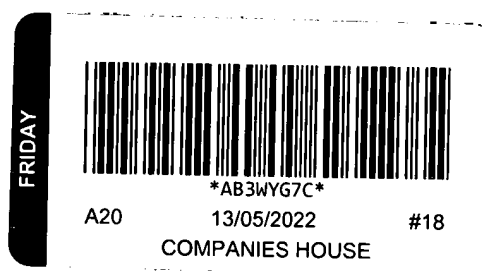


BARCLAYS CAPITAL SECURITIES LIMITED

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

REGISTERED NUMBER: 1929333



Barclays Capital Securities Limited
Directors' Report & Financial Statements
For the year ended 31 December 2021

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Barclays Capital Securities Limited

Strategic Report

For the year ended 31 December 2021

Principal activities

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

Business performance

The results of the Company show profit after tax of £318m (2020: £275m) and total income of £724m (2020: £651m). The Company has net assets of £1,692m (2020: £1,387m).

Business environment

The year in the global financial markets was characterised by heightened volatility early on due to COVID-19, with activity decreasing as volatility stabilised. Equities markets remained buoyant through the year, as a number of indices rallied to record highs.

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 continued heightened market volatility. In the context of a year in which trading market conditions changed materially, the Barclays Group ('Barclays' or the 'Group') had an overall share of 4.6%^b (2020: 4.8%), maintaining its global revenue ranking at 6th^a. Barclays Group continued to invest in enhancing its Global Markets digital proposition, including its electronic trading capabilities and digital self-service platform; and the financing platforms across Fixed Income and Equities.

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 services to its clients and manages the market risk for all cash equity and equity derivative products for clients as well as the Barclays Group.

The Company's activities are authorised and regulated by the Prudential Regulation Authority ('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 and supervisory expectations and changing approaches to stress testing. The Company continues to assess and strengthen the control environment on various aspects of its' operations.

Notes

^a Source: Coalition Greenwich, Preliminary FY21 Competitor analysis. Based on Barclays internal business structure. Analysis is based on Barclays internal business structure and internal revenues. Rank result is against the Coalition Index Banks.

^b Gains in equities were offset by reduction in FICC revenue which were down in comparison with a very strong 2020

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 come 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

Barclays Capital Securities Limited

Strategic Report

For the year ended 31 December 2021

their requirements. The Company will continue to focus on geographies and products where it has competitive advantage while maintaining our client-centric approach and, in doing so, develop opportunities to grow our business and increase returns.

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, Barclays Bank PLC (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 organisations, including:

- 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 16-19 of the Barclays PLC (BPLC) Annual Report 2021 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 or necessarily achieve a positive outcome for all stakeholders.

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.

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.

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Strategic Report

For the year ended 31 December 2021

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 2021, the Board received an update 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 BX service model and its performance, regulatory developments impacting the Company, among other things.

COVID-19 pandemic

Throughout 2021, as the pandemic continued, the primary focus of the Company and the Board has been on (i) maintaining service levels to clients, (ii) the operational resilience of the trading (iii) the speed and execution of investment decisions within our managed client portfolios and funds and how well they performed; (iv) the health and wellbeing of colleagues; and (v) the control environment, notably CASS oversight. The Board has demonstrated leadership and oversight during the pandemic, and this continues at the date of this report.

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 and reputational risk. These risks are managed within the established risk framework and key performance indicators remain within the risk appetite defined by 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

Risks relating to the impact of COVID-19

The COVID-19 pandemic has had, and continues to have, a material impact on businesses around the world and the economic environments in which they operate. There are a number of factors associated with the pandemic and its impact on global economies that could have a material effect on (among other things) the profitability, capital and liquidity of financial institutions such as the Company.

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The COVID-19 pandemic has caused disruption to the Company's customers and suppliers. It remains unclear how the COVID-19 pandemic will evolve through 2022 (including whether there will be further waves of the COVID-19 pandemic, whether COVID-19 vaccines continue to prove effective, whether further new strains of COVID-19 will emerge and whether, and in what manner, additional restrictions will be imposed and/or existing restrictions extended) and the Company continues to monitor the situation closely. However, despite the COVID-19 contingency plans established by the Company, the ability to conduct business may be adversely affected by disruptions to infrastructure and supply chains, business processes and technology services, resulting from the unavailability of staff due to illness or the failure of third parties to supply services. This may cause significant customer detriment, costs to reimburse losses incurred by the Bank's customers, potential litigation costs (including regulatory fines, penalties and other sanctions), and reputational damage.

Furthermore, the Company relies on models to support a broad range of business and risk management activities, including informing business decisions and strategies; measuring and limiting risk, valuing exposures, conducting stress testing and assessing capital adequacy. Models are, by their nature, imperfect and incomplete representations of reality because they rely on assumptions and inputs, and so they may be subject to errors affecting the accuracy of their outputs and/or misused. This may be exacerbated when dealing with unprecedented scenarios, such as the COVID-19 pandemic, due to the lack of reliable historical reference points and data.

There can be no assurance that economic activity will return to pre-pandemic levels and, accordingly, there could be further adverse impacts on the Company's income and profitability caused by transaction volumes due to volatility or weakness in the capital markets.

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

Business conditions, general economy and geopolitical issues

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

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

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

- Global GDP growth recovered in 2021 from the severe contraction in 2020 as a result of the COVID-19 pandemic. While government support packages, accommodative monetary policy and the lifting of certain restrictions on movement bolstered economic growth and confidence in 2021, the global outlook remains highly uncertain, especially regarding: (a) ongoing concerns about how the COVID-19 pandemic may develop; (b) the disruptive impact of the COVID-19 pandemic on supply chains; and (c) how long inflationary pressures will persist and whether central banks will succeed in

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normalising monetary policy. These factors could adversely affect the client activity levels in equities markets and thus have an impact on the Company's performance.

- Recent increases in inflation have been partly driven by a rebalancing of supply and demand, following the relaxation of restrictions on movement that were imposed during the COVID-19 pandemic. Monetary policy remains highly accommodative, increasing the risk that more abrupt government action will be necessary later if inflation does not prove transitory. A prolonged period of rising inflation may develop into slow or stagnant economic growth if combined with slowing economic expansion and elevated unemployment. Any government action on monetary policy is likely to impact client asset class allocation strategy which may have an impact on client activity levels.
- An escalation in geopolitical tensions or increased use of protectionist measures, such as in the Ukraine and Russia conflict, may have a material adverse effect on the Company's 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.

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, as the path of the COVID-19 pandemic is inherently difficult to predict. Further waves of the COVID-19 pandemic, a disruptive adjustment to monetary policy normalisation, intensifying social unrest that weighs on market sentiment and deteriorating trade and geopolitical tensions are some of the factors that could heighten market risks for the Company's portfolios.

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.

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.

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- **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 European Capital Requirements Directive (CRDIV) and the European Capital Requirements Regulation (CRR). 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 within the Company to other Barclays Group entities including the Group Service Company. These outsourced activities are managed through various intra-group service agreements between BBPLC, the Company and the Group Service Company, in which the Company is a service beneficiary. The Company continues to be accountable for the risk arising from the actions of the outsourced activities. Failure to adequately manage outsourcing risk through control environments which remain robust to ever changing threats and challenges could result in increased losses, inability to perform critical economic functions, client detriment, potential regulatory censure and penalty, legal liability and reputational damage. The Company assesses its risk and control environment across its functions with a view to maintaining an acceptable level of residual risk.

- **Capital and Regulatory risk**

Capital risk is the risk that the Company has an insufficient level or composition of capital to support its normal business activities and to meet its regulatory capital requirements under normal operating environments or stressed conditions. Rules dictating the measurement of capital may be tightened which

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For the year ended 31 December 2021

would constrain the Company's planned activities and contribute to adverse impacts on the Company's earnings.

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

To 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 December 2021:

- A contractual guarantee of £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 will remain in effect until terminated by either of the parties to the guarantee by providing 30 business days' notice in writing to the other party.
- A contractual guarantee of £1bn from BBPLC to cover credit exposures arising from counterparty credit risk ranked by risk weighted amount. The guarantee limit can be amended from time to time with agreement between both parties. This guarantee will remain in effect until terminated by either of the parties to the guarantee by providing 30 business days' notice in writing to the other party.
- 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 will remain in effect until terminated either by the beneficiary or guarantor by providing 30 business days' notice in writing to the other party.
- A contractual guarantee of £1.5bn from BBPLC to cover exposure with Barclays Capital Luxembourg Sarl for stock loan transactions. This guarantee will remain in effect until terminated by the guarantor by providing 30 business days' notice in writing to the beneficiary.
- Floating rate perpetual subordinated write down securities (AT1 securities) issued for £200m on 22 August 2019, which are included within additional Tier 1 capital;
- Subordinated callable notes of £150m issued on 22 August 2019 and £150m issued on 19 December 2019, which are included within Tier 2 capital.

