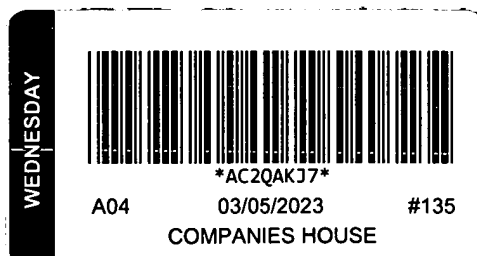


BARCLAYS CAPITAL SECURITIES LIMITED

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

REGISTERED NUMBER: 1929333



Barclays Capital Securities Limited

Strategic Report

For the year ended 31 December 2022

Principal activities

Barclays Capital Securities Limited (BCSL) is a UK incorporated legal entity. It is a subsidiary of Barclays Bank PLC (BBPLC) and operates within the financial services sector. BCSL (the 'Company') is a UK regulated legal entity providing clients with access to Equities and Equity Financing services across European and Asian markets. The principal activities of the Company include the provision of Prime Services, Equity Derivatives and Cash Equities to a global client base.

Business performance

The results of the Company show profit after tax of £329m (2021: £318m) and total income of £766m (2021: £724m). The Company has net assets of £2,232m (2021: £1,692m).

During the year, the Company issued an additional AT1 instrument in the form of Floating rate perpetual subordinated write down securities for £300m on 15 December 2022. This, together with profits retained for the year, has resulted in an increase in the Company's capital base.

Business environment

The year saw continued geopolitical unrest due to the Russian invasion of Ukraine, global inflationary pressures and responsive monetary policy action in the form of interest rate increases by central banks across the globe which have had profound effect on financial markets. Global equity market indices declined double digit percentages retreating to pre-pandemic levels from their record highs in 2021, in the context of these macro drivers^a.

Barclays Group's Global Markets business acted as a market-maker and liquidity provider to clients across the globe, playing an important role in helping them find opportunities and manage risk during a period of heightened market disruption. During a year which experienced several distinct episodes of volatility, we materially increased revenues and captured share relative to our peers.

As part of Global Markets business, the Company provides clients and the Barclays Group businesses with access to Equity markets in Europe and Asia through exchange memberships and clearing relationships. It also offers secured lending and prime brokerage services to its clients and manages the market risk for cash equity and equity derivative products for clients as well as the Barclays Group.

The Company's activities are authorised by the Prudential Regulation Authority ('PRA') and regulated by the PRA and the Financial Conduct Authority ('FCA'). The Company remains subject to ongoing and significant levels of regulatory change. In particular, we continue to pay close attention to the changing landscape of prudential requirements, supervisory expectations and changing approaches to stress testing and leverage reporting requirements. As part of wider Group structure and operations, the Company continues to assess and strengthen the control environment that provides assurance of effective and efficient operations, internal financial controls and compliance with law and regulation.

^a Bloomberg

Barclays Capital Securities Limited

Strategic Report

For the year ended 31 December 2022

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 changes on CRR2 and individual leverage requirements are coming 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 serving geographies and providing products where it has a competitive advantage while maintaining our client-centric approach and, in doing so, develop opportunities to grow our business and increase returns.

The Company continued to invest in enhancing the Barclays Group's Global Markets digital proposition, including our electronic trading capabilities and our digital self-service platform, as well as investing in Prime Brokerage and Financing platforms across Equities.

Section 172(1) statement

The Directors have acted in the way that they considered, in good faith, would be most likely to promote the success of the Company for the benefit of its sole member, BBPLC, and this section forms our Section 172 disclosure, describing how, in doing so, the Directors considered the matters set out in section 172(1)(a) to (f) of the Companies Act 2006. The Directors also took into account the views and interests of a wider set of stakeholders, including customers, regulators, the UK Government and non-governmental organization.

The Directors considered, amongst other matters, the following:

- 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;
- 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.

You can find out more about who the Barclays Group's key stakeholders are, how management and/or the Directors engaged with them, the key issues raised and actions taken on pages 16-20 of the Barclays PLC (BPLC) Annual Report 2022 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?

Depending on the decision in question, the relevance of each particular stakeholder group may differ, and equally the Board adopts a variety of methods of engagement with different stakeholder groups. The Board will sometimes engage directly with certain stakeholders on certain issues, but the size and distribution of our stakeholders and of Barclays means that stakeholder engagement often takes place at an operational level.

Barclays Capital Securities Limited

Strategic Report

For the year ended 31 December 2022

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 on, 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 and the information it receives, 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.

Engagement in action

The following are some examples of how the Directors have had regard to the matters set out in section 172 when discharging their duties.

Business review

During 2022, the Board received updates on the performance of the Company including the engagement with clients and the key transactions, as well as its financial performance. The Board reviewed in detail the Operating plan for the Company and tracked the progress against the plan. The Board also reviewed various aspects of the Company's operations such as capital management actions, the Company's performance and regulatory developments impacting the Company among other things.

Geopolitical tensions

The Company and the Board have established a strong risk management culture. Risks are identified and overseen through the Enterprise Risk Management Framework which specifies the principal risks of the Company and the approach to managing them. Current geopolitical tensions have also heightened awareness of certain principal risks such as conduct, reputational compliance and cyber risk. These risks are managed within the established risk framework.

Economic Environment

The Board is aware of how current inflationary trends are impacting our customers' and clients' activities. The impact of high inflation and increasing interest rates, coupled with rising energy costs is creating financial pressures across wider society and economic activities in general. The Board will keep the overarching situation under close review in order to ensure that Company continues to play its role in supporting our

Barclays Capital Securities Limited

Strategic Report

For the year ended 31 December 2022

customers and clients through these macro-economic changes and events. The Board continues to monitor the industry wide developments in Europe and United States and their impact on the Company.

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 changes in 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. Some key risks are listed below.

- Global GDP growth in 2022 was severely hampered by inflationary pressures resulting from: (a) the continued impact of COVID-19 pandemic on supply chains; (b) restricted labour markets and upward pressure on employment costs; and (c) escalating energy and food prices intensified by the Russian invasion of Ukraine. These macro-economic factors could adversely affect the client activity levels in equities markets and thus have an impact on the Company's performance.
- In response to persistent inflationary pressures, throughout 2022, central banks pursued policies of raising interest rates while also curtailing quantitative easing and in some cases commencing quantitative tightening. Both the elevated inflationary environment and higher interest rates are likely to adversely affect economic growth globally in 2023.
- Trading arrangements between the UK and the European Union (EU), following the UK's exit from the EU, may raise costs for UK customers trading with the EU and/or otherwise adversely affect their business.
- Trading disruption between the EU and the UK may have a significant impact on economic activity in the EU and the UK which, in turn, could have a material adverse effect on the Company's business, results of operations, financial condition and prospects. Unstable economic conditions could result in (among other things) widening of credit spreads or reduced investor appetite for the Barclays Bank Group's debt securities, which could negatively impact the Company's cost of and/or access to funding.

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- An escalation in geopolitical tensions or increased use of protectionist measures (such as the US and China implementing reciprocal trade tariffs) may have an adverse effect on the Company's business in the affected regions.

Risks relating to the impact of COVID-19

The COVID-19 pandemic has had a material adverse impact on businesses around the world and the economic and social environments in which they operate. It remains unclear how the COVID-19 pandemic will evolve through 2023 and the risks from further waves, new strains and/or vaccines proving ineffective, cannot be ruled out.

To the extent that the residual impacts of the COVID-19 pandemic continue to adversely affect the global economy and/or the Company, it may also have the effect of increasing the likelihood and/or magnitude of other risks described herein or may pose other risks which are not presently known to the Company or not currently expected to be significant to the Company's profitability, capital and liquidity.

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

Any and all such events mentioned above could have a material adverse effect on the Company's business, results of operations, financial condition, prospects, liquidity and capital position.

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 spreads, 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.

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

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In addition, the Company's business is generally exposed to a prolonged period of elevated asset price volatility, particularly if it adversely affects market liquidity. Such a scenario could impact the Company's ability to execute client trades and may also result in lower client flow-driven income and/or market-based losses on its existing portfolio of market risks. These can include higher hedging costs from rebalancing risks that need to be managed dynamically as market levels and their associated volatilities change. During the first quarter of 2023, the market volatility has heightened on back of recent banking industry developments on Credit Suisse and Silicon Valley Bank which had an impact on equities markets and the Company's client base and activities.

It is difficult to predict changes in market conditions, and such changes could have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

- **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, BBPLC, 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 Capital Requirements Regulation (CRR) as set out in the PRA's Prudential and Resolution Policy – Banking Index. The DoLSub arrangement constitutes BBPLC and the Company. Barclays has obtained an extension until 28 February 2027 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 BBPLC 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 to other Barclays Group entities including the Group Service Company. These outsourced activities are managed through various intra-group service agreements between BBPLC, the Company and the Group Service Company, in which the Company is

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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.

- **Climate Risk**

Climate risk refers to the impact on financial and operational risks arising from climate change through physical risks, risks associated with transitioning to a low-carbon economy and connected risks arising as a result of second order impacts on portfolios of these two drivers. The company operates within group risk management framework (Enterprise Risk Management Framework, EMRF) to which climate risk is added as principal risk from 1 January 2022. Climate risk controls are embedded across the financial and operational principal risk types through the Barclays Group's Frameworks, Policies and Standards, regulatory compliance and regularly reviewed by the Board.

- **Conduct Risk**

Conduct risk is the risk of poor outcomes for, or harm to, customers, clients and markets arising from the delivery of the Company's products and services. The company operates within Conduct Risk Management Framework (CRMF) as outlined by the group that manages and measures conduct risk profile by overseeing the development and maintenance of the relevant conduct risk policies and standards and monitoring and reporting on the consistent application and effectiveness of the implementation of controls.

- **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 authorizations to operate.

Refer Note 33 Capital management note to know how the Company actively manages its Capital risk.

External Regulatory Capital Requirements

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

Barclays Capital Securities Limited

Strategic Report

For the year ended 31 December 2022

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.

Certain Basel III standards were implemented in EU law through the Capital Requirements Regulation (CRR) and the Capital Requirements Directive IV (CRD IV), as amended by CRR II and CRD V. These standards were retained in the UK regulatory framework via a series of onshoring instruments as part of the UK's withdrawal from the European Union.

References to CRR, as amended by CRR II mean, unless otherwise specified, CRR as amended by CRR II, as it forms part of UK law pursuant to the European Union (Withdrawal) Act 2018. On March 2022, the temporary transitional powers (TTP) available to UK regulators to delay or phase in on-shoring of European Union legislation into UK law ended with full compliance of the on-shored regulations required from 1 April 2022.

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. Pillar 1 capital requirements are generated using the Company's risk models together with standardised calculations.

On 30 November 2022, the PRA published consultation paper CP16/22 concerning the implementation of the remaining Basel III standards, which include a revised standardised approach for credit risk, the elimination of modelled approaches for certain credit risk exposure categories, a new standardised approach for operational risk, a new market risk approach and the implementation of an output floor requiring reported RWAs calculated under the standardized and modelled approaches to be a minimum of 72.5% of fully standardised calculations. The EU has also launched its legislative process for implementing these remaining Basel III reforms.

Capital ratios

The Company is subject to a Pillar 1 minimum capital requirement of 4.5% to be met with CET1 capital entirely. The Company is also subject to a 'combined buffer requirement' consisting of (i) a capital conservation buffer of 2.5%, and (ii) a countercyclical capital buffer (CCyB). The CCyB is based on rates determined by the regulatory authorities in each jurisdiction in which the Barclays Group maintains exposures. In March 2020, the FPC cut the UK CCyB rate to 0% with immediate effect in order to support the supply of credit expected as a result of the COVID-19 pandemic. In December 2021, the FPC raised the UK CCyB to 1% with effect from 13 December 2022. In July 2022, the FPC announced that it would raise the UK CCyB rate to 2% with effect from 5 July 2023. No systemic risk buffer (SRB) has been set to date.

The PRA requires UK firms to hold additional capital to cover risks which the PRA assesses are not fully captured by the Pillar 1 capital requirement. The PRA sets this additional capital requirement (Pillar 2A) at least annually, derived from each firm's individual capital guidance. Under current PRA rules, the Pillar 2A must be met with at least 56.25% CET1 capital and no more than 25% tier 2 capital. In addition, the capital that firms use to meet their minimum requirements (Pillar 1 and Pillar 2A) cannot be counted towards meeting the combined buffer requirement. The Company's Pillar 2A requirement for 2022 was a static add

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For the year ended 31 December 2022

on of 2.68%, of which 56.25% needs to be met with CET1 capital, equating to approximately 1.5% of the RWAs. All capital and RWA calculations reflect the Company's interpretations of the current rules.

