The main exposures to which this guarantee relates to are Barclays Capital Inc., Barclays Securities Japan Limited and Barclays Bank Ireland Plc. Barclays Bank Plc may terminate this guarantee at any time by providing 30 business days' notice in writing.
- A contractual guarantee of £1.5bn from Barclays Bank Plc to cover exposure with Barclays Capital Luxembourg Sarl for stock loan transactions. Barclays Bank Plc may terminate this guarantee at any time by providing 30 business days' notice in writing.

The above guarantee limit amounts can be amended from time to time with agreement between both parties.

Figures in Pounds Sterling thousand

- Floating rate perpetual subordinated write down securities (AT1 securities) issued for £200m on 22 August 2019, which are included within additional Tier 1 capital;
- A subordinated loan agreement with Barclays Bank Plc comprising debt of €17m and US$24.5m, which are included within Tier 2 capital.
- Subordinated callable notes of £150m issued on 22 August 2019 and £150m issued on 19 December 2019, which are included within Tier 2 capital.

35. Related party transactions

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

The definition of related parties includes parent company, ultimate parent company, subsidiary, associated and joint venture companies, as well as the Company's key management which includes its Directors. Particulars of transactions, and the balances outstanding at the year end, are disclosed in the tables below. The Company's related party transactions disclosed on the tables below are with the branches and subsidiaries of Barclays Bank Plc

Statement of Comprehensive Income for the year ended 31 December 2019	Branches	Subsidiaries	Total
Net interest income/(expense)	(2,897)	-	(2,897)
Net fee and commission income/(expense)	(83,898)	-	(83,898)
Net trading Income	(204,731)	415	(204,316)
Operating expense	(219,344)	(952)	(220,296)
Impairment	103	-	103
Total Comprehensive Income	**(510,767)**	**(537)**	**(511,304)**

Statement of Financial Position as at 31 December 2019	Branches	Subsidiaries	Total
Assets			
Cash and cash equivalents	114,673	-	114,673
Derivative financial instruments	5,445,474	48,181	5,493,655
Loans and other receivables	24,264,930	4,224,456	28,489,386
Other assets	105	-	105
Financial assets mandatorily at fair value	19,960,191	8,252,614	28,212,805
Investment in subsidiaries	-	-	-
Total Assets	**49,785,373**	**12,525,251**	**62,310,624**
Liabilities			
Derivative financial instruments	(6,623,696)	(237,372)	(6,861,068)
Repurchase agreements	-	(7,522,208)	(7,522,208)
Borrowings	(18,459,359)	(4,060,310)	(22,519,669)
Other liabilities	(93,521)	(1,484)	(95,005)
Financial liabilities mandatorily at fair value	(28,700,947)	(8,840,323)	(37,541,270)
Total Liabilities	**(53,877,523)**	**(20,661,697)**	**(74,539,220)**

Figures in Pounds Sterling thousand

Statement of Comprehensive Income for the year ended 31 December 2018	Branches	Subsidiaries	Total
Net interest income/(expense)	(1,000)	-	(1,000)
Net fee and commission income/(expense)	(73,653)	31	(73,622)
Net trading Income	(132,016)	49	(131,967)
Operating expense	(207,363)	(21,112)	(228,475)
Impairment	(101)	-	(101)
Total Comprehensive Income	**(414,133)**	**(21,032)**	**(435,165)**

Statement of Financial Position as at 31 December 2018	Branches	Subsidiaries	Total
Assets			
Cash and cash equivalents	16,170	-	16,170
Derivative financial instruments	6,799,961	45	6,800,006
Loans and other receivables	17,552,202	10,511,369	28,063,571
Other assets	136	91	227
Financial assets mandatorily at fair value	17,626,887	8,528,461	26,155,348
Investment in subsidiaries	-	-	-
Total Assets	**41,995,356**	**19,039,966**	**61,035,322**
Liabilities			
Derivative financial instruments	(7,217,835)	(420)	(7,218,255)
Repurchase agreements	-	(7,028,049)	(7,028,049)
Borrowings	(9,885,689)	(10,266,407)	(20,152,096)
Other liabilities	(46,208)	-	(46,208)
Financial liabilities mandatorily at fair value	(18,480,781)	(8,762,702)	(27,243,483)
Total Liabilities	**(35,630,513)**	**(26,057,578)**	**(61,688,091)**

Principal transactions income from related party transactions is not disclosed above as the Company's activities are managed on a portfolio basis comprising of related party, external client and hedging transactions.