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

The Company's capital management objectives are to:

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

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Strategic Report

For the year ended 31 December 2021

External Regulatory Capital Requirements

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

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

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

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

CRD IV Capital ratios

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

Also forming part of the Buffer requirement is the Counter-Cyclical Capital Buffer (CCyB) and the Systemic Risk Buffer (SRB). The Company's CCyB is based on the buffer rate applicable for each jurisdiction in which the Company has exposures. In March 2020, the Financial Policy Committee (FPC) cut the CCyB rate for UK exposures to 0%. The buffer rates set by other national authorities for non-UK exposures are currently not material. Overall, this results in 0.03% CCyB for the Company as at 31 December 2021. At its meeting in December 2021, the FPC agreed that it would raise the UK CCyB rate to 1% with effect from 13 December 2022. No SRB has been set to date.

The Company's Pillar 2A requirement for 2021 was equal to £269mn, of which 56% needs to be met with CET1 capital, equating to approximately 1.9% of the RWAs. The Company's 2020 Pillar 2A add-on was reduced from 3.8% to 2.4% effective 23 July 2020 with 1.4% of RWAs needing to be met in CET1 form. The Pillar 2A requirement is subject to at least annual review and has been set as a nominal capital amount. This is based on a point in time assessment and the requirement (when expressed as a proportion of RWAs) will change depending on the total RWAs at each reporting period. All capital and RWA calculations reflect the Company's interpretations of the current rules.

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Strategic Report

For the year ended 31 December 2021

As at 31 December 2021, the Company's CET1 ratio was 17.05% (2020: 13.06%) which exceeds the 2021 minimum requirement of 8.88% including the minimum 4.5% of CET1 requirement, 1.85% of Pillar 2A requirement, a 2.5% CCB buffer and a 0.03% CCyB buffer.

The table below provides details of the Company's CRD IV transitional capital ratios, capital resources and RWAs at 31 December 2021 and 2020.

	2021	2020
Risk weighted assets (in £'000)	8,167,669	8,647,182
Common Equity Tier 1 capital ratio	17.0%	13.1%
Tier 1 capital ratio	19.5%	15.4%
Total capital ratio	23.1%	18.9%

The Company's Total capital ratio increased to 23.1% (2020: 18.9%), as a result of a 6% decrease in RWAs to £8,168m and 16% increase in total capital.

Significant regulatory updates in the period

Following the withdrawal of the UK from the EU, any 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 and subject to the temporary transitional powers (TTP) available to UK regulators to delay or phase-in on-shoring changes to UK regulatory requirements arising at the end of the transition period until 31 March 2022, as at the applicable reporting date.

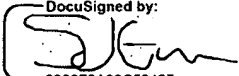
Per the CRR II regulations, the entity falls under the ambit of the 'large institution' definition as per Article 4 (146) & (147), as the total value of its assets is equal to or greater than EUR 30 billion. As a consequence, the entity would be required to adhere to the binding requirement of maintaining a minimum Leverage Ratio under UK Leverage Ratio framework, together with the publishing of an entity specific Pillar 3 disclosure, both of which will come into effect from 1 January 2022.

On 8 October 2021, the PRA published its Policy Statement on the UK leverage ratio framework. The Policy Statement confirms that UK banks will be subject to a single UK leverage ratio requirement meaning that the CRR leverage ratio will no longer apply for UK banks. Whilst largely upholding the existing framework, technical changes generally align to the Basel III standards with the exception of the qualifying claims on central banks exemption. Central bank claims can be excluded from the UK leverage ratio measure as long as they are matched by qualifying liabilities (rather than deposits). Minimum requirements are expected to be applied at the individual level from 1 January 2023 along with additional reporting requirement in the form of Average reporting.

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Strategic Report
For the year ended 31 December 2021

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 11.2% to £724m from 2020. Total operating expenses increased by 18.0% to £258m from 2020. Profit after tax increased by 15.6% to £318m (2020: £275m).

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FOR AND ON BEHALF OF THE BOARD

Steven Ewart
Director

9 May 2022
Company Number 1929333

Barclays Capital Securities Limited

Directors' Report

For the year ended 31 December 2021

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 2021.

Profit and dividends

The results of the Company show profit after tax of £318m (2020: £275m) and total income of £724m (2020: £651m). The Company has net assets of £1,692m (2020: £1,387m).

No interim dividends were declared and paid during the year 2021 (2020: Nil). The Directors do not recommend the payment of a final dividend for 2021 (2020: Nil).

Directors

The Directors of the Company, who served during the year 2021 and up to the date of signing the financial statements, are as shown below:

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

Dawn Fitzpatrick - Non-Executive Director, Board Remuneration Committee Interim Chair and Board Risk Committee Interim Chair (appointed 27 September 2021)

Paul Leech - Chief Executive Officer (appointed 8 June 2021)

Steven Ewart – Chief Financial Officer

Tim Breedon – Non-Executive Director (resigned 1 November 2021)

Helen Keelan – Non-Executive Director (resigned 30 April 2021)

Stephen Dainton – Executive Director (resigned 7 June 2021)

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 2021

Set out below are the principles which underpin our corporate governance arrangements and how these principles have been applied during 2021.

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 2021:

Principle One: Board Leadership and Company Purpose

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

- The Board is responsible for the overall leadership of the Company 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. Following the work completed in 2020 on reinvigorating our Purpose, the BPLC Board oversaw the launch of the Group-wide Mindset - Empower, Challenge and Drive - in February 2021. Our Mindset defines the way in which we want to get things done at Barclays. Mindset is a core part of the Group's culture and a core focus for the Board.

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.

- 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.

Barclays Capital Securities Limited

Directors' Report

For the year ended 31 December 2021

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 2). 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. The BCSL Board is composed of Michael Ashley (Chairman, Non-Executive Director), Dawn Fitzpatrick (Non-Executive Director), Paul Leech (Chief Executive Officer) and Steven Ewart (Chief Financial Officer).
- All appointments to the Board and senior management are based on merit and objective criteria with a strong acknowledgement of the benefits of diversity (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 Barclays Group's Board Diversity Policy, can be found in the BPLC Annual Report 2021.
- 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.

Barclays Capital Securities Limited

Directors' Report

For the year ended 31 December 2021

- 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 4-8 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.

Principle Five: Remuneration

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

-
- The Barclays Group's Remuneration Policy is set by the 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 2021 (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 improving its gender pay gap position, with the 2021 gender pay gap statistics published on the Government's Gender Pay Gap reporting portal in February 2022. For 2021, Barclays has also published a Fair Pay report summarising its approach to pay fairness.
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Barclays Capital Securities Limited

Directors' Report

For the year ended 31 December 2021

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 pages 3 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 2021, and the link between stakeholder management and key decisions, is set out in the section 172 statement on page 3 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 considered it appropriate to prepare 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.

After reviewing the Company's financial position, performance projections (including the implications from the recent geopolitical events on Russia-Ukraine conflict), 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 the international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law.

Barclays Capital Securities Limited

Directors' Report

For the year ended 31 December 2021

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 international accounting standards in conformity with the requirements of the Companies Act 2006;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the *going concern basis of accounting* unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Financial Risk Management

The Company's activities are exposed to a variety of financial risks. The Company is required to follow the requirements of the Barclays Group risk management policies, which include specific guidelines on the management of foreign exchange, interest rate and credit risks, and advice on the use of financial instruments to manage them. The main financial risks that the Company is exposed to are outlined in Note 28.

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 2021 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 focuses on addressing environmental issues where it is felt that there is the greatest potential to make a difference. As the global effort to tackle climate change grows, the Barclays Group is moving rapidly to take

Barclays Capital Securities Limited

Directors' Report

For the year ended 31 December 2021

a leading role in contributing to the transition to a low-carbon economy. In March 2020, the Barclays Group announced its ambition to be a net zero bank by 2050.

To successfully fulfil against our Purpose, the Group must ensure that we address the needs of all our stakeholders. This includes our customers and clients, colleagues, investors and the societies in which we operate.

The longevity of our business can only be ensured if we help tackle the challenges of our time, such as social inequality and climate change, whilst minimising any unintended and adverse impacts of our operations and our business as a financial institution. To this end we seek to identify and understand the environmental, social and governance factors which impact our organisation and how we shape and impact the environment and society around us. We do this in the context of the financial services we provide, the geographies in which we operate and the needs of our customers and clients.