As at 31 December 2022, the Company's CET1 ratio was 14.7% (2021: 17.0%) which exceeds the 2022 minimum requirement of 8.8% including the minimum 4.5% of CET1 requirement, 1.5% of Pillar 2A requirement, a 2.5% CCB buffer and a 0.3% CCyB buffer.

The table below provides details of the Company's CRD V transitional capital ratios, capital resources and RWAs at 31 December 2022 and 2021.

	2022	2021
Risk weighted assets (in £'000)	10,990,325	8,167,669
Common Equity Tier 1 capital ratio	14.7%	17.0%
Tier 1 capital ratio	19.2%	19.5%
Total capital ratio	21.9%	23.1%

The Company's Total capital ratio decreased to 21.9% (2021:23.1%), as a result of a 35% increase in RWAs to £10,990m partially offset by 28% increase in total capital.

Significant regulatory updates in the period

On 1 January 2022 the PRA's implementation of Basel III standards took effect including the introduction of the Standardized Approach for Counterparty Credit Risk (SA-CCR), which replaces the Current Exposure Method (CEM) for Standardized derivative exposures as a more risk sensitive approach. In addition, the PRA also implemented IRB roadmap changes which include revisions to the criteria for definition of default, probability of default (PD) and loss given default (LGD) estimation to ensure supervisory consistency and increase transparency of IRB models.

From 1 January 2022, UK banks became subject to a single UK leverage ratio requirement meaning that the CRR leverage ratio no longer applies. Under the revised UK leverage ratio framework, central bank claims have been excluded from the UK leverage exposure measure where they are matched by qualifying liabilities (rather than deposits). BCSL is required to meet minimum UK Leverage exposure requirements from 1 January 2023 along with additional reporting requirement in the form of Average reporting. As at December 2022, the entity reported a UK leverage ratio of 4% which is well above the minimum requirement of 3.35% that is effective from 1 January 2023.

Per the CRR II regulations, the entity falls under the ambit of the 'large institution' definition as per Article 4 (146) & (147), as the total value of its assets is equal to or greater than EUR 30 billion. As a consequence, the entity is publishing an entity specific Pillar 3 disclosure from 1 January 2022.

Barclays Capital Securities Limited

Strategic Report

For the year ended 31 December 2022

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 increased by 5.9% to £766m from 2021 driven by growth in Prime Services and Equity Derivatives business. Total operating expenses increased by 7.5% to £278m from 2021 reflecting the technology investments in the business. Profit after tax increased by 3.5% to £329m (2021: £318m).

FOR AND ON BEHALF OF THE BOARD



Steven Ewart
Director

24 April 2023
Company Number 1929333

Barclays Capital Securities Limited

Directors' Report

For the year ended 31 December 2022

The Directors present their annual report together with the audited financial statements of Barclays Capital Securities Limited (the 'Company' or 'BCSL') for the year ended 31 December 2022.

Profit and dividends

The results of the Company show profit after tax of £329m (2021: £318m) and total income of £766m (2021: £724m). The Company has net assets of £2,232m (2021: £1,692m).

The company paid an interim dividend of £75m in relation to the financial year ended 31 December 2022 during the year (2021: Nil).

Directors

The Directors of the Company, who served during the year 2022 and up to the date of signing the financial statements, are as shown below:

Michael Ashley – Non-Executive Director, Board Chair, Board Nominations Committee Chair and Board Audit Committee Chair

Dawn Fitzpatrick - Non-Executive Director and, until 30 April 2022, Board Remuneration Committee Interim Chair and Board Risk Committee Interim Chair

Paul Leech - Chief Executive Officer (resigned 7 February 2023)

Robert Berry – Non-Executive Director and, from 1 May 2022, Board Remuneration Committee Chair and Board Risk Committee Chair

Steven Ewart – Chief Financial Officer

Julia Wilson – Non-Executive Director (appointed 1 April 2023)

Corporate Governance Statement

The Board endeavors to maintain high standards of corporate governance and, as explained last year, we have chosen not to adopt and report against the 2018 UK Corporate Governance Code, as this is designed for premium listed companies. Whilst we fully supported 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 continue to 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 continued to adopt 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, as reported last year, is that our governance arrangements:

- are effective;
- provide checks and balances and encourage constructive challenge;
- drive informed, collaborative and accountable decision-making; and
- create long-term sustainable value for our shareholder, the ultimate shareholders of Barclays and our wider stakeholders.

Barclays Capital Securities Limited

Directors' Report

For the year ended 31 December 2022

Set out below are the principles which underpin our corporate governance arrangements and how these principles have been applied during 2022.

The Barclays Group-wide governance framework is set by BPLC and has been designed to facilitate 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 2022:

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.

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- The Board is responsible for the overall leadership of the Company and is also responsible for setting the Company's strategic direction (within agreed parameters) and creating and articulating a clear vision based on Barclays' Values.
 - 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.
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Principle Two: Division of Responsibilities

An effective Board requires a clear division of responsibilities with the Chairman 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, who is supported in this role by the Executive Committee. 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.

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- There is a clear division of responsibilities between the Chairman and Chief Executive, which is 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 the Company's Charter of Expectations, setting out the role and responsibilities of each Director.
 - The Board's responsibilities 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 it to undertake its work with due care and discharge its responsibilities.
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Barclays Capital Securities Limited

Directors' Report

For the year ended 31 December 2022

Principle Three: Composition, Succession and Evaluation

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

-
- The size and composition of the Board is appropriate to a large UK Investment Firm (the principal activities of which are outlined on page 1). A good balance exists between Executive and Non-Executive Directors who bring a strong combination of technical, finance (including financial services), risk and audit experience. In addition, the Chairman brings independent challenge as well as insights from his other Non-Executive appointments within the Barclays Group. As at the date of signing these financial statements, the BCSL Board is composed of Michael Ashley (Chairman, Non-Executive Director), Dawn Fitzpatrick (Non-Executive Director), Robert Berry (Non-Executive Director), Julia Wilson (Non-Executive Director) and Steven Ewart (Chief Financial Officer). In February 2023, the BCSL Board approved the appointment of Stephen Dainton as Chief Executive Officer and a director, replacing Paul Leech in these roles. The appointments are subject to regulatory approval.
 - All appointments to the Board and senior management are based on merit and objective criteria with a strong acknowledgement of the benefits of diversity (including but not limited to gender, ethnicity, geography and business experience) for an effective Board and organisation. Diversity will remain a key area of focus. Further detail, including on the BPLC's Board Diversity Policy, can be found in the BPLC Annual Report 2022.
 - Accountability is driven through routine evaluations in accordance with the Barclays Group Policy on Legal Entities and Directors.
 - On an annual basis in line with the Matters Reserved for the Board and Terms of References of the Board Committees an effectiveness review of the Board and Committees is carried out.

Principle Four: Audit, Risk and Internal Control

The Board has established 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.

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Directors' Report

For the year ended 31 December 2022

- The Board has delegated review and monitoring of certain matters to its Board Risk Committee and Board Audit Committee and receives regular reports from them on relevant matters.
 - Principal risks have been identified, as articulated on pages 4-7 of the Strategic Report, and are integrated with those of the Barclays Group, with robust processes in place to evaluate and manage such risks.
 - The BPLC Board Risk Committee reviews, on behalf of the BPLC Board, BPLC's Risk management function's recommendations on the principal risks as set out in the Barclays Group's Enterprise Risk Management Framework (ERMF), with the exception of Reputation risk which is a matter reserved to the Board; the BPLC Board Risk Committee recommends the ERMF to the BPLC Board for approval; and, following such approval, the BPLC Risk management function refers the ERMF to Barclays Group subsidiaries for adoption. As part of its remit, the BPLC Board Risk Committee keeps under review the effectiveness of BPLC's risk management systems and, on an annual basis, BPLC evaluates the appropriateness of the Barclays Group's risk measurement systems and models governance. The Barclays Group's ERMF is, following review and recommendation by the BCSL Board Risk Committee, adopted by the BCSL Board; and thus applies to the Company also; and, as indicated above, the Company's risk measurements systems and models governance are part of the overall Barclays Group matters, which are evaluated as to their appropriateness by BPLC's Board Risk Committee.
 - The BCSL Board approves, within the parameters set by BPLC, the Company's risk appetite, i.e. the level of risk which the Company is prepared to accept across different risk types.
 - Effectiveness of risk management is reviewed regularly by the BCSL Board Risk Committee (with responsibility for providing oversight on current and potential future risk exposures).
 - The BPLC Board Audit Committee reviews and monitors, among other matters, the effectiveness of the Barclays Group's internal controls and the independence and effectiveness of the internal and external audit processes. As such, there are internal controls which are applied and monitored at a Barclays Group level, and thus apply to the Company also.
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Principle Five: Remuneration

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

Barclays Capital Securities Limited

Directors' Report

For the year ended 31 December 2022

- The Barclays Group's Remuneration Policy is set by the BPLC Remuneration Committee, which has responsibility for setting the overarching principles and parameters of remuneration policy across the Barclays Group and for considering and approving the remuneration arrangements of senior executives. The Remuneration Policy links remuneration to achieving sustained high performance and creating long-term value.
 - The Policy is applied in respect of all employees of the Barclays Group, including those who carry out work for the Company, given that the Company did not have any employees itself as of, or during the year ended, 31 December 2022 (nor as of the date of issue of this Report). Refer to Note 8 for details.
 - No Director participates in discussions or decisions relating to his or her own remuneration.
 - The Barclays Group remains focused on closing its gender and ethnicity representation gaps where they exist, and the pay gaps that result. The 2022 gender pay gap statistics are due to be published on the Government's Gender Pay Gap reporting portal in February 2023. For 2022, Barclays has also published a Fair Pay report summarising its approach to pay fairness.
-

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 behavior 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 page 2 of the Strategic Report for details of our key stakeholders.
 - The Board seeks to understand key stakeholders' views, and the impact of the Company's behavior and business on them. In response to The Companies (Miscellaneous Reporting) Regulations 2018, further information on stakeholder engagement can be found in the Strategic Report.
 - Details on how we engaged with our stakeholders in 2022, and the link between stakeholder management and key decisions, is set out in the section 172 statement on page 2 of the Strategic Report.
 - The Board monitors key indicators across areas such as conduct and discusses matters such as culture on a regular and ongoing basis.
-

Going concern

The Directors have prepared the financial statements on a going concern basis.

In preparing the Company financial statements, the Directors are required to:

- 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.

Barclays Capital Securities Limited

Directors' Report

For the year ended 31 December 2022

After reviewing the Company's financial position, performance projections; the available banking facilities and taking into account the support available from BBPLC and the ability and intent of BBPLC 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. 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 UK-adopted international accounting standards 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 UK-adopted international accounting standards;
- 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 the accompanying notes to the Financial Statements.

Barclays Capital Securities Limited

Directors' Report

For the year ended 31 December 2022

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 2022 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 which may occur (or have occurred) in connection with their duties, powers or office.

Environment and ESG

The company is part of the Barclays Group-wide initiatives on Environment and ESG matters. The Barclays Group is firmly committed to enhancing its disclosures and in engaging with industry-led initiatives intended to support an effective and trusted ESG ratings market.

Although financed emissions account for the greatest proportion of the Group's climate impact, addressing its operational emissions is also important to meeting the Group's net zero by 2050 ambition. The Group is aiming to integrate sustainability across the way it runs the business, from decarbonising the operations to managing its impact on biodiversity and nature.

To reflect the Group's commitment to reducing operational emissions beyond its Scope 1 and Scope 2 emissions, the Group is adding Scope 3 operational emissions to its net zero ambition. The Group now defines net zero operations as the state in which it will achieve a greenhouse gas reduction of its Scope 1, Scope 2 and Scope 3 operational emissions consistent with a 1.5°C aligned pathway and counterbalance any residual emissions.

The standards available to understand and define net zero are rapidly evolving. The Group will continue to review and develop its own approach to net zero operations as this subject area matures.

