Barclays Bank UK PLC
Annual Report

31 December 2019

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Performance review

The Strategic Report was approved by the Board of Directors on 12 February 2020 and signed on their behalf by the Chair.

Overview

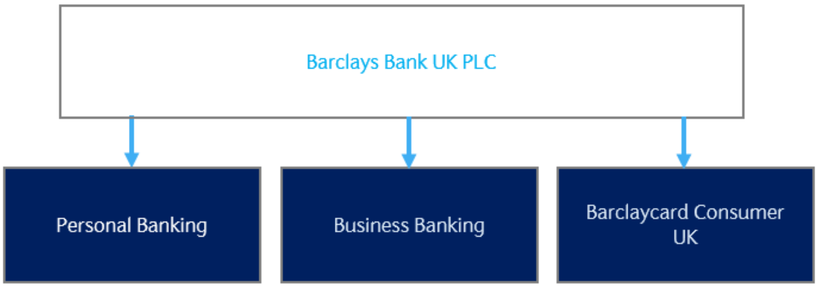
Barclays Bank UK PLC is the wholly-owned ring-fenced bank of Barclays PLC and consists of Personal Banking, Business Banking and Barclaycard Consumer UK businesses.

The consolidation of Barclays Bank UK PLC and its subsidiaries is referred to as the Barclays Bank UK Group. The consolidation of Barclays Bank UK PLC's parent entity, Barclays PLC and its subsidiaries, is referred to as the Barclays Group.

Barclays Bank UK PLC serves retail customers in the UK across the entire spectrum of their banking needs.

Barclays Bank UK PLC also support small and medium-sized businesses, providing the financing, saving and transactional products and services they need to grow.

Our structure



Personal and Business Banking

Offers retail solutions to help customers with their day-to-day banking needs and service business clients, from high growth start-ups to small and medium-sized enterprises, with specialist advice and their business banking needs.

Barclaycard Consumer UK

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

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

Strategic priorities

Barclays Bank UK PLC is a purpose-driven organisation. We aspire to create opportunities to rise for all of our stakeholders. Our strategy has been developed to balance the needs of our customers and clients, our colleagues, our shareholder and wider society. For further detail on our purpose and strategy, see pages 8 to 11 of the Barclays PLC Annual Report 2019.

Barclays Bank UK PLC's business model provides a diversified earnings portfolio to its shareholder, Barclays PLC.

Barclays Bank UK PLC places customers at the centre of what we do. This means listening to our customers, and adapting our products and services to ensure we have the capabilities to support their ever-evolving needs – from receiving their first salary payment, through moving home to saving and investing for retirement. It also means transforming the way we organise ourselves by creating a core team centred around our customers' needs, enabling us to move faster.

As part of our transformation we are using technology to improve our service and make it more efficient and reliable for our customers. We continue to make progress in eliminating the causes of complaints and improving the quality of our service.

Nevertheless, accelerating progress on behalf of our customers remains a key priority, as the interruptions to our services and the level of complaints we receive from our customers is still more than we would like.

The way we serve our customers is increasingly digital, a reflection of how most of our customers now prefer to interact with us. Further investment in our digital capabilities remains fundamental to our strategy, ensuring that our customers have the flexibility to manage the majority of their day-to-day banking needs via mobile and online banking.

This allows us to understand our customers' needs to a degree never previously possible, meaning we can tailor our services accordingly and deliver insights to customers, which help them manage their finances more effectively.

Additionally, the investment we are making in our technology, especially moving to the Cloud, means that we can get products to customers more quickly and deliver a more personalised digital experience.

However, we recognise that more complex needs, like property transactions, still need to be dealt with in person. That's why we're also investing in our physical locations, using technology wherever possible, to make them quicker and easier to use for everyone.

Operating environment

The lower interest rate environment makes borrowing more affordable but, combined with intense competition in the mortgage market and our focus on secured lending, continues to compress our net interest margin.

The accelerated pace of change in this competitive environment has also moved the traditional boundaries of retail banking and reshaped customer expectations. We are making good progress in meeting these new expectations, for example, with balance tracking, spending categorisation and a controls hub allowing customers to manage the types of spend they want, but we recognise that we still have more to do.

We must also continue to adapt to evolving regulation, for example offering alternatives to traditional forms of credit in unsecured lending.

Our achievements in 2019

We continued to progress our digital strategy through 2019. As at the end of the year, 59% of our products were provided to our customers through digital channels and the number of digitally active customers increased by 6% to 11.4m year on year.