Barclays Group will continue to identify new opportunities and strive to integrate our broader social and environmental impact into the way we run and govern our business and the work we do every day to help customers and clients, colleagues and society.

While the Barclays Group has been managing ESG issues for several years, its approach continues to evolve in response to a dynamic external environment, increasing investor and other stakeholder attention and continued innovation in our business and product offerings. Barclays Group recognises that the focus on the societal impact of businesses and performance against wider ESG factors has increased in recent years, with growing interest from a range of stakeholders including investors, clients, policy makers and regulators.

Disclosure of global greenhouse gas emissions is done at a Barclays Group level with information available in the BPLC Annual Report 2021 with fuller disclosure available on our website at <https://home.barclays/citizenship/>

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

Customers and clients are 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 'Managing our supply chain' is set out in the BPLC Annual Report 2021.

Pillar 3 disclosures

The Company is subject to Pillar 3 disclosures beginning from 1 January 2022. 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 (information available at: <https://home.barclays/investor-relations/reports-and-events/annual-reports/>). This is in accordance with

Barclays Capital Securities Limited

Directors' Report

For the year ended 31 December 2021

the rules of the Financial Conduct Authority and Prudential Regulation Authority. For more details, refer to 'Significant regulatory updates in the period' in page 10.

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 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.

The fees payable to KPMG LLP by the Company for the year ended 31 December 2021 amounted to £0.5m (2020: £0.6m), of which £0.4m (2020: £0.5m) 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

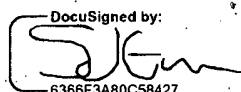
The contractual guarantee from BBPLC to the Company which covers credit exposures arising from Counterparty Credit risk ranked by risk weighted amount, with a limit of £1bn as of 31 December 2021 had been increased to £2.5bn on 28 March 2022, as part of the capital management actions for the entity.

In the 27 October 2021 UK Budget, the Chancellor confirmed a decrease in the bank surcharge from the current 8% to 3% from April 2023. This change was substantively enacted post year end on 2 February 2022.

Barclays Capital Securities Limited
Directors' Report
For the year ended 31 December 2021

As a result the effective tax rate will reduce to 27.7% for the year 2023 and to 28.0% for the year 2024 and onwards. This will also impact the deferred tax balances in the subsequent years, however the impact is not material.

There were no other important events affecting the Company which have occurred since 31 December 2021.

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FOR AND ON BEHALF OF THE BOARD

Steven Ewart
Director
9 May 2022

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 2021 which comprise the statement of Profit or Loss and Other Comprehensive Income, 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 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

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. The risks that we considered most likely to adversely affect the Company's available financial resources over this period were:

- The availability of funding and liquidity in the event of a market wide stress scenario; and
- The 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

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

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;
- 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 possible pressures to meet profit targets, 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.

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

We also identified fraud risks related to:

- unobservable pricing inputs into the valuation of level 3 equity derivatives; 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 for bias; and
- Substantive procedures to address the fraud risk.

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.

Whilst the Company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

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.

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

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 procedures are designed to detect material misstatement. We are not responsible for preventing noncompliance 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 or the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

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

Directors' responsibilities

As explained more fully in their statement set out on page 16-17, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

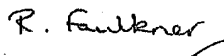
Auditor's responsibilities

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

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

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.



Richard Faulkner (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
9 May 2022

Barclays Capital Securities Limited**Income Statement for the year ended 31 December 2021**

Figures in Pounds Sterling thousand	Note	2021	2020
Continuing operations:			
Interest expense	4	(8,768)	(9,439)
Net fee and commission income	5	61,117	33,354
Net trading income	6	671,374	627,190
Total income		723,723	651,105
Credit impairment release/(charges)	7	151	(7)
Net operating income		723,874	651,098
Operating expenses	8	(258,228)	(218,886)
Profit before tax		465,646	432,212
Taxation	9	(147,818)	(157,223)
Profit after tax from continuing operations		317,828	274,989
Total comprehensive income for the year attributable to equity holders of the parent		317,828	274,989

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

The accompanying notes from pages 31 to 86 form an integral part of the financial statements.


Barclays Capital Securities Limited
Statement of Financial Position as at 31 December 2021

Figures in Pounds Sterling thousand	Note	2021	2020
Assets			
Current assets			
Cash and cash equivalents	10	846,286	864,070
Trading portfolio assets	11	33,085,375	21,126,344
Derivative financial instruments	12	12,089,519	8,900,669
Financial assets mandatorily at fair value	14	57,323,785	46,325,276
Loans and other receivables at amortised cost	15	41,403,550	38,008,120
Other assets	16	230,975	162,600
		144,979,490	115,387,079
Non-current assets			
Financial assets mandatorily at fair value	14	678,488	302,188
Loans and other receivables at amortised cost	15	49,571	49,819
Investments in subsidiaries	18	—	—
		728,059	352,007
Total assets		145,707,549	115,739,086
Liabilities			
Current liabilities			
Trading portfolio liabilities	11	17,599,352	14,181,348
Derivative financial instruments	12	12,179,860	9,413,649
Financial liabilities mandatorily at fair value	19	45,675,449	39,187,776
Borrowings	20	57,540,603	41,397,240
Other liabilities	21	339,101	264,655
Current tax liabilities	22	83,077	65,245
		133,417,442	104,509,913
Non-current liabilities			
Repurchase agreements at amortised cost	13	7,356,833	8,140,936
Financial liabilities mandatorily at fair value	19	509,081	1,350,983
Borrowings	20	2,731,577	349,813
Deferred tax liabilities	17	449	445
		10,597,940	9,842,177
Total liabilities		144,015,382	114,352,090
Shareholders' equity			
Share capital	23 (i)	571,071	571,071
Other equity instruments	23 (ii)	200,000	200,000
Other reserves	24	250,000	250,000
Retained earnings		671,096	365,925
Total equity		1,692,167	1,386,996
Total equity and liabilities		145,707,549	115,739,086

The accompanying notes from pages 31 to 86 form an integral part of the financial statements.

Barclays Capital Securities Limited
Statement of Financial Position as at 31 December 2021

The financial statements were approved by the Board of Directors and authorised for issue on 22 April 2022 and were signed on its behalf by:

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Steven Lwail

Director

9 May 2022

Barclays Capital Securities Limited**Statement of Changes in Equity for the year ended 31 December 2021**

Figures in Pounds Sterling thousand	Ordinary shares	Preference shares	Other equity instruments	Capital redemption reserve	Retained earnings	Total equity
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
Balance as at 1 January 2020	571,070	1	200,000	250,000	104,221	1,125,292
Profit for the year					274,989	274,989
Other equity instruments coupons paid					(13,285)	(13,285)
Balance as at 31 December 2020	571,070	1	200,000	250,000	365,925	1,386,996

The accompanying notes from pages 31 to 86 form an integral part of the financial statements.

Barclays Capital Securities Limited**Statement of Cash Flows for the year ended 31 December 2021**

Figures in Pounds Sterling thousand	2021	2020
Continuing operations:		
Reconciliation of profit before tax to net cash flows from operating activities		
Net cash flow from operating activities		
Profit from operations	465,646	432,212
Adjustments for non-cash items:		
Impairment	(151)	7
Other non-cash movements	(18,604)	(12,823)
Cash flows from operating activities:		
Net (increase) in trading portfolio assets	(11,959,031)	(1,225,311)
Net (increase) in derivative financial instrument assets	(3,188,850)	(3,364,207)
Net (increase) in financial assets mandatorily at fair value	(11,374,809)	(12,644,914)
Net (increase) in loans and receivables	(3,395,031)	(4,534,851)
Net (increase) in other assets	(145,025)	(125,559)
Net increase in trading portfolio liabilities	3,418,004	3,312,867
Net increase in derivative financial instrument liabilities	2,766,211	2,385,538
Net (decrease)/increase in repurchase agreements	(784,103)	618,728
Net increase/(decrease) in financial liabilities mandatorily at fair value	5,645,771	(198,699)
Net increase in borrowings	18,558,339	15,536,466
Net increase/(decrease) in other liabilities	74,446	(61,701)
Corporate income tax paid	(34,727)	(3,856)
Net cash from operating activities	28,086	113,897
Cash flows from financing activities		
Net (decrease) in sub debt borrowings	(33,213)	—
Other equity instruments coupons paid	(12,657)	(13,285)
Net cash from financing activities	(45,870)	(13,285)
Net (decrease)/increase in cash and cash equivalents	(17,784)	100,612
Cash and cash equivalents at the beginning of the year	864,070	763,458
Cash and cash equivalents at the end of year	846,286	864,070

Interest paid by the Company was £8.8m (2020: £9.4m).

The accompanying notes from pages 31 to 86 form an integral part of the financial statements.