On the progress to date, the Group achieved its 90% GHG market-based emissions reduction target for Scope 1 and Scope 2, having reduced its Scope 1 and Scope 2 emissions by 91% since 2018 and sourced 100% renewable electricity for its global real estate portfolio in 2022. The Group also achieved its renewable electricity target ahead of schedule by matching 100% of our electricity consumption with energy attribute certificates and green tariffs which is a transitional solution as it seeks to increase the proportion of on-site renewable electricity sources and Power Purchase Agreements. In 2022, the Group expanded its net zero operations approach to include its supply chain emissions as they account for the majority of the Group's operational emissions.

Please see from page 72 of BPLC Annual Report 2022 on our website at <https://home.barclays/citizenship/> for more details of the Group's net zero operations strategy.

The Group has disclosed global GHG emissions and energy use data as required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. See the ESG Data Centre^a for further details on its annual operational GHG emissions since 2018, including the Scope 1, Scope 2 and Scope 3 business travel location-based and market-based emissions. It further provides insights on the Group's annual waste production, energy and water consumption and renewable electricity consumption by country.

^a The ESG (non-financial) Data Centre can be accessed online within the ESG Resource Hub at: home.barclays/sustainability/esg-resource-hub/reporting-and-disclosures/

Barclays Capital Securities Limited

Directors' Report

For the year ended 31 December 2022

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

Customers and clients are at the heart of everything we do and we are relentless in our commitment to understanding the needs of our customers and clients in order to inform and improve our products and services. The Directors have regard, via management oversight, to the need to foster business relationships with suppliers and, as such, engage with them to seek adherence to the Barclays' Third Party Code of Conduct (TPCoC) and Supplier Control Obligations (SCO) which cover our expectations of suppliers. For our higher risk suppliers, their adherence to the SCO and TPCoC is captured pre-contractually via a Pre-Contract Supplier Assurance Attestation. Further, Barclays is a signatory to the Prompt Payment Code in the UK, aiming to pay our suppliers within clearly defined terms.

Further information on 'Supporting our supply chain' is set out in the BPLC Annual Report 2022.

Pillar 3 disclosures

The Company is subject to Pillar 3 disclosures beginning from 1 January 2022 and will be publishing its disclosures as at 31 December 2022 (information available at: <https://home.barclays/investor-relations/reports-and-events/annual-reports/>).

The Company's parent, BBPLC as well as its ultimate parent BPLC have published information on its risk management objectives & policies along with its regulatory capital requirements & resources in the same site. This is in accordance with the rules of the Financial Conduct Authority and Prudential Regulation Authority.

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

The BPLC Board Audit Committee reviews the appointment of the statutory auditors, as well as their relationship with the Barclays Group, including monitoring the Barclays Group's use of the statutory auditors for non-audit services and the balance of audit and non-audit fees paid to them.

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.

Non-audit services

In order to safeguard the auditor's independence and objectivity, the Barclays Group has in place a policy setting out the circumstances in which the auditor may be engaged to provide services other than those covered by the Barclays Group audit. The Barclays Group Policy on the Provision of Services by the Group Statutory Auditor (the Policy) applies to all Barclays' subsidiaries and other material entities over which Barclays has significant influence. The core principle of the Policy is that non-audit services (other than those legally required to be carried out by the Barclays Group's auditor) should be performed by the auditor only in certain controlled circumstances. The Policy sets out those types of services that are strictly permitted.

Barclays Capital Securities Limited

Directors' Report

For the year ended 31 December 2022

The fees payable to KPMG LLP by the Company for the year ended 31 December 2022 amounted to £0.7m (2021: £0.5m), of which £0.5m (2021: £0.4m) was payable in respect of non-audit services, all of which related to statutory or regulatory filings. A breakdown of the fees payable to the auditor for statutory audit and non-audit work can be found in Note 8 to the financial statements.

Statement of disclosure of information to the auditor

Each Director confirms that, so far as he/she is aware, there is no relevant audit information of which the Company's Auditor is unaware. 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 Auditor is aware of that information. This confirmation is given pursuant to section 418 of the Act and should be interpreted in accordance with and subject to those provisions.

Post balance sheet events

The contractual guarantee from BBPLC to the Company covering large exposures was increased from a limit of £1.5bn as of 31 December 2022 to £2.5bn on 15 February 2023, as part of the overall capital management actions for the entity.

There were no other important events affecting the Company which have occurred since 31 December 2022.

FOR AND ON BEHALF OF THE BOARD



Steven Ewart
Director
24 April 2023

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 2022 which comprise the Income Statement, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and related notes, including the Summary of Significant Accounting Policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; 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 as applied to other entities of public interest. 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").

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 were:

- The availability of funding and liquidity in the event of a market-wide stress scenario; and
- The ability and intent of Barclays Bank PLC to continue to provide support to the Company.

Given the level of financial resources, and the risks inherent in the cash flows, particularly the reliance on Barclays Bank PLC, our evaluation of the Directors' going concern assessment was of particular significance in our audit.

We considered whether these risks could plausibly affect the liquidity in the going concern period by assessing the Directors' sensitivities over the level of available financial resources indicated by the Company's financial forecasts taking account of severe, but plausible adverse effects that could arise from these risks individually and collectively.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;

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

- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Review of the Company's internal audit reports, and Board Minutes of the Company; and
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements.

On this audit we do not believe there is a fraud risk related to revenue recognition because revenue streams are simple in nature with respect to accounting policy choice, and are easily verifiable to external data sources or agreements with little or no requirement for estimation from management. We also identified fraud risks related to:

- unobservable pricing inputs into the valuation of level 3 fair value financial instruments; and
- existence and accuracy of unconfirmed over-the-counter bi-lateral derivatives.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of some of the Barclays group-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries to test based on high-risk criteria and comparing the identified entries to supporting documentation;
- Evaluating the design and implementation and operating effectiveness of relevant internal controls;
- Assessing significant accounting estimates relating to valuation of fair value financial instruments for bias;
- Engaging valuation specialists to independently revalue a selection of positions;
- Inspecting reconciliation breaks relating to unconfirmed trades at year-end; and
- Substantive procedures to address the fraud risk.

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

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The laws and regulations the Company is subject to that directly impact the financial statements are financial reporting legislation (including related companies' legislation), distributable profits legislation, and taxation legislation.

We have assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

The Company is also subject to many other laws and regulations, where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's licence to operate in countries where the non-adherence to laws could prevent trading in such countries. We identified the following areas as those most likely to have such an effect:

- Specific aspects of regulatory capital and liquidity
- Customer conduct rules
- Money laundering
- Sanctions list and financial crime
- Market abuse regulations
- Certain aspects of company legislation recognising the financial and regulated nature of the Company's activities.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed noncompliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit

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

procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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.

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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 16, 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.

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

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

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.



Matthew Davies (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square,
London
E14 5 GL
24 April 2023

Barclays Capital Securities Limited
Income Statement for the year ended 31 December 2022

Figures in Pounds Sterling thousand	Note	2022	2021
Continuing operations:			
Net interest expense	4	(8,827)	(8,768)
Net fee and commission income	5	65,743	61,117
Net trading income	6	709,572	671,374
Total net income		766,488	723,723
Credit impairment (charges)/release	7	(169)	151
Net operating income		766,319	723,874
Operating expenses	8	(277,700)	(258,228)
Profit before tax		488,619	465,646
Taxation	9	(159,190)	(147,818)
Profit after tax from continuing operations		329,429	317,828
Total comprehensive income for the year attributable to equity holders of the parent		329,429	317,828

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

The accompanying notes from pages 30 to 82 form an integral part of the financial statements.

Barclays Capital Securities Limited
Statement of Financial Position as at 31 December 2022

Figures in Pounds Sterling thousand	Note	2022	2021
Assets			
Current assets			
Cash and cash equivalents	10	849,606	846,286
Trading portfolio assets	11	28,235,245	33,085,375
Derivative financial instruments	12	15,113,686	12,089,519
Financial assets mandatorily at fair value	14	61,150,497	57,323,785
Loans and other receivables at amortised cost	15	34,713,515	41,403,550
Other assets	16	379,194	230,975
		140,441,743	144,979,490
Non-current assets			
Financial assets mandatorily at fair value	14	201,562	678,488
Loans and other receivables at amortised cost	15	1,060,793	49,571
Investments in subsidiaries	18	—	—
		1,262,355	728,059
Total assets		141,704,098	145,707,549
Liabilities			
Current liabilities			
Trading portfolio liabilities	11	27,552,261	17,599,352
Derivative financial instruments	12	15,749,979	12,179,860
Financial liabilities designated at fair value	19	46,816,306	45,675,449
Borrowings	20	43,154,392	57,540,603
Other liabilities	21	521,820	339,101
Current tax liabilities	22	68,645	83,077
		133,863,403	133,417,442
Non-current liabilities			
Repurchase agreements at amortised cost	13	4,974,494	7,356,833
Financial liabilities designated at fair value	19	318,403	509,081
Borrowings	20	315,762	2,731,577
Deferred tax liabilities	17	329	449
		5,608,988	10,597,940
Total liabilities		139,472,391	144,015,382
Shareholders' equity			
Share capital	23 (i)	571,071	571,071
Other equity instruments	23 (ii)	500,000	200,000
Other reserves	24	250,000	250,000
Retained earnings		910,636	671,096
Total equity		2,231,707	1,692,167
Total equity and liabilities		141,704,098	145,707,549

The accompanying notes from pages 30 to 82 form an integral part of the financial statements.

Barclays Capital Securities Limited
Statement of Financial Position as at 31 December 2022

The financial statements were approved by the Board of Directors and authorised for issue on 21 April 2023 and were signed on its behalf by:



Steven Ewart
Director

24 April 2023

Barclays Capital Securities Limited

Statement of Changes in Equity for the year ended 31 December 2022

Figures in Pounds Sterling thousand	Ordinary shares	Preference shares	Other equity instruments	Capital redemption reserve	Retained earnings	Total equity
Balance as at 1 January 2022	571,070	1	200,000	250,000	671,096	1,692,167
Issue of other equity instruments (Refer Note 23(ii))			300,000			300,000
Profit for the year					329,429	329,429
Other equity instruments coupons paid					(14,889)	(14,889)
Dividends paid on ordinary shares (Refer Note 23(iii))					(75,000)	(75,000)
Balance as at 31 December 2022	571,070	1	500,000	250,000	910,636	2,231,707
Balance as at 1 January 2021	571,070	1	200,000	250,000	365,925	1,386,996
Profit for the year					317,828	317,828
Other equity instruments coupons paid					(12,657)	(12,657)
Balance as at 31 December 2021	571,070	1	200,000	250,000	671,096	1,692,167

The accompanying notes from pages 30 to 82 form an integral part of the financial statements.

Barclays Capital Securities Limited

Statement of Cash Flows for the year ended 31 December 2022

Figures in Pounds Sterling thousand	2022	2021
Continuing operations:		
Reconciliation of profit before tax to net cash flows from operating activities		
Net cash flow from operating activities		
Profit from operations	488,619	465,646
Adjustments for non-cash items:		
Impairment	169	(151)
Other non-cash movements	(22,971)	(18,604)
Cash flows from operating activities:		
Net decrease/(increase) in trading portfolio assets	4,850,130	(11,959,031)
Net (increase) in derivative financial instrument assets	(3,024,167)	(3,188,850)
Net (increase) in financial assets mandatorily at fair value	(3,349,786)	(11,374,809)
Net decrease/(increase) in loans and receivables	5,678,644	(3,395,031)
Net (increase) in other assets	(253,248)	(145,025)
Net increase in trading portfolio liabilities	9,952,909	3,418,004
Net increase in derivative financial instrument liabilities	3,570,119	2,766,211
Net decrease in repurchase agreements	(2,382,339)	(784,103)
Net increase in financial liabilities designated at fair value	950,179	5,645,771
Net (decrease)/increase in borrowings	(16,802,026)	18,558,339
Net increase in other liabilities	182,719	74,446
Corporate income tax paid	(45,742)	(34,727)
Net cash from operating activities	(206,791)	28,086
Cash flows from financing activities		
Net (decrease) in sub debt borrowings	—	(33,213)
Dividends paid on ordinary shares	(75,000)	—
Issue of other equity instruments	300,000	—
Other equity instruments coupons paid	(14,889)	(12,657)
Net cash from financing activities	210,111	(45,870)
Net increase/(decrease) in cash and cash equivalents	3,320	(17,784)
Cash and cash equivalents at the beginning of the year	846,286	864,070
Cash and cash equivalents at the end of year	849,606	846,286

Interest paid by the Company was £8.8m (2021 - £8.8m).