Barclays Bank Plc has provided to a limited number of third parties, guarantees on the performance of the Company in relation to obligations associated with prime brokerage and stock lending business activities.

Refer Note 8 for details on remuneration of Key Management Personnel.

36. Legal and regulatory matters

The financial reporting of legal and regulatory challenges involves a significant degree of judgement and is complex. Identifying whether a present obligation exists and estimating the probability, timing, nature and quantum of the outflows that may arise from past events requires judgements to be made based on the specific facts and circumstances relating to individual events and often requires specialist professional advice. When matters are at an early stage, accounting judgements and estimates can be difficult because of the high degree of uncertainty involved. Management continues to monitor matters as they develop to re-evaluate on an ongoing basis whether provisions should be recognised, however there can remain a wide range of possible outcomes and uncertainties, particularly in relation to legal, competition and regulatory matters, and as a result it is often not practicable to make meaningful estimates even when matters are at a more advanced stage. The Company has not disclosed an estimate of the potential financial effect of contingent liabilities where it is not currently practicable to do so.

Figures in Pounds Sterling thousand

37. Contingents and commitments

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events, and present obligations where the transfer of economic resources is uncertain or cannot be reliably measured. Contingent liabilities are not recognised on the balance sheet but are disclosed unless the outflow of economic resources is remote.

The following table summarises the nominal principal amount of contingent liabilities and commitments which are not recorded on balance sheet.

	2019	2018
Financial guarantees[a]	-	-
Undrawn commitments	98,585	63,984

Undrawn Commitments for the year include a Committed Margin Agreement with Prime Brokerage clients for £99m (2018: £16m) and Forward Starting Repurchase agreements of £Nil (2018: £48m). Apart from this the Company is also part of a DoLSub agreement with Barclays Bank Plc which may give rise to contingent liabilities albeit not quantifiable.

[a] 2018 figures restated by exclusion of €500m guarantee provided on behalf of Barclays Bank Plc to reflect termination of the guarantee during 2018.

38. Parent undertaking and ultimate holding company

The Company is a subsidiary undertaking of Barclays Plc, which is the ultimate parent company incorporated in the United Kingdom, which is also the ultimate controlling party.

The largest group in which the results of the Company are consolidated is that headed by Barclays Plc. The smallest group in which they are consolidated is that headed by Barclays Bank Plc. Both companies are incorporated in the United Kingdom and registered in England.

The consolidated financial statements of these groups are available to the public from Barclays Corporate Secretariat, 1 Churchill Place London E14 5HP. This information is available at: https://home.barclays/investor-relations/reports-and-events/annual-reports/

39. Events after the Balance Sheet Date

The contractual guarantee from Barclays Bank Plc to the Company which covers credit exposures arising from Counterparty Credit risk ranked by risk weighted amount, with a limit of £1 as of 31 December 2019 had been increased to £500m on 3 March 2020 and subsequently to £1.5bn and £2.0bn on 17 March 2020 and 31 March 2020 respectively. Refer Note 34 for further details.

The Company is monitoring the potential downside risk associated with both the direct and indirect impact of the COVID-19 outbreak. The Company continues to operate within its risk and capital limits which are being actively monitored by management.

On 11 March 2020 it was announced (and substantively enacted on 17 March 2020) that the UK corporation tax rate would remain at 19% and not reduce to 17% (the previously enacted rate) from 1 April 2020. The deferred tax balances included within the accounts have been calculated with reference to the rate of 17%, as required under IFRS. However, following the substantive enactment of the rate of 19%, it is anticipated that the reversal of temporary differences will occur at this rate and that the maximum impact on the quantum of net deferred tax liability recognised is assessed to be immaterial.

There are no other material events after 31 December 2019 and before adoption of the financial statements which need to be disclosed in the financial statements.