Barclays Capital Securities Limited

Notes to the Financial Statements for the year ended 31 December 2021

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 international accounting standards in conformity with the requirements of the Companies Act 2006. 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 the geopolitical developments on Russia-Ukraine conflict), 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

The accounting policies adopted have been consistently applied, with the exception of the Interest Rate Benchmark Reform Phase 2 amendments (amendments to IFRS 9, IAS 39 and IFRS 7) which were applied from 1 January 2021.

Barclays Capital Securities Limited

Notes to the Financial Statements for the year ended 31 December 2021

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

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. Foreign exchange gains and losses resulting from the retranslation and settlement of these items are recognised in the income statement.

The Company does not have any foreign operations.

(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.

Barclays Capital Securities Limited

Notes to the Financial Statements for the year ended 31 December 2021

(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.

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

Deferred tax assets are recognised on deductible temporary differences, carry forward of unused tax losses and unused tax credits to the extent that it is regarded as probable that sufficient tax profits will be available against which the deductible temporary difference, unused tax losses and unused tax credits can be utilised. Deferred and current tax assets and liabilities are only offset where there is both the legal right to set off and intention to settle on a net basis or to realise the asset and settle the liability simultaneously with the same tax authority.

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 jurisdictions 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.

(f) Financial assets and liabilities

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

Recognition

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

Classification and measurement

Financial assets are classified on the basis of two criteria:

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

Barclays Capital Securities Limited

Notes to the Financial Statements for the year ended 31 December 2021

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

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

Financial assets/liabilities at amortised cost

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

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

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

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

Determining the fair value

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

Barclays Capital Securities Limited

Notes to the Financial Statements for the year ended 31 December 2021

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.

Barclays Capital Securities Limited

Notes to the Financial Statements for the year ended 31 December 2021

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.

Barclays Capital Securities Limited

Notes to the Financial Statements for the year ended 31 December 2021

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

Netting

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

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

Accounting for derivatives

Derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices defined in the contract. They include swaps, forward-rate agreements, futures, options and combinations of these instruments and primarily affect the 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.

Barclays Capital Securities Limited

Notes to the Financial Statements for the year ended 31 December 2021

(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.

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) 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

Barclays Capital Securities Limited

Notes to the Financial Statements for the year ended 31 December 2021

measured. Contingent liabilities are not recognised on the balance sheet but are disclosed unless the likelihood of an outflow of economic resources is remote.

(m) Critical accounting estimates and judgments

The preparation of financial statements in accordance with IFRS requires the use of estimates. It also requires management to exercise judgement in applying the accounting policies. The key areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the individual financial statements are disclosed in Fair Value of Financial Instruments in Note 26 and Taxation in Note 9. There are no other areas involving significant accounting estimates and judgements.

4. Interest expense

	2021	2020
	£'000s	£'000s
Interest expense	(8,768)	(9,439)
	(8,768)	(9,439)

Interest expense relates to interest on Subordinated Debt funding of £300m (2020: £334m) 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.

Barclays Capital Securities Limited**Notes to the Financial Statements for the year ended 31 December 2021**

Figures in Pounds Sterling thousand

Information on the services provided and fee types is detailed below.

	2021	2020
Fee Type		
Markets Execution	198,754	185,643
Management and Advisory	29,398	27,869
Service fees from Affiliates	32,934	13,363
Total revenue from contracts with customers	261,086	226,875
Transfer pricing and revenue share	(36,110)	(33,970)
Fee and commission income	224,976	192,905
Non Affiliates	(74,881)	(55,504)
Affiliates	(88,978)	(104,047)
Fee and commission expense	(163,859)	(159,551)
Net fee and commission income	61,117	33,354

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.

Barclays Capital Securities Limited**Notes to the Financial Statements for the year ended 31 December 2021**

Figures in Pounds Sterling thousand

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.

Fee and Commission Expense - Affiliates

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

Remaining performance obligations

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

Contract assets and contract liabilities

The Company has no material contract assets or contract liabilities as at 31 December 2021.

6. Net trading income

	2021	2020
Net trading income	671,374	627,190
	671,374	627,190

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

Barclays Capital Securities Limited**Notes to the Financial Statements for the year ended 31 December 2021**

Figures in Pounds Sterling thousand

7. Credit impairment

	Impairment Recoveries Total 2021		Impairment Recoveries Total 2020	
Loans and other receivables at amortised cost	151	—	151	(7)
Total Impairment release/charges	151	—	151	(7)

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

8. Operating expenses

	2021	2020
Operating expenses type:		
Recharges	(257,771)	(218,332)
Auditor's remuneration		
- Audit of the Company's financial statements ^a	(91)	(91)
- Other audit related services ^b	(366)	(463)
Total	(258,228)	(218,886)

The 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.

Employees and key management, including Directors emoluments

The Company has no direct employees during 2021 and 2020. 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:

	2021	2020
Aggregate remuneration in respect of qualifying services	(49)	(60)
Aggregate amounts receivable under long-term incentive schemes	—	—
Aggregate contributions due to Barclays Group Pension scheme	—	—
Total	(49)	(60)

Barclays Capital Securities Limited**Notes to the Financial Statements for the year ended 31 December 2021****Figures in Pounds Sterling thousand****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 14.

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 (2020: 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 (2020: Nil).

The Company has made no loans, guarantees or other such dealings to its Directors during the year (2020: Nil).

9. Taxation

	2021	2020
Major components of the tax expense		
Current tax charge:		
Current year	(141,075)	(125,998)
Adjustments for prior years	(6,739)	(31,251)
	(147,814)	(157,249)
Deferred tax charge/(credit):		
Current year	63	64
Adjustments for prior years	—	—
Rate change adjustment	(67)	(38)
	(4)	26
Tax charge	(147,818)	(157,223)

Legislation has been introduced to maintain the main rate for corporation tax at 19% to 25% from 1 April 2023, which was substantively enacted on 24 May 2021. As a result, relevant deferred tax balances have been re-measured at a hybrid rate of 31.75% which includes a banking surcharge of 8%.

Barclays Capital Securities Limited**Notes to the Financial Statements for the year ended 31 December 2021**

Figures in Pounds Sterling thousand

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.

	2021	2020
Profit before taxation	465,646	432,212
Tax charge based on the standard UK corporation tax rate of 27% (2020: 27%)	(125,724)	(116,697)
Tax effect of adjustments on taxable income		
Adjustments in respect of prior years	(6,739)	(31,251)
Non-creditable taxes including withholding taxes	(18,604)	(12,823)
Non-taxable income	(101)	(2)
AT1 tax credit	3,417	3,588
Impact of change in tax rates	(67)	(38)
	(147,818)	(157,223)
Effective tax rate	31.7%	36.4%

The effective tax rate of 31.7% (2020: 36.4%) is greater than the UK statutory tax rate of 27% (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.

10. Cash and cash equivalents

Cash and cash equivalents consist of:

	2021	2020
Bank Balances	846,286	864,070

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 2021, the Company's client monies amounted to £60,605,985 (2020: £30,645,049).

11. Trading portfolio

	2021	2020
Trading portfolio assets		
Equity securities	32,689,486	20,712,795
Debt securities	395,889	413,549
Total	33,085,375	21,126,344
Trading portfolio liabilities		
Equity securities	17,560,005	14,143,812
Debt securities	39,347	37,536
Total	17,599,352	14,181,348

Refer to 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.

Barclays Capital Securities Limited

Notes to the Financial Statements for the year ended 31 December 2021

Figures in Pounds Sterling thousand

12. Derivative financial instruments

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

As at 31 December 2020	Fair value assets	Fair value liabilities
Foreign exchange derivatives		
Foreign exchange forwards	66,250	70,515
Foreign exchange options	13,962	1,340
Currency swaps	20,835	22,026
Interest rate derivatives		
Interest rate swaps	501,224	353,745
Equity and stock index derivatives		
Options bought and sold	2,614,612	3,301,775
Swaps and forwards	2,975,542	3,070,018
Exchange traded futures/options (bought/sold)	2,708,244	2,593,993
Credit derivatives		
OTC swaps	—	237
Total derivatives held for trading	8,900,669	9,413,649

Refer to 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

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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

	2021	2020
Non-current liabilities	7,356,833	8,140,936
Total	7,356,833	8,140,936

14. Financial assets mandatorily at fair value

	2021	2020
<u>Current assets:</u>		
Debt securities	50,078	25,700
Loans and Advances	4,352,652	3,640,014
Reverse Repurchase agreements	52,921,055	42,659,562
Total	57,323,785	46,325,276
<u>Non-current assets:</u>		
Debt securities	165,823	219,452
Loans and Advances	512,665	37,711
Reverse Repurchase agreements	—	45,025
Total	678,488	302,188

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 and Note 31 for maturity disclosures.