The accompanying notes from pages 30 to 82 form an integral part of the financial statements.

Barclays Capital Securities Limited

Notes to the Financial Statements for the year ended 31 December 2022

1. Reporting entity

These financial statements are prepared for Barclays Capital Securities Limited (the 'Company'), the principal activities of the Company include provision of Prime Services, Equity Derivatives and Cash Equities. 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 BBPLC and the ultimate holding company and the parent undertaking of the largest group that presents group financial statements is BPLC, both of which prepare consolidated financial statements in accordance with international accounting standards in conformity with the requirements of the Company Act 2006 and in accordance with International Financial Reporting Standards (IFRS) and interpretations (IFRICs) as issued by the IASB and endorsed by the UK. Accordingly, consolidated financial statements have not been prepared by the Company 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 UK-adopted international accounting standards. 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 functional currency of the Company.

Going concern

After reviewing the Company's financial position, performance projections (including the implications from current geopolitical tensions and recent uncertain market conditions), the available banking facilities and taking into account the support available from BBPLC and the ability and intent of BBPLC 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. Consequently, the Directors have adopted the going concern basis in preparing these financial statements.

New and amended standards and interpretations

The accounting policies adopted have been consistently applied.

Future accounting developments

The following accounting standards have been issued by the IASB but are not yet effective:

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

In January 2020 the IASB issued amendments to IAS 1 to clarify the presentation of liabilities in the balance sheet, with an effective date of 1 January 2024. These amendments are yet to be adopted by the UK.

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Notes to the Financial Statements for the year ended 31 December 2022

The amendments clarify that a liability should be classified as non-current only if the entity has the right to defer settlement of the liability for at least 12 months after the reporting period, and that (i) the right to defer settlement must exist at the end of the reporting period and (ii) management's intentions or expectations about whether it will exercise its right to defer settlement does not affect the classification.

Further clarifications include how lending conditions affect classification and classification of liabilities the entity will or may settle by issuing its own equity instruments.

In October 2022, the IASB also issued further amendments to IAS 1 to improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants, and to respond to stakeholders' concerns about the classification of such a liability as current or non-current.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021 the IASB issued amendments to IAS 1 that require entities to disclose their material accounting policies rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on the concept of materiality and its application to accounting policy information.

Under the amendments, accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments are effective for annual periods beginning on or after 1 January 2023, and will be applied from that date.

Definition of Accounting Estimate - Amendments to IAS 8

In February 2021 the IASB issued amendments to IAS 8 that replace the definition of a change in accounting estimates with a definition of accounting estimates.

Under the new definition, accounting estimates are clarified as monetary amounts in financial statements that are subject to measurement uncertainty. Where an entity's accounting policy requires an item to be measured at monetary amounts that cannot be observed directly, it should develop an accounting estimate to achieve this objective.

The amendments are effective for annual periods beginning on or after 1 January 2023, and will be applied from that date.

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, 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. Exchange gains and losses on such balances are taken to the income statement.

The Company does not have any foreign operations.

Barclays Capital Securities Limited

Notes to the Financial Statements for the year ended 31 December 2022

(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 Net Fee and Commission income 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 (or 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. In accordance with IFRS 9, 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

The Company applies IAS 12 Income Taxes in accounting for taxes on income. Income tax payable on taxable profits ('current tax') is recognised as an expense in the period in which the profits arise. Withholding taxes are also treated as income taxes. 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. Current tax is measured using tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

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 liabilities are recognised for all taxable temporary differences.

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.

The key area of judgement that impacts the reported tax position is on the level of provisioning for uncertain tax positions. The Company does not consider there to be a significant risk of a material adjustment to the carrying amount of current and deferred tax balances, including provisions for uncertain tax positions in the next financial year. The provisions for uncertain tax positions cover a diverse range of issues and reflect advice from external counsel where relevant. It should be noted that only a proportion of the total uncertain tax positions will be under audit at any point in time, and could therefore be subject to challenge by a tax authority over the next year.

Barclays Capital Securities Limited

Notes to the Financial Statements for the year ended 31 December 2022

(f) Financial assets and liabilities

The Company applies IFRS 9 Financial Instruments to the recognition, classification, measurement and derecognition of financial assets/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:

- The business model within which financial assets are managed; and
- 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 measured at amortised cost, except for trading liabilities and liabilities designated 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.

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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 Company's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Company'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

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Notes to the Financial Statements for the year ended 31 December 2022

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.

Offsetting financial assets and financial liabilities

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 Company's net trading income and derivative assets and liabilities. Notional amounts of the contracts are not recorded on the balance sheet.

All derivative instruments are held at fair value through profit or loss. Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative. 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 unless accounted for at amortised cost.

(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 on 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.

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Notes to the Financial Statements for the year ended 31 December 2022

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 10.

(j) Issued financial instruments

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) Changes in the basis for determining contractual cash flows resulting from interest rate benchmark reform:

A change in the basis for determining the contractual cash flows of a financial instrument that is required by interest rate benchmark reform is accounted for by updating the effective interest rate, without the recognition of an immediate gain or loss. This practical expedient is only applied where (1) the change to the contractual cash flows is necessary as a direct consequence of the reform and (2) the new basis for determining the contractual cash flows is economically equivalent to the previous basis. For changes made in addition to those required by the interest rate benchmark reform, the practical expedient is applied first, after which the normal IFRS 9 requirements for modifications of financial instruments is applied.

Refer to Note 37 for further disclosure related to interest rate benchmark reform.

(m) Provisions and contingent liabilities

Provisions are recognised for present obligations arising as consequences of past events where it is more likely than not that a transfer of economic 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 on the balance sheet but are disclosed unless the likelihood of an outflow of economic resources is remote.

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Notes to the Financial Statements for the year ended 31 December 2022

Figures in Pounds Sterling thousand

(n) 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 26 and Taxation in Note 9. There are no other areas involving significant accounting estimates and judgements.

4. Interest expense

	2022	2021
Net interest expense	(8,827)	(8,768)
	(8,827)	(8,768)

Interest expense relates to interest on Subordinated Debt funding of £300m (2021: £300m) 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.

	2022	2021 ^a
Fee Type		
Markets Execution ^a	177,126	148,619
Management and Advisory	30,821	29,398
Service fees from Affiliates	6,970	32,934
Total revenue from contracts with customers	214,917	210,951
Transfer pricing and revenue share	(31,738)	(36,110)
Fee and commission income^a	183,179	174,841
 Non Affiliates ^a	 (33,174)	 (24,746)
Affiliates	(84,262)	(88,978)
Fee and commission expense^a	(117,436)	(113,724)
	65,743	61,117

^a Markets Execution fee and commission income and Non Affiliates expense for 2021 have been restated by exclusion of £50m each to reflect the net presentation for agency execution services. This restatement had no impact on the net assets and profit before tax of the Company.

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Notes to the Financial Statements for the year ended 31 December 2022

Figures in Pounds Sterling thousand

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.

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 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 expenses 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.

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 on a continuous basis.

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.

Barclays Capital Securities Limited

Notes to the Financial Statements for the year ended 31 December 2022

Figures in Pounds Sterling thousand

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 2022.

6. Net trading income

	2022	2021
Net trading income	709,572	671,374
	709,572	671,374

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

7. Credit impairment

	Recoveries and Impairment Reimburse Total 2022			Recoveries and Impairment Reimburse Total 2021		
Loans and other receivables at amortised cost	(5,076)	4,907	(169)	151	—	151
Total Impairment Charges	(5,076)	4,907	(169)	151	—	151

^a Recoveries and Reimbursements include amount recoverable of £4.9m (2021: Nil) from contractual guarantees provided by the parent to cover the Company's credit exposures arising from counterparty credit risk ranked by risk weighted amount.

Refer Note 30 for more details on impairment movements during the year.

8. Operating expenses

	2022	2021
Operating expenses type:		
Recharges	(276,576)	(257,771)
Auditor's remuneration		
- Audit of the Company's financial statements ^a	(154)	(91)
- Other audit related services ^b	(491)	(366)
Others ^c	(479)	—
Total	(277,700)	(258,228)

Barclays Capital Securities Limited

Notes to the Financial Statements for the year ended 31 December 2022

Figures in Pounds Sterling thousand

The majority of operating expenses of the Company, including staff costs and administrative costs, have been incurred 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.
- ^c Comprises guarantee fees charged by BBPLC for provision of contractual guarantees to cover the Company's credit exposures arising from counterparty credit risk.

Employees and key management, including Directors emoluments

The Company has no direct employees during 2022 and 2021. All staff employed in the business were contracted to BBPLC or Barclays Execution Services Limited. These costs are included in the recharges above.

Disclosures of the Directors' remuneration as required by the Companies Act 2006 are as follows:

	2022	2021
Aggregate remuneration in respect of qualifying services	(53)	(49)
Aggregate amounts receivable under long-term incentive schemes	—	—
Aggregate contributions due to Barclays Group Pension scheme	—	—
Total	(53)	(49)

Key Management Personnel Compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including the Directors of the Company listed on page 11.

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 (2021: Nil). The Executive Directors are employed by another Group company and their services to this Company are considered incidental to other services provided.

During the year, no Directors exercised options under the BPLC Sharesave scheme and Long Term Incentive Schemes (2021: Nil).

The Company has made no loans, guarantees or other such dealings to its Directors during the year (2021: Nil).

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Notes to the Financial Statements for the year ended 31 December 2022

Figures in Pounds Sterling thousand

9. Taxation

	2022	2021
Major components of the tax expense		
Current tax charge:		
Current year	(159,310)	(141,075)
Adjustments for prior years	—	(6,739)
	(159,310)	(147,814)
Deferred tax charge/(credit):		
Current year	64	63
Adjustments for prior years	—	—
Rate change adjustment	56	(67)
	120	(4)
Tax charge	(159,190)	(147,818)

Legislation has been introduced to increase the main rate for corporation tax at 19% to 25% from 1 April 2023, which was enacted on 10 June 2021. On 17 October 2022, the Chancellor of the Exchequer confirmed that in line with the previously enacted legislation the UK corporation tax rate will increase to 25% from 1 April 2023. The Chancellor has confirmed in the Autumn Statement on 17 November 2022 that the changes to the bank surcharge rate to 3% (from current rate of 8%) which are already legislated to take effect from 1 April 2023 will go ahead. This change was substantively enacted on 30 November 2022 (received Royal Assent on 10 January 2023). This will have a consequential impact on the Company's future tax charge.

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.

	2022	2021
Profit before taxation	488,619	465,646
Tax charge based on the standard UK corporation tax rate of 27% (2020: 27%)	(131,927)	(125,724)
Tax effect of adjustments on taxable income		
Adjustments in respect of prior years	—	(6,739)
Non-creditable taxes including withholding taxes	(22,971)	(18,604)
Non-taxable income	(46)	(101)
AT1 tax credit	4,020	3,417
Impact of change in tax rates	56	(67)
Provision on withholding tax reclaims	(8,322)	—
	(159,190)	(147,818)
Effective tax rate	32.6%	31.7%

The effective tax rate of 32.6% (2021: 31.7%) is greater than the UK statutory tax rate of (being the aggregate of the 19% corporation tax rate and the 8% banking surcharge rate) due to (a) an adjustment in respect of prior years related to ongoing enquiries by European tax authorities into withholding taxes and (b) the fact that a portion of the withholding tax suffered on foreign dividends has been treated as non-creditable for UK tax purposes and has been charged to the tax line in the year.

Barclays Capital Securities Limited

Notes to the Financial Statements for the year ended 31 December 2022

Figures in Pounds Sterling thousand

10. Cash and cash equivalents

Cash and cash equivalents consist of:

	2022	2021
Bank Balances	849,606	846,286

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 2022, the Company's client monies amounted to £131,582,292 (2021: £60,605,985).

11. Trading portfolio

	2022	2021
Trading portfolio assets		
Equity securities	27,979,889	32,689,486
Debt securities	255,356	395,889
Total	28,235,245	33,085,375
Trading portfolio liabilities		
Equity securities	27,512,338	17,560,005
Debt securities	39,923	39,347
Total	27,552,261	17,599,352

Refer Note 26 for analysis of the fair values of these securities and the valuation methodology, Note 30 for credit risk and Note 31 for maturity disclosures.

12. Derivative financial instruments

As at 31 December 2022	Fair value assets	Fair value liabilities
Foreign exchange derivatives		
Foreign exchange forwards	2,750,195	2,659,945
Foreign exchange options	35,661	3,824
Currency swaps	394,713	485,226
Interest rate derivatives		
Interest rate swaps	897,953	1,145,112
Equity and stock index derivatives		
Options bought and sold	4,761,362	4,444,398
Swaps and forwards	1,940,606	2,360,930
Exchange traded futures/options (bought/sold)	4,333,196	4,649,966
Credit derivatives		
OTC swaps	—	578
Total derivatives held for trading	15,113,686	15,749,979

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As at 31 December 2021	Fair value assets	Fair value liabilities
Foreign exchange derivatives		
Foreign exchange forwards	659,676	954,399
Foreign exchange options	15,382	2,566
Currency swaps	46,969	87,067
Interest rate derivatives		
Interest rate swaps	284,266	244,587
Equity and stock index derivatives		
Options bought and sold	3,989,859	4,215,359
Swaps and forwards	3,917,266	3,866,176
Exchange traded futures/options (bought/sold)	3,176,101	2,807,231
Credit derivatives		
OTC swaps	—	2,475
Total derivatives held for trading	12,089,519	12,179,860

Refer Note 26 for analysis of the fair values of these derivatives and the valuation methodology, Note 30 for credit risk and Note 31 for maturity disclosures.

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

Reverse repurchase agreements (and stock borrowing or similar transactions) 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. The securities are retained on the balance sheet as the Company retains substantially all the risks and rewards of ownership.

Repurchase agreements at amortised cost

	2022	2021
Non-current liabilities	4,974,494	7,356,833
Total	4,974,494	7,356,833

The Company's repurchase agreements at amortised cost are transactions with the fellow subsidiaries of the Company's parent BBPLC.

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14. Financial assets mandatorily at fair value

	2022	2021
Current assets:		
Debt securities	119,043	50,078
Loans and Advances	7,042,103	4,352,652
Reverse Repurchase agreements	53,989,351	52,921,055
Total	61,150,497	57,323,785
Non-current assets:		
Debt securities	108,801	165,823
Loans and Advances	92,761	512,665
Reverse Repurchase agreements	—	—
Total	201,562	678,488

Debt securities are mainly Notes issued by BBPLC and its subsidiaries, which the Company buys in the secondary market in its capacity as market maker for the Notes. Refer Note 26 for analysis of the fair values of these instruments and the valuation methodology, Note 30 for credit risk, Note 31 for maturity disclosures and Note 34 for balances with related parties consisting of the Company's parent BBPLC and its subsidiaries.

15. Loans and other receivables

	2022	2021
Current assets:		
Settlement balances	10,368,546	11,942,715
Other loans and receivables	24,344,969	29,460,835
Total	34,713,515	41,403,550
Non-current assets:		
Other loans and receivables	1,060,793	49,571
Total	1,060,793	49,571

The majority of the Company's loans and other receivables are transactions with related parties consisting of the Company's parent BBPLC and its subsidiaries (Note 34).

16. Other assets

	2022	2021
Trade and other receivables - Financial	294,986	164,036
Trade and other receivables - Non Financial	84,208	66,939
Total	379,194	230,975

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17. Deferred tax liabilities

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

Assets	As at 1-Jan-22	Transitional Adjustment	Prior year adjustment to income	(Charge)/Credited to Income Statement	As at 31-Dec-22
Other provisions	(449)	-	-	120	(329)
Deferred tax assets/ (liabilities)	(449)	—	—	120	(329)
Falling due in one year					-
Falling due after one year					(329)

Assets	As at 1-Jan-21	Transitional Adjustment	Prior year adjustment to income	(Charge)/Credited to Income Statement	As at 31-Dec-21
Other provisions	(445)	-	-	(4)	(449)
Deferred tax assets/ (liabilities)	(445)	—	—	(4)	(449)
Falling due in one year					-
Falling due after one year					(449)

Legislation has been introduced to increase the main rate of corporation tax from 19% to 25%, effective from 1 April 2023, which was enacted on 10 June 2021. On 17 October 2022, the Chancellor of the Exchequer confirmed that in line with the previously enacted legislation the UK corporation tax rate will increase to 25% from 1 April 2023. The Chancellor has confirmed in the Autumn Statement on 17 November 2022 that the changes to the bank surcharge rate to 3% (from current rate of 8%) which are already legislated to take effect from 1 April 2023 will go ahead. This change was substantively enacted on 30 November 2022 (received Royal Assent on 10 January 2023). This will have a consequential impact on the Company's future tax charge. Therefore, any deferred tax balances have been remeasured at the tax rate to be applied when temporary differences are expected to reverse.

There are no deferred income tax assets as of 31 December 2022 (2021: £ Nil) which had not been recognised on unused foreign tax credits to the extent that they are not regarded as recoverable in the foreseeable future.

18. 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

As at 31 December 2022, the carrying value of investment in subsidiary is £100 (2021: £100). Consolidated financial statements have not been prepared. See Note 1.

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19. Financial liabilities designated at fair value

Current liabilities

	Fair Value 2022	Contractual amount due on maturity 2022	Fair Value 2021	Contractual amount due on maturity 2021
Deposits	2,969,278	2,973,260	1,834,603	1,834,591
Repurchase agreements	43,710,076	43,776,477	43,786,775	43,786,106
Other financial liabilities	136,952	138,812	54,071	54,286
Total	46,816,306	46,888,549	45,675,449	45,674,983

Non-current liabilities

	Fair Value 2022	Contractual amount due on maturity 2022	Fair Value 2021	Contractual amount due on maturity 2021
Other financial liabilities	318,403	378,343	509,081	536,417
Total	318,403	378,343	509,081	536,417

Financial liabilities designated at fair value are primarily made up of Intercompany deposits, repurchase agreements and fully funded derivatives. Refer Note 26 for analysis of the fair values of these instruments and the valuation methodology and Note 31 for maturity disclosures.

20. Borrowings

	2022	2021
<u>Current liabilities:</u>		
Bank loans and overdrafts	31,991,898	43,470,991
Other borrowings	230,030	1,363
Settlement balances	10,932,464	14,068,249
Total	43,154,392	57,540,603
<u>Non-current liabilities:</u>		
Bank loans and overdrafts	15,762	2,431,577
Other borrowings	300,000	300,000
Total	315,762	2,731,577

The majority of the Company's borrowings have a contractual maturity of not more than three months (Note 31).

Other borrowings include subordinated callable notes issued to BBPLC in two tranches of £150m each with a contractual maturity of five to ten years (Note 31 and 33). These are redeemable by the Company on providing a notice of not less than 30 days to BBPLC. Any repayments prior to maturity will require the prior consent of the PRA.

The majority of the Company's borrowings are transactions with related parties comprising BBPLC and its subsidiaries (Note 34). The fair value of borrowings is set out in Note 26.

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21. Other liabilities

	2022	2021
Trade & other payables - Financial	507,194	324,956
Trade & other payables - Non Financial	14,626	14,145
Total	521,820	339,101

22. Current tax liabilities

	2022	2021
Current tax liabilities are as follows:		
UK corporation tax payable	68,645	83,077

23. Shareholders' equity

(i) Share capital

BCSL is a Company limited by shares.

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

	2022	2021
Authorized	650,000	650,000
650,000,000.00 Ordinary shares		
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
As at 31 December	571,071	571,071

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.

Preference shares have priority over ordinary shares in the payment of dividends or in the event of a winding up.

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

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(ii) Other equity instruments

Other equity instruments issued by the Company comprise floating rate perpetual subordinated write down securities (AT1 securities). 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	2022	2021
Additional Tier 1 (AT1) securities issuance	2027	300,000	—
	2024	200,000	200,000
As at 31 December		500,000	200,000

The Company issued AT1 securities of £300m during the year 2022 to BBPLC.

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.
- Should the 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.
- If the Company is wound-up (except for a solvent winding-up solely for the purpose of a merger, reconstruction or amalgamation) or an administrator of the Company gives notice that it intends to declare and distribute a dividend, and if any of those two events occurs before the Company's CET1 ratio falls below 7% then the holders of AT1 instruments would be the most senior class of preference shares and would rank ahead of the holders of all other classes of issued shares for the time being in the capital of the Company.
- 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.

The Company's parent BBPLC has the 100% ownership of all the other equity instruments issued by the company.

(iii) Dividends

Interim dividends of £75m (2021: Nil) were paid out during the financial year ended 31 December 2022 on ordinary shares and the Directors do not recommend the payment of a final dividend (2021: Nil).

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24. Other reserves

	2022	2021
Capital redemption reserve	250,000	250,000
Total	250,000	250,000

Capital redemption reserve

The capital redemption reserve was created in relation to the redemption of preference shares during the year 2019.

25. Interest in structured entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding who 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 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.

Summary of interests in unconsolidated structured entities:

As at 31 December 2022

Balance Sheet line item	Secured Financing	Traded Derivatives	Total
Financial assets mandatorily at fair value	1,425,492	—	1,425,492

As at 31 December 2021

Balance Sheet line item	Secured Financing	Traded Derivatives	Total
Financial assets mandatorily at fair value	1,026,132	—	1,026,132

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Secured financing

The Company routinely enters into reverse repurchase contracts, margin lending, 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 is able to manage its variable 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, equities and foreign exchange rates amongst other things. Interest rate swaps and 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. 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.

Total notional contract amounts in respect of these derivatives were Nil (2021: £2,627m).

Except for credit default swaps where the maximum exposure to loss is the swap notional amount, it is not possible to estimate the maximum exposure to loss in respect of derivative positions as the fair value of derivatives is subject to changes in market rates of interest and exchange rates which by their nature are uncertain. In addition, the Company's losses would be subject to mitigating action under its traded market risk and credit risk policies that require the counterparty to provide collateral in cash or other assets in most cases.

26. 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

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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, dependent on the significance of the unobservable input to the overall valuation. Unobservable inputs are determined based on the best information available, for example by reference to similar assets, similar maturities or other analytical techniques.

The sensitivity of valuations used in the financial statements to possible changes in significant unobservable inputs is shown on page 58.

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.

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

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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.

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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 2022	Quoted market prices (Level 1)	Observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Financial assets				
Trading portfolio assets	27,189,061	935,703	110,481	28,235,245
Derivative financial assets	—	14,984,291	129,395	15,113,686
Financial assets at fair value	—	61,352,059	—	61,352,059
Total assets	27,189,061	77,272,053	239,876	104,700,990
	Quoted market prices (Level 1)	Observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Financial liabilities				
Trading portfolio liabilities	(27,119,284)	(432,977)	—	(27,552,261)
Derivative financial liabilities	—	(15,592,609)	(157,370)	(15,749,979)
Financial liabilities at fair value	—	(47,134,709)	—	(47,134,709)
Total liabilities	(27,119,284)	(63,160,295)	(157,370)	(90,436,949)
As at 31 December 2021	Quoted market prices (Level 1)	Observable inputs (Level 2)	Significant unobservable inputs	Total
Financial assets				
Trading portfolio assets	31,713,843	1,225,979	145,553	33,085,375
Derivative financial assets	—	11,686,925	402,594	12,089,519
Financial assets at fair value	—	58,002,273	—	58,002,273
Total assets	31,713,843	70,915,177	548,147	103,177,167
	Quoted market prices (Level 1)	Observable inputs (Level 2)	Significant unobservable inputs	Total
Financial liabilities				
Trading portfolio liabilities	(17,301,854)	(297,498)	—	(17,599,352)
Derivative financial liabilities	—	(11,796,399)	(383,461)	(12,179,860)
Financial liabilities at fair value	—	(46,184,530)	—	(46,184,530)
Total liabilities	(17,301,854)	(58,278,427)	(383,461)	(75,963,742)

Assets and liabilities reclassified between Level 1 and Level 2

During the period, there were no transfers between Level 1 and Level 2 (2021: there were no transfers between Level 1 and Level 2).

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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.

Asset and liability transfers between Level 2 and Level 3 are primarily due to i) an increase or decrease in observable market activity related to an input or ii) a change in the significance of the unobservable input, with assets and liabilities classified as Level 3 if an unobservable input is deemed significant.