15. Loans and other receivables

	2021	2020
<u>Current assets:</u>		
Settlement balances	11,942,715	13,411,069
Other loans and receivables	29,460,835	24,597,051
Total	41,403,550	38,008,120
<u>Non-current assets:</u>		
Other loans and receivables	49,571	49,819
Total	49,571	49,819

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).

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16. Other assets

	2021	2020
Trade and other receivables - Financial	164,036	121,467
Trade and other receivables - Non Financial	66,939	41,133
Total	230,975	162,600

17. Deferred tax liabilities

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

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

Liabilities	As at 1-Jan-20	Transitional Adjustment	Prior year adjustment to income statement	(Charge)/Credited to Income Statement	As at 31-Dec-20
Other provisions	(471)	—	—	26	(445)
Deferred tax liabilities	(471)	—	—	26	(445)
Falling due in one year					—
Falling due after one year					(445)

Legislation has been introduced to increase the main rate of corporation tax from 19% to 25%, effective from 1 April 2023, which was substantively enacted on 24 May 2021. As a result, relevant deferred tax balances have been re-measured at a hybrid rate of 31.75% which includes a banking surcharge of 8%.

In the 27 October 2021 UK Budget, the Chancellor confirmed a decrease in the bank surcharge from the current 8% to 3% from April 2023. This change was substantively enacted post year end on 2 February 2022. As a result the effective tax rate will reduce to 27.7% for the year 2023 and to 28.0% for the year 2024 and onwards. This rate change does not have a material impact on the deferred tax balances.

There are no deferred income tax assets as of 31 December 2021 (2020: £1,611,417) which had not been recognised on unused foreign tax credits to the extent that they are not regarded as recoverable in the foreseeable future.

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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 2021, the carrying value of investment in subsidiary is £100 (2020: £100). Consolidated financial statements have not been prepared. See Note 1.

19. Financial liabilities mandatorily at fair value**Current liabilities**

	Fair Value 2021	Contractual amount due on maturity 2021	Fair Value 2020	Contractual amount due on maturity 2020
Deposits	1,834,603	1,834,591	1,732,779	1,734,316
Repurchase agreements	43,786,775	43,786,106	33,808,439	33,797,888
Other financial liabilities	54,071	54,286	3,646,558	3,644,932
Total	45,675,449	45,674,983	39,187,776	39,177,136

Non-current liabilities

	Fair Value 2021	Contractual amount due on maturity 2021	Fair Value 2020	Contractual amount due on maturity 2020
Other financial liabilities	509,081	536,417	1,350,983	1,361,466
Total	509,081	536,417	1,350,983	1,361,466

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

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20. Borrowings

	2021	2020
Current liabilities:		
Bank loans and overdrafts	43,470,991	28,323,218
Other borrowings	1,363	38,232
Settlement balances	14,068,249	13,035,790
Total	57,540,603	41,397,240
Non-current liabilities:		
Bank loans and overdrafts	2,431,577	49,813
Other borrowings	300,000	300,000
Total	2,731,577	349,813

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. Subordinated debt amounting to €17m and US\$24.5m worth £33m (2020: £34m) with BBPLC were redeemed during the year.

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

21. Other liabilities

	2021	2020
Trade & other payables - Financial	324,956	251,945
Trade & other payables - Non Financial	14,145	12,710
Total	339,101	264,655

22. Current tax liabilities

	2021	2020
Current tax liabilities are as follows:		
UK corporation tax payable	83,077	65,245

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23. Shareholders' equity

(i) Share capital

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

	2021	2020
Authorized 650,000,000 Ordinary shares	650,000	650,000
1,000 non-cumulative preference shares	1	1
661,499,000 Redeemable non-cumulative preference shares	661,499	661,499
As at 31 December	1,311,500	1,311,500
Allotted and fully paid		
571,070,000 Ordinary shares	571,070	571,070
1,000 non-cumulative preference shares	1	1
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.

(ii) Other equity instruments

The Company issued floating rate perpetual subordinated write down securities (AT1 securities) during the year 2019. 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	2021	2020
Additional Tier 1 (AT1) securities issuance	2024	200,000	200,000
As at 31 December		200,000	200,000

The principal terms of the AT1 securities are described below:

- AT1 securities rank behind the claims against the Company of 1) unsubordinated creditors; 2) claims which are expressed to be subordinated to the claims of unsubordinated creditors of the Company but no further or otherwise; 3) claims which are in respect of any secondary non preferential debts; 4) claims which are, or are expressed to be, junior to the claims of other creditors of the Company, whether subordinated or unsubordinated, other than those whose claims rank, or are expressed to rank, pari passu with, or junior to, the claims of the Holders of the AT1 securities.
- AT1 securities bear a floating rate of interest. Interest on the AT1 securities is due and payable only at the sole discretion of the Company, and the Company shall have sole and absolute discretion at all times and

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for any reason to cancel (in whole or in part) any interest payment that would otherwise be payable on any interest payment date.

- AT1 securities are undated and are redeemable, at the option of the Company, in whole or in part five years from the date of issue and every three months thereafter. In addition, the AT1 securities are redeemable, at the option of the Company, in whole in the event of certain changes in the tax or regulatory treatment of the AT1 securities. Any redemptions require the prior consent of the PRA.
- Should the 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.

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

(iii) Dividends

No dividends were paid out during the financial year ended 31 December 2021 (2020: Nil) on ordinary shares and the Directors do not recommend the payment of a final dividend (2020: Nil).

24. Other reserves

	2021	2020
Capital redemption reserve	250,000	250,000
Total	250,000	250,000

Capital redemption reserve

The capital redemption reserve has been 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 which entity controls it. Structured entities are generally created to achieve a narrow and well defined objective and there are specific restrictions around their ongoing activities.

Unconsolidated structured entities

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

Unconsolidated structured entities in which the Company has an interest

An interest in a structured entity is any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the structured entity for the Company but which it is not able to influence or is insufficient to lead to the consolidation of the structured entity. Such interests

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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.

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

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

Maximum exposure to loss

Unless specified otherwise below, the Company's maximum exposure to loss is the value of its on-balance sheet positions. Exposure to loss is mitigated through collateral, the availability of netting and credit protection held.

*Summary of interests in unconsolidated structured entities:***As at 31 December 2021**

Nature of interest	Balance Sheet line item	Secured Financing	Traded Derivatives	Total
Reverse repurchase agreements	Financial assets mandatorily at fair value	1,026,132	—	1,026,132
Derivative financial instruments - assets	Derivative financial instruments		2,470	2,470
Total on balance sheet exposures		1,026,132	2,470	1,028,602

As at 31 December 2020

Nature of interest	Balance Sheet line item	Secured Financing	Traded Derivatives	Total
Reverse repurchase agreements	Financial assets mandatorily at fair value	947,578	—	947,578
Derivative financial instruments - assets	Derivative financial instruments	—	—	—
Total on balance sheet exposures		947,578	—	947,578

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Secured financing

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

Traded derivatives

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

Total notional contract amounts in respect of these derivatives were £2,627m (2020: Nil).

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

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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 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.

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The sensitivity of valuations used in the financial statements to possible changes in significant unobservable inputs is shown on page 60.

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 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 2021	Quoted market prices (Level 1)	Observable inputs (Level 2)	Significant unobservable inputs (Level 3)	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 (Level 3)	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)

As at 31 December 2020	Quoted market prices (Level 1)	Observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Financial assets				
Trading portfolio assets	19,808,876	1,184,007	133,461	21,126,344
Derivative financial assets	—	8,731,091	169,578	8,900,669
Financial assets at fair value	—	46,627,464	—	46,627,464
Total assets	19,808,876	56,542,562	303,039	76,654,477

	Quoted market prices (Level 1)	Observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Financial liabilities				
Trading portfolio liabilities	(13,932,229)	(249,119)	—	(14,181,348)
Derivative financial liabilities	—	(9,145,618)	(268,031)	(9,413,649)
Financial liabilities at fair value	—	(40,538,759)	—	(40,538,759)
Total liabilities	(13,932,229)	(49,933,496)	(268,031)	(64,133,756)

Assets and liabilities reclassified between Level 1 and Level 2

During the period, there were no transfers between Level 1 and Level 2 (2020: 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 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 (Equity 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

	As at 1 January 2020	Purchases	Sales	Settlements	Issues	Total gains and losses in the year recognised in the income statement	Transfers In/(out) ^a	As at 31 December 2020
Net trading portfolio assets (Equity cash products)	218,635	5,929	(142,541)	—	—	51,438	—	133,461
Net derivative financial instruments (Equity derivatives)	54,837	(47,261)	(629)	599	—	(101,139)	(4,860)	(98,453)
Total	273,472	(41,332)	(143,170)	599	—	(49,701)	(4,860)	35,008

^a Nil transfers out for the year (2020: nil)

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Valuation techniques and sensitivity analysis

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

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

The valuation techniques used, 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.

Equity cash products

Description: Includes listed equities, 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	2021	2020
Net trading portfolio assets	7,508	54,731
Net derivative financial instruments	88,644	(26,466)
Total	96,152	28,265

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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	2021 Range		2020 Range		Units
		Min	Max	Min	Max	
Option model	Equity volatility	3	90	14	102	%
	Equity-equity correlation	40	97	25	93	%
Discounted cash flow	Discounted margin	(129)	75	(152)	475	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.

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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.

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 £43,032,381 (2020: £31,200,374) or to decrease fair values by up to £44,905,889 (2020: £31,957,000) 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:

	2021	2020
As at 1 January	7,298	7,326
Additions in year	—	4,104
Releases in year	(1,728)	(1,905)
Amortisations in year	(346)	(2,227)
As at 31 December	5,224	7,298

Fair value adjustments

The value of fair value adjustments made related to Exit price adjustments derived from market bid-offer spreads are £44,803,800 (2020: £38,647,000). 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 existing level for the expected close out strategy. The methodology for determining the bid-offer

Barclays Capital Securities Limited**Notes to the Financial Statements for the year ended 31 December 2021**Figures in Pounds Sterling thousand

adjustment for a derivative portfolio involves calculating the net risk exposure by offsetting long and short positions by strike and term in accordance with the risk management and hedging strategy.

Bid-offer levels are generally derived from market quotes such as broker data. Less liquid instruments may not have a directly observable bid-offer level. In such instances, an exit price adjustment may be derived from an observable bid-offer level for a comparable liquid instrument, or determined by calibrating to derivative prices, or by scenario or historical analysis.

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 either short term in nature or 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 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	—

As at 31 December 2020	Fair Value	Quoted market prices (Level 1)	Observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Loans and other receivables	38,057,939	—	38,057,939	—
Other financial assets	121,467	—	121,467	—
Total Assets	38,179,406	—	38,179,406	—
Borrowings	41,747,053	286,194	41,460,859	—
Repurchase agreements	8,140,936	—	8,140,936	—
Other financial liabilities	251,945	—	251,945	—
Total Liabilities	50,139,934	286,194	49,853,740	—

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Figures in Pounds Sterling thousand

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.

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

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

Borrowings

The fair value hierarchy for borrowings is determined by reference to the observability of inputs into the fair value models. Inputs into the fair value models are considered observable, for example 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.

Barclays Capital Securities Limited**Notes to the Financial Statements for the year ended 31 December 2021****Figures in Pounds Sterling thousand****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 2021	Amounts subject to enforceable netting arrangements ¹					Amounts not subject to enforceable netting arrangements ³
	Balance sheet total ¹	Amounts available for netting on the balance sheet	Related amounts not offset ²		Net amount ²	
			Financial instruments	Financial collateral		
	(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)

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As at 31 December 2020	Amounts subject to enforceable netting arrangements					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	8,900,669	8,898,349	(8,898,349)	—	—	2,320
Reverse repurchase agreements	42,704,587	42,585,658	—	(42,520,718)	64,940	118,929
Total Assets	51,605,256	51,484,007	(8,898,349)	(42,520,718)	64,940	121,249
Derivative financial liabilities	(9,413,649)	(9,386,537)	8,898,349	—	(488,188)	(27,112)
Repurchase agreements	(41,949,375)	(41,865,242)	—	41,784,293	(80,949)	(84,133)
Total Liabilities	(51,363,024)	(51,251,779)	8,898,349	41,784,293	(569,137)	(111,245)

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 £2,583m (2020: £2,609m).

Derivative assets and liabilities

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

Repurchase and reverse repurchase agreements

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

Barclays Capital Securities Limited

Notes to the Financial Statements for the year ended 31 December 2021

Figures in Pounds Sterling thousand

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

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 2021, the Company experienced one back-testing exceptions which was driven by month end valuation adjustments. The number of back-testing exceptions is not considered as indicating any concerns with the VaR model. The section on Model review and back testing is unaudited.

Barclays Capital Securities Limited**Notes to the Financial Statements for the year ended 31 December 2021****Figures in Pounds Sterling thousand**

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

Regulatory VaR (99%)	2021			2020		
	Average	2021 High	2021 Low	Average	2020 High	2020 Low
Interest rate risk	680	2,394	346	821	1,715	467
Equities risk	9,408	25,029	4,354	11,457	24,961	2,125
Foreign exchange risk	2,400	4,163	314	1,139	3,111	312
Basis risk	2,342	4,726	491	1,076	1,886	703
Diversification effect	(4,407)	n/a	n/a	(2,593)	n/a	n/a
Total Regulatory VaR	10,423	23,830	6,476	11,900	25,424	2,193

Note: The high and low regulatory VaR figures reported for each category did not necessarily occur on the same day as the high and low regulatory VaR reported as a whole. Consequently, a diversification effect balance for the high and low regulatory VaR figures would not be meaningful and is therefore omitted from the above table. Basis risk reported in 2021 includes the cross currency basis risk.

Stressed Value at Risk ('SVaR')

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

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

Incremental Risk Charge ('IRC')

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

£'000

	2021			2020		
	Average	2021 High	2021 Low	Average	2020 High	2020 Low
SVaR (99%)	12,764	23,092	8,316	19,557	36,697	4,250
IRC (99.9%)	336	480	69	977	1,558	72

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.

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Notes to the Financial Statements for the year ended 31 December 2021

Figures in Pounds Sterling thousand

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.

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 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
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
Financial assets mandatorily at fair value	50,212,103	1,170,526	5,287,728	1,275,167	56,749	58,002,273
Total Assets	95,100,189	3,937,219	6,316,436	7,333,941	263,339	112,951,124

Barclays Capital Securities Limited**Notes to the Financial Statements for the year ended 31 December 2021****Figures in Pounds Sterling thousand**

As at 31 December 2020	United Kingdom	Europe	Americas	Asia	Africa & Middle East	Total
Cash and cash equivalents	43,705	293,895	103,480	413,058	9,932	864,070
Trading portfolio assets (debt)	46,107	308,593	7,773	882	50,194	413,549
Derivative financial assets	8,819,775	80,355	528	11	—	8,900,669
Loans and other receivables	28,283,273	1,342,663	1,018,828	7,379,751	33,423	38,057,938
Other financial assets	99,714	16,465	2,654	2,354	280	121,467
Financial assets mandatorily at fair value	34,793,944	1,153,754	6,409,828	4,215,858	54,080	46,627,464
Total Assets	72,086,518	3,195,725	7,543,091	12,011,914	147,909	94,985,157

Barclays Capital Securities Limited**Notes to the Financial Statements for the year ended 31 December 2021****Figures in Pounds Sterling thousand****Credit risk (continued)****Credit risk concentration by industrial sector**

As at 31 December 2021	Government	Financial institutions- Bank	Financial institutions- others	Manufactu- ring	Mining & Quarrying	Property	Energy & water	Wholesale & retail distribution	Transport	Postal & communic- ation	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
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
Financial assets mandatorily at fair value	—	48,788,566	9,148,347	—	—	—	—	—	—	—	65,360	58,002,273
Total Assets	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
As at 31 December 2020	Government	Financial institutions- Bank	Financial institutions- others	Manufactu- ring	Mining & Quarrying	Property	Energy & water	Wholesale & retail distribution	Transport	Postal & communic- ation	Business & other services	Total
Cash and cash equivalents	—	684,130	179,940	—	—	—	—	—	—	—	—	864,070
Trading portfolio assets (debt)	1,407	11,003	22,638	93,192	59,630	28,789	30,658	45,243	11,854	57,398	51,737	413,549
Derivative financial assets	—	8,900,600	69	—	—	—	—	—	—	—	—	8,900,669
Loans and other receivables	—	26,649,177	11,407,054	—	—	—	—	—	—	—	1,707	38,057,938
Other financial assets	—	21,992	99,475	—	—	—	—	—	—	—	—	121,467
Financial assets mandatorily at fair value	33,797	34,200,875	12,378,339	—	—	—	—	—	—	—	14,453	46,627,464
Total Assets	35,204	70,467,777	24,087,515	93,192	59,630	28,789	30,658	45,243	11,854	57,398	67,897	94,985,157

Barclays Capital Securities Limited

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Figures in Pounds Sterling thousand

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

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

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

Loans and other receivables – Loans and other receivables are spread across both geographical regions, maturity and individual counterparties. Analysis by geography, industry, staging analysis, L&A and impairment movement over time and maturity, based on counterparties details, may be found on Note 30 on pages 68 to 73.