Analysis of movements in level 3 assets and liabilities

	As at 1 January 2022	Purchases	Sales	Settlements	Issues	Total gains and losses in the year recognised in the income statement	Transfers In/(out) ^a	As at 31 December 2022
Net trading portfolio assets (Cash Products)	145,553	4,141		(733)		(38,480)		110,481
Net derivative financial instruments (Equity derivatives)	19,133	3,753		85		1,525	(52,471)	(27,975)
Total	164,686	7,894	—	(648)	—	(36,955)	(52,471)	82,506

	As at 1 January 2021	Purchases	Sales	Settlements	Issues	Total gains and losses in the year recognised in the income statement	Transfers In/(out) ^a	As at 31 December 2021
Net trading portfolio assets (Cash Products)	133,461	15,378	(10,557)	(237)	—	7,508	—	145,553
Net derivative financial instruments (Equity derivatives)	(98,453)	21,203		—		88,644	7,739	19,133
Total	35,008	36,581	(10,557)	(237)	—	96,152	7,739	164,686

^a Transfers out for the year £56.2m (2021: nil)

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

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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, observability and sensitivity analysis for material products within Level 3, are described below.

Equity derivatives

Description: Exchange traded or OTC derivatives linked to equity indices and single names. The category includes vanilla and exotic equity products.

Valuation: Equity derivatives are valued using industry standard models. Valuation inputs include stock prices, dividends, volatilities, interest rates, equity repurchase curves and for multi-asset products, correlations.

Observability: In general, valuation inputs are observable up to liquid maturities which are determined separately for each input and underlying. Unobservable inputs are set by referencing liquid market instruments and applying extrapolation techniques, or inferred via another reasonable method.

Cash products

Description: Includes listed equities, listed debt securities, Exchange Traded Funds (ETF) and preference shares.

Valuation: Valuation of equity cash products is primarily determined through market observable prices.

Observability: Prices for actively traded equity cash products are considered observable. Unobservable equity prices are generally determined by reference to actively traded instruments that are similar in nature, or inferred via another reasonable method.

Unrealised gains and losses on Level 3 financial assets and liabilities

The following table discloses the unrealised gains and losses recognised in income statement within net trading income for the year, arising on Level 3 financial assets and liabilities held at year end.

As at 31 December	2022	2021
Net trading portfolio assets	(38,480)	7,508
Net derivative financial instruments	1,525	88,644
Total gain/(loss)	(36,955)	96,152

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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:

Valuation technique(s) ^a	Significant unobservable inputs	2022 Range		2021 Range		Units
		Min	Max	Min	Max	
Option model	Equity volatility	29	42	3	90	%
	Equity-equity correlation	80	89	40	97	%
Discounted cash flow	Discounted margin	(70)	(51)	(129)	75	Bps

^a A range has not been provided for Net Asset Value as there would be a wide range reflecting the diverse nature of the positions.

The following section describes the significant unobservable inputs identified in the table above, and the sensitivity of fair value measurement of the instruments categorised as Level 3 assets or liabilities to increases in significant unobservable inputs. Where sensitivities are described, the inverse relationship will also generally apply.

Where reliable interrelationships can be identified between significant unobservable inputs used in fair value measurement, a description of those interrelationships is included below.

Forwards

A price or rate that is applicable to a financial transaction that will take place in the future.

In general, a significant increase in a forward in isolation will result in a fair value increase for the contracted receiver of the underlying (currency, bond, commodity, etc.), but the sensitivity is dependent on the specific terms of the instrument.

Volatility

Volatility is a measure of the variability or uncertainty in return for a given derivative underlying. It is an estimate of how much a particular underlying instrument input or index will change in value over time. In general, volatilities are implied from observed option prices. For unobservable options the implied volatility may reflect additional assumptions about the nature of the underlying risk, and the strike/maturity profile of a specific contract.

In general, a significant increase in volatility in isolation will result in a fair value increase for the holder of a simple option, but the sensitivity is dependent on the specific terms of the instrument.

There may be interrelationships between unobservable volatilities and other unobservable inputs (e.g. when equity prices fall, implied equity volatilities generally rise) but these are generally specific to individual markets and may vary over time.

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Correlation

Correlation is a measure of the relationship between the movements of two variables. Correlation can be a significant input into valuation of derivative contracts with more than one underlying instrument.

A significant increase in correlation in isolation can result in a fair value increase or decrease depending on the specific terms of the instrument.

Sensitivity of valuations using unobservable inputs

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 outcome of such analysis, alongside considering the impact of using alternative models, would be to increase fair values by up to £58,734,620 (2021: £43,032,381) or to decrease fair values by up to £61,491,917 (2021: £44,905,889) with substantially all the potential effect impacting the income statement rather than reserves. The analysis takes 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:

	2022	2021
As at 1 January	5,224	7,298
Additions in year	—	—
Releases in year	(2,907)	(1,728)
Amortisations in year	(993)	(346)
As at 31 December	1,324	5,224

Fair value adjustments

The value of fair value adjustments made related to Exit price adjustments derived from market bid-offer spreads are £40,123,600 (2021: £44,803,800). The Company uses mid-market pricing where it is a market maker and has the ability to transact at, or better than, mid-price (which is the case for certain equity, bond and vanilla derivative markets). For other financial assets and liabilities, bid-offer adjustments are recorded to reflect the exit level for the expected close out strategy. The methodology for determining the bid-offer adjustment for a derivative portfolio involves calculating the net risk exposure by offsetting long and short positions by strike and term in accordance with the risk management and hedging strategy.

Bid-offer levels are generally derived from market quotes such as broker data. Less liquid instruments may not have a directly observable bid-offer level. In such instances, an exit price adjustment may be derived from

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an observable bid-offer level for a comparable liquid instrument, or determined by calibrating to derivative prices, or by scenario or historical analysis.

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 minimal difference between the fair value and carrying amount for assets and liabilities not held at fair value, since the exposures are short term in nature or have a break clause, have interest rates that reprice frequently and counterparties with high credit quality.

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 2022	Fair Value	Quoted market prices (Level 1)	Observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Loans and other receivables	35,774,308	—	35,774,308	—
Other financial assets	294,986	—	294,986	—
Total Assets	36,069,294	—	36,069,294	—

Borrowings	43,470,154	261,693	43,208,461	—
Repurchase agreements	4,974,494	—	4,974,494	—
Other financial liabilities	507,194	—	507,194	—
Total Liabilities	48,951,842	261,693	48,690,149	—

As at 31 December 2021	Fair Value	Quoted market prices (Level 1)	Observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Loans and other receivables	41,453,121	—	41,453,121	—
Other financial assets	164,036	—	164,036	—
Total Assets	41,617,157	—	41,617,157	—

Borrowings	60,272,180	219,906	60,052,274	—
Repurchase agreements	7,356,833	—	7,356,833	—
Other financial liabilities	324,956	—	324,956	—
Total Liabilities	67,953,969	219,906	67,734,063	—

Financial assets

The carrying value of financial assets held at amortised cost 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.

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The fair value of loans and advances approximates the carrying value since the exposures are short dated and are with counterparties with high credit quality. These balances are classified as level 2. Settlement balances and cash collateral are also classified as level 2.

Financial liabilities

The carrying value of financial liabilities held at amortised cost is determined in accordance with the accounting policy (Note 3).

Repurchase agreements

The Company has also entered into financing arrangements with other companies in the Barclays Group. These arrangements contain a break clause and hence the fair value approximates their carrying amount which represent the amount that the arrangements can be terminated at. 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 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.

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27. 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.

As at 31 December 2022	Amounts subject to enforceable netting					Amounts not subject to enforceable netting arrangements ³
	Balance sheet total ¹	Related amounts not offset ²			Net amount	
		Amounts available for netting on the balance sheet	Financial instruments	Financial collateral		
	(a)	(b)	(c)	(d)	(e)=(b)+(c)+(d)	(f)=(a)–(b)
Derivative financial assets	15,113,686	15,086,690	(15,068,996)	—	17,694	26,996
Reverse repurchase agreements	53,989,351	53,904,943	—	(53,891,163)	13,780	84,408
Total Assets	69,103,037	68,991,633	(15,068,996)	(53,891,163)	31,474	111,404
Derivative financial liabilities	(15,749,979)	(15,699,439)	15,068,996	—	(630,443)	(50,540)
Repurchase agreements	(48,684,570)	(48,606,857)	—	48,584,170	(22,687)	(77,713)
Total Liabilities	(64,434,549)	(64,306,296)	15,068,996	48,584,170	(653,130)	(128,253)

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As at 31 December 2021	Amounts subject to enforceable netting					
	Balance sheet total ¹	Related amounts not offset ²				Amounts not subject to enforceable netting arrangements ³
		Amounts available for netting on the balance sheet	Financial instruments	Financial collateral	Net amount	
	(a)	(b)	(c)	(d)	(e)=(b)+(c)+(d)	(f)=(a)-(b)
Derivative financial assets	12,089,519	12,026,732	(11,904,305)	—	122,427	62,787
Reverse repurchase agreements	52,921,055	52,855,917	—	(52,797,390)	58,527	65,138
Total Assets	65,010,574	64,882,649	(11,904,305)	(52,797,390)	180,954	127,925
Derivative financial liabilities	(12,179,860)	(12,075,351)	11,904,305	—	(171,046)	(104,509)
Repurchase agreements	(51,143,608)	(51,069,322)	—	51,048,344	(20,978)	(74,286)
Total Liabilities	(63,323,468)	(63,144,673)	11,904,305	51,048,344	(192,024)	(178,795)

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.

⁴ Settlement assets and liabilities have been offset amounting to £2,742m (2021: £2,583m).

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

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28. Financial risks

The Company's activities are exposed to a variety of financial risks. These are credit risk, liquidity risk, capital 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 30 (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 31 (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 29 (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
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 and cross currency basis and is primarily generated as a result of trading activities.

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29. 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

This section on Model review and back testing is unaudited.

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. During 2022, the Company experienced no back-testing exceptions.

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

Regulatory VaR (99%)	2022			2021		
	Average	2022 High	2022 Low	Average	2021 High	2021 Low
Interest rate risk	2,082	5,624	500	680	2,394	346
Spread risk	1	198	—	—	—	—
Equities risk	9,945	17,031	4,694	9,408	25,029	4,354
Foreign exchange risk	2,905	5,517	710	2,400	4,163	314
Basis risk	1,788	3,363	693	2,342	4,726	491
Diversification effect	(4,761)	n/a	n/a	(4,407)	n/a	n/a
Total Regulatory VaR	11,960	18,045	7,442	10,423	23,830	6,476

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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.

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.

£'000	2022			2021		
	Average	2022 High	2022 Low	Average	2021 High	2021 Low
SVaR (99%)	17,526	33,192	8,916	12,764	23,092	8,316
IRC (99.9%)	675	1,809	361	336	480	69

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.

30. 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.

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.

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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 2022	United Kingdom	Europe	Americas	Asia	Africa & Middle East	Total
Cash and cash equivalents	230,716	123,995	127,923	338,724	28,248	849,606
Trading portfolio assets (debt)	23,123	153,489	15,324	5,532	57,888	255,356
Derivative financial assets	14,736,832	319,041	3,138	54,675	—	15,113,686
Financial assets mandatorily at fair value	48,058,878	1,706,701	7,783,009	3,659,706	143,765	61,352,059
Loans and other receivables	28,607,080	721,926	537,593	5,714,337	193,372	35,774,308
Other financial assets	244,030	36,341	10,239	4,125	251	294,986
Total Assets	91,900,659	3,061,493	8,477,226	9,777,099	423,524	113,640,001

As at 31 December 2021	United Kingdom	Europe	Americas	Asia	Africa & Middle East	Total
Cash and cash equivalents	75,261	137,519	140,034	415,034	78,438	846,286
Trading portfolio assets (debt)	45,476	310,292	3,331	4,610	32,180	395,889
Derivative financial assets	11,799,027	269,002	—	21,490	—	12,089,519
Financial assets mandatorily at fair value	50,212,103	1,170,526	5,287,728	1,275,167	56,749	58,002,273
Loans and other receivables	32,834,196	2,030,071	878,902	5,614,409	95,543	41,453,121
Other financial assets	134,126	19,809	6,441	3,231	429	164,036
Total Assets	95,100,189	3,937,219	6,316,436	7,333,941	263,339	112,951,124

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Credit risk (continued)

Credit risk concentration by industrial sector

As at 31 December 2022	Central Banks	Government	Financial institutions-Bank ^a	Financial institutions-others ^a	Manufacturing	Mining & Quarrying	Property	Energy & water	Wholesale & retail distribution	Transport	Postal & communication	Business & other services	Total
Cash and cash equivalents	—	—	849,606	—	—	—	—	—	—	—	—	—	849,606
Trading portfolio assets (debt)	—	1,520	7,225	17,844	69,041	7,131	2,299	17,902	56,223	11,194	12,618	52,359	255,356
Derivative financial assets	—	—	15,074,283	39,403	—	—	—	—	—	—	—	—	15,113,686
Financial assets mandatorily at fair value	131,507	—	45,316,579	15,883,354	—	—	—	—	—	—	—	20,619	61,352,059
Loans and other receivables	2,017	—	27,310,702	8,437,480	4,747	9	—	—	5,228	—	62	14,063	35,774,308
Other financial assets	—	—	10,031	284,955	—	—	—	—	—	—	—	—	294,986
Total Assets^a	133,524	1,520	88,568,426	24,663,036	73,788	7,140	2,299	17,902	61,451	11,194	12,680	87,041	113,640,001

^a Of above, balances from affiliates amount to - Financial institutions-Bank £86,483m; Financial institutions-others £9,493m.