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 (2020: £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.

Barclays Capital Securities Limited**Notes to the Financial Statements for the year ended 31 December 2021****Figures in Pounds Sterling thousand****Financial assets at amortised cost staging analysis**

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

As at 31 December 2020	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	864,070	—	—	—	—	—	864,070
Loans and other receivables	38,058,100	—	—	—	—	—	38,058,100
Other financial assets	121,467	—	—	—	—	—	121,467
Total	39,043,637	—	—	—	—	—	39,043,637
Impairment Allowance							
Cash and cash equivalents	—	—	—	—	—	—	—
Loans and other receivables	(162)	—	—	—	—	—	(162)
Total	(162)	—	—	—	—	—	(162)
Net exposure							
Cash and cash equivalents	864,070	—	—	—	—	—	864,070
Loans and other receivables	38,057,938	—	—	—	—	—	38,057,938
Other financial assets	121,467	—	—	—	—	—	121,467
Total	39,043,475	—	—	—	—	—	39,043,475

Barclays Capital Securities Limited**Notes to the Financial Statements for the year ended 31 December 2021****Figures in Pounds Sterling thousand****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 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
Asset derecognised due to disposals	—	—	—	—	—	—	—	—
Balance as at 31 December 2021	42,463,453	(10)	—	—	—	—	42,463,453	(10)

Reconciliation of ECL movement to impairment release for the period

ECL movement excluding assets derecognised due to disposals and write-off		151		—		—		151
Income statement release for the period		151						151

	STAGE 1		STAGE 2		STAGE 3		Total	
	Exposure	Impairment allowance	Exposure	Impairment allowance	Exposure	Impairment allowance	Exposure	Impairment allowance
Balance as at 1 January 2020	34,359,226	(154)	—	—	—	—	34,359,226	(154)
New financial assets originated or purchased	20,004,889	(7)	—	—	—	—	20,004,889	(7)
Net drawdowns/repayments/risk parameter changes	—	—	—	—	—	—	—	—
Other movements	—	(1)	—	—	—	—	—	(1)
Asset derecognised due to disposals	(15,320,478)	—	—	—	—	—	(15,320,478)	—
Balance as at 31 December 2020	39,043,637	(162)	—	—	—	—	39,043,637	(162)

Reconciliation of ECL movement to impairment (charge) for the period

ECL movement excluding assets derecognised due to disposals and write-off		(7)		—		—		(7)
Income statement (charge) for the period		(7)						(7)

Barclays Capital Securities Limited**Notes to the Financial Statements for the year ended 31 December 2021****Figures in Pounds Sterling thousand****(b) Financial assets that are neither past due nor impaired**

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
Loans and other receivables	40,578,068	871,856	3,197	41,453,121
Other financial assets	163,975	61	—	164,036
Financial assets mandatorily at fair value	54,128,791	3,873,482	—	58,002,273
Total Assets	107,871,489	5,072,837	6,798	112,951,124
As at 31 December 2020	Strong	Satisfactory	Higher risk	Total
Cash and cash equivalents	860,391	3,633	46	864,070
Trading portfolio assets (debt)	225,659	185,646	2,244	413,549
Derivative financial assets	8,877,584	23,085	—	8,900,669
Loans and other receivables	36,970,967	1,085,991	980	38,057,938
Other financial assets	121,391	76	—	121,467
Financial assets mandatorily at fair value	44,932,741	1,694,723	—	46,627,464
Total Assets	91,988,733	2,993,154	3,270	94,985,157

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 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
Loans and other receivables	41,453,121	(38,962,677)	—	2,490,444
Other financial assets	164,036	—	—	164,036
Financial assets mandatorily at fair value	58,002,273	(502,790)	(56,981,590)	517,893
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

Barclays Capital Securities Limited**Notes to the Financial Statements for the year ended 31 December 2021****Figures in Pounds Sterling thousand**

As at 31 December 2020	Maximum Exposure	Netting and set-off	Collateral	Net Exposure
Cash and cash equivalents	864,070	—	—	864,070
Trading portfolio assets (debt)	413,549	—	—	413,549
Derivative financial instruments	8,900,669	(8,898,349)	—	2,320
Loans and other receivables	38,057,938	(31,082,444)	—	6,975,494
Other financial assets	121,467	—	—	121,467
Financial assets mandatorily at fair value	46,627,464	(1,067,208)	(45,131,439)	428,817
Total on-balance sheet	94,985,157	(41,048,001)	(45,131,439)	8,805,717
Off-balance sheet:				
Undrawn commitments	649,022	—	—	649,022
Total	95,634,179	(41,048,001)	(45,131,439)	9,454,739

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.

Barclays Capital Securities Limited**Notes to the Financial Statements for the year ended 31 December 2021****Figures in Pounds Sterling thousand****Contractual maturity of financial assets and liabilities**

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
Loans and other receivables	4,249,411	36,669,636	378,298	106,205	49,571	—	—	—	41,453,121
Financial assets mandatorily at fair value	—	57,165,560	16,109	142,117	111,813	517,157	49,517	—	58,002,273
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)
Borrowings	(14,727,751)	(33,836,045)	(3,446,211)	(5,530,596)	(2,431,577)	—	(300,000)	—	(60,272,180)
Financial liabilities mandatorily at fair value	—	(45,071,842)	(570,020)	(33,586)	(150,066)	(190,662)	(168,354)	—	(46,184,530)
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	

Barclays Capital Securities Limited**Notes to the Financial Statements for the year ended 31 December 2021****Figures in Pounds Sterling thousand**

As at 31 December 2020	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	864,070	—	—	—	—	—	—	—	864,070
Trading portfolio assets	21,126,344	—	—	—	—	—	—	—	21,126,344
Derivative financial assets	8,900,669	—	—	—	—	—	—	—	8,900,669
Loans and other receivables	938,878	37,049,315	19,659	268	—	49,819	—	—	38,057,939
Financial assets mandatorily at fair value	—	45,495,613	144,507	685,156	164,621	53,139	83,534	894	46,627,464
Other financial assets	—	121,467	—	—	—	—	—	—	121,467
Total Assets	31,829,961	82,666,395	164,166	685,424	164,621	102,958	83,534	894	115,697,953
As at 31 December 2020	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	(14,181,348)	—	—	—	—	—	—	—	(14,181,348)
Derivative financial liabilities	(9,413,649)	—	—	—	—	—	—	—	(9,413,649)
Repurchase agreements	—	—	—	—	(8,140,936)	—	—	—	(8,140,936)
Borrowings	(6,070,679)	(35,136,098)	(105,738)	(84,725)	—	(49,813)	(300,000)	—	(41,747,053)
Financial liabilities mandatorily at fair value	—	(37,266,730)	(1,790,595)	(130,451)	(756,434)	(167,994)	(425,661)	(894)	(40,538,759)
Other financial liabilities	—	(251,945)	—	—	—	—	—	—	(251,945)
Total Liabilities	(29,665,676)	(72,654,773)	(1,896,333)	(215,176)	(8,897,370)	(217,807)	(725,661)	(894)	(114,273,690)
Liquidity excess/(gap)	2,164,285	10,011,622	(1,732,167)	470,248	(8,732,749)	(114,849)	(642,127)	—	1,424,263
Cumulative liquidity excess	2,164,285	12,175,907	10,443,740	10,913,988	2,181,239	2,066,390	1,424,263	1,424,263	—

Barclays Capital Securities Limited**Notes to the Financial Statements for the year ended 31 December 2021**

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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 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)
Borrowings	(14,727,751)	(33,837,211)	(3,439,576)	(5,536,326)	(2,477,464)	—	(333,555)	—	(60,351,883)
Financial liabilities mandatorily at fair value	—	(45,072,499)	(568,695)	(33,784)	(154,020)	(200,868)	(181,387)	—	(46,211,253)
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)
Liquidity excess/(gap)	5,763,628	14,764,566	(3,613,864)	(5,321,788)	(9,991,692)	316,289	(465,425)	—	1,451,714
Cumulative liquidity excess	5,763,628	20,528,194	16,914,330	11,592,542	1,600,850	1,917,139	1,451,714	1,451,714	

Barclays Capital Securities Limited**Notes to the Financial Statements for the year ended 31 December 2021****Figures in Pounds Sterling thousand**

As at 31 December 2020	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	(14,181,348)	—	—	—	—	—	—	—	(14,181,348)
Derivative financial liabilities	(9,413,649)	—	—	—	—	—	—	—	(9,413,649)
Repurchase agreements	—	—	—	—	(8,143,989)	—	—	—	(8,143,989)
Borrowings	(6,070,679)	(35,134,621)	(105,442)	(84,742)	—	(50,086)	(307,909)	—	(41,753,479)
Financial liabilities mandatorily at fair value	—	(37,257,805)	(1,789,223)	(130,109)	(761,096)	(168,728)	(430,467)	(1,176)	(40,538,604)
Other financial liabilities	—	(251,945)	—	—	—	—	—	—	(251,945)
Total liabilities	(29,665,676)	(72,644,371)	(1,894,665)	(214,851)	(8,905,085)	(218,814)	(738,376)	(1,176)	(114,283,014)
Liquidity excess/(gap)	2,164,285	10,022,024	(1,730,499)	470,573	(8,740,464)	(115,856)	(654,842)	(282)	1,414,939
Cumulative liquidity excess	2,164,285	12,186,309	10,455,810	10,926,383	2,185,919	2,070,063	1,415,221	1,414,939	—

Barclays Capital Securities Limited**Notes to the Financial Statements for the year ended 31 December 2021****Figures in Pounds Sterling thousand****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 2021 is £10,406m (2020: £14,321m).