As at 31 December 2021	Central Banks	Government	Financial institutions-Bank ^b	Financial institutions-others ^b	Manufacturing	Mining & Quarrying	Property	Energy & water	Wholesale & retail distribution	Transport	Postal & communication	Business & other services	Total
Cash and cash equivalents	—	—	690,537	155,749	—	—	—	—	—	—	—	—	846,286
Trading portfolio assets (debt)	—	1,299	1,968	19,381	111,831	6,598	16,327	9,497	88,253	4,511	72,753	63,471	395,889
Derivative financial assets	—	—	12,064,441	25,078	—	—	—	—	—	—	—	—	12,089,519
Financial assets mandatorily at fair value	—	—	48,788,566	9,148,347	—	—	—	—	—	—	—	65,360	58,002,273
Loans and other receivables	—	—	32,410,401	9,023,557	—	—	—	—	10,592	—	—	8,571	41,453,121
Other financial assets	—	—	25,863	138,173	—	—	—	—	—	—	—	—	164,036
Total Assets^b	—	1,299	93,981,776	18,510,285	111,831	6,598	16,327	9,497	98,845	4,511	72,753	137,402	112,951,124

^b Of above, balances from affiliates amount to - Financial institutions-Bank £92,518m; Financial institutions-others £8,255m.

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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, Loans & Advances and impairment movement over time and maturity, based on counterparties details, may be found on Note 30 on pages 66 to 70.

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 (2021: £1bn) from its parent company BBPLC, 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 BPLC, 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 BBPLC to terminate this guarantee arrangement. If the guarantee is terminated by the guarantor, the guarantee shall terminate on the date on which the last of the Guaranteed agreements remaining in effect is terminated.

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Financial assets at amortised cost staging analysis

As at 31 December 2022	Stage 1	Stage 2			Total	Stage 3	Total
		Not past due	<=30 days past due	>30 days past due			
Gross exposure							
Cash and cash equivalents	849,014	—	—	—	—	5,499	854,513
Loans and other receivables	35,774,493	—	—	—	—	—	35,774,493
Other financial assets	294,986	—	—	—	—	—	294,986
Total	36,918,493	—	—	—	—	5,499	36,923,992
Impairment Allowance							
Cash and cash equivalents	—	—	—	—	—	(4,907)	(4,907)
Loans and other receivables	(185)	—	—	—	—	—	(185)
Total	(185)	—	—	—	—	(4,907)	(5,092)
Net exposure							
Cash and cash equivalents	849,014	—	—	—	—	592	849,606
Loans and other receivables	35,774,308	—	—	—	—	—	35,774,308
Other financial assets	294,986	—	—	—	—	—	294,986
Total	36,918,308	—	—	—	—	592	36,918,900

As at 31 December 2021	Stage 1	Stage 2			Total	Stage 3	Total
		Not past due	<=30 days past due	>30 days past due			
Gross exposure							
Cash and cash equivalents	846,286	—	—	—	—	—	846,286
Loans and other receivables	41,453,131	—	—	—	—	—	41,453,131
Other financial assets	164,036	—	—	—	—	—	164,036
Total	42,463,453	—	—	—	—	—	42,463,453
Impairment Allowance							
Cash and cash equivalents	—	—	—	—	—	—	—
Loans and other receivables	(10)	—	—	—	—	—	(10)
Total	(10)	—	—	—	—	—	(10)
Net exposure							
Cash and cash equivalents	846,286	—	—	—	—	—	846,286
Loans and other receivables	41,453,121	—	—	—	—	—	41,453,121
Other financial assets	164,036	—	—	—	—	—	164,036
Total	42,463,443	—	—	—	—	—	42,463,443

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

£'000	STAGE 1		STAGE 2		STAGE 3		Total	
	Exposure	Impairment allowance	Exposure	Impairment allowance	Exposure	Impairment allowance	Exposure	Impairment allowance
Balance as at 1 January 2022	42,463,453	(10)	—	—	—	—	42,463,453	(10)
New financial assets originated or purchased	12,587,194	(179)	—	—	—	—	12,587,194	(179)
Net drawdowns/repayments/risk parameter changes	(18,132,154)	10	—	—	—	—	(18,132,154)	10
Other movements	—	(6)	—	—	5,499	(4,907)	5,499	(4,913)
Asset derecognised due to disposals	—	—	—	—	—	—	—	—
Balance as at 31 December 2022	36,918,493	(185)	—	—	5,499	(4,907)	36,923,992	(5,092)
Reconciliation of ECL movement to impairment (charge)/release for the period								
ECL movement excluding assets derecognised due to disposals and write-off		(169)		—		4,907		4,738
Recoveries and Reimbursements ^a		—		—		(4,907)		(4,907)
Income statement (charge)/release for the period		(169)		—		—		(169)
	STAGE 1		STAGE 2		STAGE 3		Total	
	Exposure	Impairment allowance	Exposure	Impairment allowance	Exposure	Impairment allowance	Exposure	Impairment allowance
Balance as at 1 January 2021	39,043,637	(162)	—	—	—	—	39,043,637	(162)
New financial assets originated or purchased	18,463,234	(8)	—	—	—	—	18,463,234	(8)
Net drawdowns/repayments/risk parameter changes	(15,043,418)	159	—	—	—	—	(15,043,418)	159
Other movements	—	1	—	—	—	—	—	1
Balance as at 31 December 2021	42,463,453	(10)	—	—	—	—	42,463,453	(10)
Reconciliation of ECL movement to impairment (charge)/release for the period								
ECL movement excluding assets derecognised due to disposals and write-off		151		—		—		151
Recoveries and Reimbursements ^a		—		—		—		—
Income statement (charge)/release for the period		151		—		—		151

^a Recoveries and Reimbursements include amount recoverable of £4.9m (2021: Nil) from contractual guarantee provided by BBPLC to cover the Company's credit exposures arising from counterparty credit risk ranked by risk weighted amount. For more details on guarantee, refer to Note 33 Capital management.

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Notes to the Financial Statements for the year ended 31 December 2022

Figures in Pounds Sterling thousand

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

As at 31 December 2022	Strong	Satisfactory	Higher risk	Total
Cash and cash equivalents	825,406	23,577	623	849,606
Trading portfolio assets (debt)	83,668	171,401	287	255,356
Derivative financial assets	15,097,101	16,585	—	15,113,686
Financial assets mandatorily at fair value	54,770,891	6,581,168	—	61,352,059
Loans and other receivables	35,163,812	469,092	141,404	35,774,308
Other financial assets	293,250	1,659	77	294,986
Total Assets	106,234,128	7,263,482	142,391	113,640,001

As at 31 December 2021	Strong	Satisfactory	Higher risk	Total
Cash and cash equivalents	822,894	23,348	44	846,286
Trading portfolio assets (debt)	128,429	263,903	3,557	395,889
Derivative financial assets	12,049,332	40,187	—	12,089,519
Financial assets mandatorily at fair value	54,128,791	3,873,482	—	58,002,273
Loans and other receivables	40,578,068	871,856	3,197	41,453,121
Other financial assets	163,975	61	—	164,036
Total Assets	107,871,489	5,072,837	6,798	112,951,124

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.

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 2022	Maximum Exposure	Netting and set-off	Collateral	Net Exposure
Cash and cash equivalents	849,606	—	—	849,606
Trading portfolio assets (debt)	255,356	—	—	255,356
Derivative financial instruments	15,113,686	(15,068,996)	—	44,690
Financial assets mandatorily at fair value	61,352,059	(35,379)	(60,895,467)	421,213
Loans and other receivables	35,774,308	(22,036,533)	—	13,737,775
Other financial assets	294,986	—	—	294,986
Total on-balance sheet	113,640,001	(37,140,908)	(60,895,467)	15,603,626

Off-balance sheet:

Undrawn commitments	945,856	—	—	945,856
Total	114,585,857	(37,140,908)	(60,895,467)	16,549,482

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As at 31 December 2021	Maximum Exposure	Netting and set-off	Collateral	Net Exposure
Cash and cash equivalents	846,286	—	—	846,286
Trading portfolio assets (debt)	395,889	—	—	395,889
Derivative financial instruments	12,089,519	(11,904,305)	—	185,214
Financial assets mandatorily at fair value	58,002,273	(502,790)	(56,981,590)	517,893
Loans and other receivables	41,453,121	(38,962,677)	—	2,490,444
Other financial assets	164,036	—	—	164,036
Total on-balance sheet	112,951,124	(51,369,772)	(56,981,590)	4,599,762
Off-balance sheet:				
Undrawn commitments	838,138	—	—	838,138
Total	113,789,262	(51,369,772)	(56,981,590)	5,437,900

31. 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 BBPLC, it also maintains banking facilities with BBPLC. 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.

BPLC 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, BBPLC, that are designed to ensure the Company has sufficient available funds for operations.

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Figures in Pounds Sterling thousand

Contractual maturity of financial assets and liabilities

As at 31 December 2022	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	849,606	—	—	—	—	—	—	—	849,606
Trading portfolio assets	28,235,245	—	—	—	—	—	—	—	28,235,245
Derivative financial assets	15,113,686	—	—	—	—	—	—	—	15,113,686
Financial assets mandatorily at fair value	—	60,992,437	137,479	20,580	92,891	93,737	14,935	—	61,352,059
Loans and other receivables	—	34,514,390	117,370	81,755	1,060,793	—	—	—	35,774,308
Other financial assets	—	294,986	—	—	—	—	—	—	294,986
Total Assets	44,198,537	95,801,813	254,849	102,335	1,153,684	93,737	14,935	—	141,619,890
Liabilities									
Trading portfolio liabilities	(27,552,261)	—	—	—	—	—	—	—	(27,552,261)
Derivative financial liabilities	(15,749,979)	—	—	—	—	—	—	—	(15,749,979)
Repurchase agreements	—	—	—	—	(4,974,494)	—	—	—	(4,974,494)
Financial liabilities designated at fair value	—	(46,126,539)	(652,201)	(37,566)	(107,450)	(168,777)	(42,176)	—	(47,134,709)
Borrowings	(627,562)	(33,080,866)	(648,390)	(8,797,574)	(13,863)	(1,899)	(300,000)	—	(43,470,154)
Other financial liabilities	—	(507,194)	—	—	—	—	—	—	(507,194)
Total Liabilities	(43,929,802)	(79,714,599)	(1,300,591)	(8,835,140)	(5,095,807)	(170,676)	(342,176)	—	(139,388,791)
Liquidity excess/(gap)	268,735	16,087,214	(1,045,742)	(8,732,805)	(3,942,123)	(76,939)	(327,241)	—	2,231,099
Cumulative liquidity excess	268,735	16,355,949	15,310,207	6,577,402	2,635,279	2,558,340	2,231,099	2,231,099	

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As at 31 December 2021	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	846,286	—	—	—	—	—	—	—	846,286
Trading portfolio assets	33,085,375	—	—	—	—	—	—	—	33,085,375
Derivative financial assets	12,089,519	—	—	—	—	—	—	—	12,089,519
Financial assets mandatorily at fair value	—	57,165,560	16,109	142,117	111,813	517,157	49,517	—	58,002,273
Loans and other receivables	4,249,411	36,669,636	378,298	106,205	49,571	—	—	—	41,453,121
Other financial assets	—	164,036	—	—	—	—	—	—	164,036
Total Assets	50,270,591	93,999,232	394,407	248,322	161,384	517,157	49,517	—	145,640,610
Liabilities									
Trading portfolio liabilities	(17,599,352)	—	—	—	—	—	—	—	(17,599,352)
Derivative financial liabilities	(12,179,860)	—	—	—	—	—	—	—	(12,179,860)
Repurchase agreements	—	—	—	—	(7,356,833)	—	—	—	(7,356,833)
Financial liabilities designated at fair value	—	(45,071,842)	(570,020)	(33,586)	(150,066)	(190,662)	(168,354)	—	(46,184,530)
Borrowings	(14,727,751)	(33,836,045)	(3,446,211)	(5,530,596)	(2,431,577)	—	(300,000)	—	(60,272,180)
Other financial liabilities	—	(324,956)	—	—	—	—	—	—	(324,956)
Total Liabilities	(44,506,963)	(79,232,843)	(4,016,231)	(5,564,182)	(9,938,476)	(190,662)	(468,354)	—	(143,917,711)
Liquidity excess/(gap)	5,763,628	14,766,389	(3,621,824)	(5,315,860)	(9,777,092)	326,495	(418,837)	—	1,722,899
Cumulative liquidity excess	5,763,628	20,530,017	16,908,193	11,592,333	1,815,241	2,141,736	1,722,899	1,722,899	-

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Figures in Pounds Sterling thousand

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.

Contractual undiscounted cash flows

As at 31 December 2022	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	(27,552,261)	—	—	—	—	—	—	—	(27,552,261)
Derivative financial liabilities	(15,749,979)	—	—	—	—	—	—	—	(15,749,979)
Repurchase agreements	—	—	—	—	(5,441,162)	—	—	—	(5,441,162)
Financial liabilities designated at fair value	—	(46,188,195)	(661,547)	(38,807)	(121,435)	(203,674)	(53,234)	—	(47,266,892)
Borrowings	(627,562)	(33,201,629)	(662,904)	(9,072,299)	(14,834)	(2,278)	(401,146)	—	(43,982,652)
Other financial liabilities	—	(512,025)	—	—	—	—	—	—	(512,025)
Total Liabilities	(43,929,802)	(79,901,849)	(1,324,451)	(9,111,106)	(5,577,431)	(205,952)	(454,380)	—	(140,504,971)

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As at 31 December 2021	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	(17,599,352)	—	—	—	—	—	—	—	(17,599,352)
Derivative financial liabilities	(12,179,860)	—	—	—	—	—	—	—	(12,179,860)
Repurchase agreements	—	—	—	—	(7,521,592)	—	—	—	(7,521,592)
Financial liabilities designated at fair value	—	(45,072,499)	(568,695)	(33,784)	(154,020)	(200,868)	(181,387)	—	(46,211,253)
Borrowings	(14,727,751)	(33,837,211)	(3,439,576)	(5,536,326)	(2,477,464)	—	(333,555)	—	(60,351,883)
Other financial liabilities	—	(324,956)	—	—	—	—	—	—	(324,956)
Total liabilities	(44,506,963)	(79,234,666)	(4,008,271)	(5,570,110)	(10,153,076)	(200,868)	(514,942)	—	(144,188,896)

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32. 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 2022 is £17,373m (2021: £10,406m).

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:

	2022	2021
Fair value of securities accepted as collateral	155,983,901	154,189,384
Of which fair value of securities re-pledged/transferred to others	132,036,419	107,075,444

33. Capital management

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

	2022	2021
Common Equity Tier 1 capital instruments	1,730,131	1,491,730
Common Equity Tier 1 deductions	(119,933)	(102,199)
Common Equity Tier 1 capital	1,610,198	1,389,531
Additional Tier 1 capital	500,000	200,000
Tier 1 capital	2,110,198	1,589,531
Tier 2 capital	300,000	300,000
Total Own Funds	2,410,198	1,889,531

To help meet regulatory provisions as prescribed by the PRA affecting capital adequacy and large exposures reporting, the Company has the following in place as at 31 Dec 2022:

- A contractual guarantee of £1.5bn (2021: £1bn) from BBPLC 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 may be terminated either by the beneficiary or the guarantor by providing 30 business days' notice in writing to the other party.
- A contractual guarantee of £1bn (2021: £1bn) from BBPLC to cover credit exposures arising from counterparty credit risk ranked by exposure at default amount. This guarantee may be terminated either by the beneficiary or guarantor by providing 30 business days' notice in writing to the other party.
- A contractual guarantee from BBPLC 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. This guarantee may be terminated either by the beneficiary or guarantor by providing 30 business days' notice in writing to the other party.

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- A contractual guarantee of £1.5bn (2021: £1.5bn) from BBPLC to cover exposure with Barclays Capital Luxembourg Sarl for stock loan transactions. This guarantee may be terminated by the guarantor by providing 30 business days' notice in writing to the beneficiary.
- A contractual guarantee of £0.9bn (USD1.1bn) (2021: £nil) from BBPLC to cover exposure with Prime Services clients for stock loan transactions. This guarantee may be terminated by the beneficiary by providing 30 business days' notice in writing to the guarantor.

The above guarantee limit amounts can be amended from time to time with agreement between both parties. Unless the guarantee is terminated by the beneficiary, all of the above guarantees shall terminate on the date on which the last of the Guaranteed agreements remaining in effect is terminated.

- Floating rate perpetual subordinated write down securities (AT1 securities) issued for £200m on 22 August 2019. During the year, there was an issuance of AT1 instrument in the form of Floating rate perpetual subordinated write down securities for £300m on 15 December 2022.
- Subordinated callable notes of £150m issued on 22 August 2019 and £150m issued on 19 December 2019, which are included within Tier 2 capital.

Also, the Company employs a range of Early Warning Indicators (EWIs) which enable proactive risk management on capital adequacy. The Company adopts various management actions including parental support and tailored business actions to address the risk of capital inadequacy.

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Figures in Pounds Sterling thousand

34. 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 parent company BBPLC and fellow subsidiaries of BPLC Group.

Statement of Comprehensive Income for the year ended 31 December 2022	Parent	Fellow Subsidiaries	Total
Net interest income/(expense)	(8,827)	—	(8,827)
Net fee and commission income/(expense)	(101,452)	—	(101,452)
Net trading income/(expense)	(347,982)	15,205	(332,777)
Operating expense	(75,701)	(209,858)	(285,559)
Impairment	(169)	—	(169)
Total Comprehensive Income	(534,131)	(194,653)	(728,784)
Statement of Financial Position as of 31 December 2022	Parent	Fellow Subsidiaries	Total
Assets			
Cash and cash equivalents	219,358	—	219,358
Derivative financial instruments	14,753,748	318,760	15,072,508
Loans and other receivables	26,074,605	4,802,824	30,877,429
Other assets	9,746	3,984	13,730
Financial assets mandatorily at fair value	44,383,819	5,418,268	49,802,087
Investment in subsidiaries	—	—	—
Total Assets	85,441,276	10,543,836	95,985,112
Liabilities			
Derivative financial instruments	(15,334,786)	(301,194)	(15,635,980)
Repurchase agreements	—	(4,974,494)	(4,974,494)
Borrowings	(33,020,467)	(5,424,795)	(38,445,262)
Other liabilities	(44,787)	(17,348)	(62,135)
Financial liabilities designated at fair value	(34,396,442)	(5,684,283)	(40,080,725)
Total Liabilities	(82,796,482)	(16,402,114)	(99,198,596)

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Statement of Comprehensive Income for the year ended 31 December 2021	Parent	Fellow Subsidiaries	Total
Net interest income/(expense)	(8,768)	—	(8,768)
Net fee and commission income/(expense)	(82,096)	—	(82,096)
Net trading income/(expense)	(471,563)	15,979	(455,584)
Operating expense	(73,112)	(183,355)	(256,467)
Impairment	151	—	151
Total Comprehensive Income	(635,388)	(167,376)	(802,764)
Statement of Financial Position as of 31 December 2021	Parent	Fellow Subsidiaries	Total
Assets			
Cash and cash equivalents	160,587	—	160,587
Derivative financial instruments	11,757,730	269,002	12,026,732
Loans and other receivables	30,837,966	5,679,187	36,517,153
Other assets	696	5,038	5,734
Financial assets mandatorily at fair value	47,863,228	4,200,322	52,063,550
Investment in subsidiaries	—	—	—
Total Assets	90,620,207	10,153,549	100,773,756
Liabilities			
Derivative financial instruments	(11,572,515)	(502,836)	(12,075,351)
Repurchase agreements	—	(7,356,833)	(7,356,833)
Borrowings	(49,683,166)	(5,476,101)	(55,159,267)
Other liabilities	(39,251)	(19,258)	(58,509)
Financial liabilities designated at fair value	(36,275,533)	(5,109,393)	(41,384,926)
Total Liabilities	(97,570,465)	(18,464,421)	(116,034,886)

Operating expenses to fellow subsidiaries above includes cost of services of £144.7m (2021: £129m) provided by Barclays Execution Services Limited, the BPLC Group-wide service company.

BBPLC 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.

35. 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.

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36. 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.

	2022	2021
Undrawn commitments	945,856	838,138

Undrawn Commitments for the year include a Committed Margin Agreement with Prime Brokerage clients for £946m (2021: £838m). Apart from this the Company is also part of a DoLSub agreement with BBPLC which may give rise to contingent liabilities albeit not quantifiable.

37. Interest rate benchmark reform

The Company's exposure to rates subject to benchmark interest rate reform has been predominantly to USD LIBOR. The derivative exposures of the Company are majorly with its parent BBPLC and other group entities.

How the Company is managing the transition to alternative benchmark rates

The Company's exposures have been managed actively as part of Barclays Group-wide LIBOR Transition Programme which spans across all business lines and has cross-functional governance which includes Legal, Compliance, Conduct Risk and Finance.

Following transition activity in late 2021 and early 2022, almost all GBP, CHF, EONIA have transitioned onto RFRs and while there are a number of benchmarks yet to cease, the company's risk exposure is now mainly to USD LIBOR.

Approaches to USD LIBOR transition vary by product and nature of counterparty. The company has actively engaged with the counterparties to transition or include robust fallback provisions where not already agreed in contracts with maturities after June 2023, when USD LIBOR will either cease to be published or cease to be published in their current form. The fallback will provide the relevant replacement rate. In the case of the ISDA ISDA 2020 IBOR Fallbacks Protocol it is the RFR plus a credit adjusted spread. For the derivative population, adherence to the ISDA IBOR Fallbacks Protocol has provided Barclays with an efficient mechanism to amend outstanding trades to incorporate fallbacks. Beyond the ISDA IBOR Fallbacks Protocol, other options have included terminating or bilaterally agreeing new terms with counterparties.

During 2022, the Company as part of the Group's transition programme, delivered technology and business process changes required to ensure operational readiness in preparation for transitions to RFRs for those benchmark rates ceasing at the end of June 2023. The primary focus now is on transition of legacy positions related to USD LIBOR remain on track to meet the associated industry deadlines.

Risks to which the Company is exposed as a result of the transition

The Company does not expect material changes to its risk management approach and strategy as a result of interest rate benchmark reform.

The following table summarises the significant exposures impacted by interest rate benchmark reform:

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Non-derivative financial assets and liabilities	2022	2021
USD-LIBOR		
Financial assets	388,953	253,812
Financial liabilities	(307,007)	(550,107)
USD-LIBOR		
Notional contract amount ^a	6,354,867	4,702,657

The table above represents the exposures to interest rate benchmark reform, which are yet to transition. The exposure disclosed is for positions with contractual maturities after 30 June 2023. Trades with exposures to other IBORs whose respective cessation dates is in the future and mature before that date have been excluded. Derivatives are reported by using the notional contract amount.

^a Derivative contract exposures are with Barclays Group entities. The exposures above have fallbacks in place for alternate interest rates as of 31 December 2022. Fallbacks here are defined as any mechanism involving a 'switch' or 'hardwire' or a contractual agreement to transition to an automatically selected rate.

38. Parent undertaking and ultimate holding company

The Company is a subsidiary undertaking of BPLC, 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 BPLC. The smallest group in which they are consolidated is that headed by BBPLC. 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 BBPLC to the Company covering large exposures was increased from a limit of £1.5bn as of 31 December 2022 to £2.5bn on 15 February 2023, as part of the overall capital management actions for the entity.

There are no other material events after 31 December 2022 and before adoption of the financial statements which need to be disclosed in the financial statement.