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:

	2021	2020
Fair value of securities accepted as collateral	154,189,384	151,678,557
Of which fair value of securities re-pledged/transferred to others	107,075,444	129,625,116

33. Capital management

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

	2021	2020
Common Equity Tier 1 capital instruments	1,491,730	1,186,563
Common Equity Tier 1 deductions	(102,199)	(56,966)
Common Equity Tier 1 capital	1,389,531	1,129,597
Additional Tier 1 capital	200,000	200,000
Tier 1 capital	1,589,531	1,329,597
Tier 2 capital	300,000	301,661
Total Own Funds	1,889,531	1,631,258

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 2021:

- A contractual guarantee of £1bn (2020: £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 will remain in effect until terminated by either the beneficiary or the guarantor by providing 30 business days' notice in writing to the other party.
- A contractual guarantee of £1bn (2020: £1bn) from BBPLC to cover credit exposures arising from counterparty credit risk ranked by risk weighted amount. The guarantee limit can be amended from time to time with agreement between both parties. This guarantee will remain in effect until terminated either by the beneficiary or guarantor by providing 30 business days' notice in writing to the other party.
- 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(l)(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

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PLC. This guarantee will remain in effect until terminated either by the beneficiary or guarantor by providing 30 business days' notice in writing to the other party.

- A contractual guarantee of £1.5bn (2020: £1.5bn) from BBPLC to cover exposure with Barclays Capital Luxembourg Sarl for stock loan transactions. This guarantee will remain in effect until terminated by the guarantor by providing 30 business days' notice in writing to the beneficiary.

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

- Floating rate perpetual subordinated write down securities (AT1 securities) issued for £200m on 22 August 2019, which are included within additional Tier 1 capital;
- Subordinated callable notes of £150m issued on 22 August 2019 and £150m issued on 19 December 2019, which are included within Tier 2 capital.

Barclays Capital Securities Limited**Notes to the Financial Statements for the year ended 31 December 2021****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 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 mandatorily at fair value	(36,275,533)	(5,109,393)	(41,384,926)
Total Liabilities	(97,570,465)	(18,464,421)	(116,034,886)

Barclays Capital Securities Limited**Notes to the Financial Statements for the year ended 31 December 2021****Figures in Pounds Sterling thousand**

Statement of Comprehensive Income for the year ended 31 December 2020	Parent	Fellow Subsidiaries	Total
Net interest income/(expense)	(9,439)	—	(9,439)
Net fee and commission income/(expense)	(120,563)	—	(120,563)
Net trading income/(expense)	(213,811)	431	(213,380)
Operating expense	(136,393)	(81,513)	(217,906)
Impairment	(7)	—	(7)
Total Comprehensive Income	(480,213)	(81,082)	(561,295)

Statement of financial position as of 31 December 2020	Parent	Fellow Subsidiaries	Total
Assets			
Cash and cash equivalents	111,364	—	111,364
Derivative financial instruments	8,797,253	80,331	8,877,584
Loans and other receivables	25,496,240	6,570,023	32,066,263
Other assets	105	—	105
Financial assets mandatorily at fair value	31,974,793	6,530,935	38,505,728
Investment in subsidiaries	—	—	—
Total Assets	66,379,755	13,181,289	79,561,044
Liabilities			
Derivative financial instruments	(8,738,948)	(525,952)	(9,264,900)
Repurchase agreements	—	(8,140,936)	(8,140,936)
Borrowings	(29,898,316)	(6,766,854)	(36,665,170)
Other liabilities	(36,831)	(17,066)	(53,897)
Financial liabilities mandatorily at fair value	(31,416,896)	(4,065,038)	(35,481,934)
Total Liabilities	(70,090,991)	(19,515,846)	(89,606,837)

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

Operating expenses to fellow subsidiaries above includes cost of services of £129m (2020: £48m) 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 to 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

Barclays Capital Securities Limited

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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.

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.

	2021	2020
Undrawn commitments	838,138	649,022

Undrawn Commitments for the year include a Committed Margin Agreement with Prime Brokerage clients for £838m (2020: £649m). 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 GBP, EUR and USD LIBOR and EONIA. The 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.

Approaches to transition exposure expiring post the expected end dates for LIBOR vary by product and nature of counterparty. The company has actively engaged with the counterparties to transition or include appropriate fallback provisions and transition mechanisms in its floating rate assets and liabilities with maturities after 2021, when relevant IBORs excluding USD LIBOR ceased to be published. The fallback will provide the relevant replacement rate. In the case of the ISDA Protocol it is the RFR plus a credit adjusted spread that should be used post cessation or pre-cessation of the relevant IBOR. 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.

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During 2021, the Company as part of the Group's transition programme, delivered technology and business process changes required for LIBOR cessation to support transition of legacy contracts. Any incremental Technology or Business Process changes required to support USD LIBOR cessation will be delivered ahead of 30 June 2023. Majority of the Company's exposures have moved to RFRs or other appropriate other rates such as fixed rates or Bank of England base rates. This has been achieved through bilateral negotiation of contracts with clients, including the use of appropriate fall-back provisions which became effective post 31 December 2021, however, note that the switch onto the RFR may not take place until next reset post 31 December 2021 and so exposures may still be reported as LIBOR.

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:

As at 31 December 2021	EONIA	GBP LIBOR	USD LIBOR	Others ^a	Total
Non-derivative financial assets and liabilities					
Financial assets	235,131		253,812	650	489,593
Financial liabilities	(2,147)	(718,000)	(550,107)	(732)	(1,270,986)
Equity					
Other equity instruments		(200,000)			(200,000)

^a Others comprise JPY, EUR and CHF LIBOR.

The table above represents the exposures to interest rate benchmark reform, which have yet to transition. The exposure disclosed is for positions with contractual maturities after 31 December 2021 (apart from USD, which is for 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. Balances reported at amortised cost are disclosed at their gross carrying value and do not include any expected credit losses that may be held against them.

The following table represents the derivative exposures to interest rate benchmark reform, which have yet to transition:

As at 31 December 2021	EONIA ^a	GBP LIBOR	USD LIBOR	CHF LIBOR	EUR LIBOR	JPY LIBOR	SOR	Total
Notional contract amount ^a	10,334,558	8,130,989	4,702,657	2,368,861	1,899,994	1,758,445	159,766	29,355,270 ^a

^a Derivative contract exposures are with Barclays Group entities. The exposures above have fallbacks in place for alternate interest rates, except for contracts of notional value £406m as of 31 December 2021 which are without appropriate fall-back clause. Fallbacks here are defined as any mechanism involving a 'switch' or 'hardwire' or a contractual agreement to transition to an automatically selected rate.

The exposure disclosed is for positions with contractual maturities after 31 December 2021 (apart from USD, which is for 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.

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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 which covers credit exposures arising from Counterparty Credit risk ranked by risk weighted amount, with a limit of £1bn as of 31 December 2021 had been increased to £2.5bn on 28 March 2022, as part of the capital management actions for the entity.

In the 27 October 2021 UK Budget, the Chancellor confirmed a decrease in the bank surcharge from the current 8% to 3% from April 2023. This change was substantively enacted post year end on 2 February 2022. As a result the effective tax rate will reduce to 27.7% for the year 2023 and to 28.0% for the year 2024 and onwards. This will also impact the deferred tax balances in the subsequent years, however the impact is not material.

There are no other material events after 31 December 2021 and before adoption of the financial statements which need to be disclosed in the financial statements.