We upgraded our mobile banking offering so that our customers can now use one app to access their Barclaycard account alongside other Barclays products. This upgrade also meant that 1.2 million Barclaycard customers, who previously had no relationship with us other than their credit card, can now access more of our products and services through the Barclays App.

We have also improved the products and services that we offer our customers. 2019 saw us launch our market-leading unsecured business loans, enabling Business Banking clients to borrow up to £100,000 digitally – an increase from £25,000 previously. This is another industry first for Barclays, as we are currently the only bank able to offer an instant answer on clients' eligibility for lending at this scale, and making funds available the next working day.

We have progressed with efforts to improve our digital estate, data capabilities and ultimately create the opportunity to better engage partners. We have continued our support for some of the most promising emerging FinTechs through our network of Rise sites and deepened our strategic relationship with MarketFinance (a peer-to- peer invoice discounting platform).

Overall, our relentless focus on customers is reflected in an improved Net Promoter Score[a] for Barclays Bank UK Group of +18 (2018: +17) and +11 (2018: +9) for the Barclaycard brand, which shows the strength and depth of our relationships.

Our role in society

Our success over the long term is tied inextricably to the preservation of our environment and the progress of our communities. For detail on our integration of social and environmental issues into our business, please refer to pages 32 to 35 in the Barclays PLC Annual Report 2019.

Focus for 2020 and beyond

We aim to continue the progress made during 2019 in driving down complaints, by continuing to identify and address the root cause of customer problems, and by making selective investments to improve infrastructure.

We want to continue to improve our customers' digital experience in 2020, as well as developing enhancements to our online and mobile platforms. We will continue to invest in equipping our people with the tools and skills they need to achieve this, as well as strengthening our culture.

We are also creating an integrated banking, advice and investments platform, building on our award winning[b] mobile banking app. Customers will be able to access financial planning services and investment products, as an extension of their existing banking products and services.

Finally, we will continue to embed our new ways of working into our organisation, in order to ensure that we are able to meet our customers' ever-evolving needs.

Notes

a Net promoter score is a view of how willing customers are to recommend our products and services to others.
b Best use of mobile at FStech Awards 2019.

Managing risk

The Barclays Bank UK Group is exposed to internal and external risks as part of our ongoing activities. These risks are managed as part of our business model.

Enterprise Risk Management Framework

Within the Barclays Bank UK Group, risks are identified and overseen through the Enterprise Risk Management Framework (ERMF), which supports the business in its aim to embed effective risk management and a strong risk management culture.

The ERMF governs the way in which the Barclays Bank UK Group identifies and manages its risks. The ERMF is approved by the Barclays PLC board on recommendation of the Barclays Group Chief Risk Officer; it is then adopted by the Barclays Bank UK Group with minor modifications where needed.

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

Risk appetite

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

The Barclays Bank UK Group may choose to adopt a lower risk appetite than allocated to it by the Barclays Group.

Three Lines of Defence

The first line of defence is comprised of the revenue generating and customer facing areas, along with all associated support functions, including Finance, Treasury, Human Resources and Operations and Technology. The first line identifies the risks, sets the controls and escalates risk events to the second line of defence.

The second line of defence is made up of Risk and Compliance and oversees the first line by setting the limits, rules and constraints on their operations, consistent with the risk appetite.

The third line of defence is comprised of Internal Audit, providing independent assurance over the effectiveness of governance, risk management and control over current, systemic and evolving risks.

Although the Legal function does not sit in any of the three lines, it works to support them all and plays a key role in overseeing Legal risk throughout the bank. The Legal function is also subject to oversight from the Risk and Compliance functions (second line) with respect to the management of operational and conduct risks.

Monitoring the risk profile

Together with a strong governance process, using Business and Barclays Group-level Risk Committees as well as Board level forums, the Barclays Bank UK PLC Board receives regular information in respect of the risk profile of the Barclays Bank UK Group. Information received includes measures of risk profile against risk appetite as well as identification of new and emerging risks.

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

	The ERMF defines eight principal risks[a]		How risks are managed
Financial Principal Risks	Credit Risk	The risk of loss to the Barclays Bank UK Group from the failure of clients, customers or counterparties, including sovereigns, to fully honour their obligations to the Barclays Bank UK Group, including the whole and timely payment of principal, interest, collateral and other receivables.	Credit risk teams identify, evaluate, sanction, limit and monitor various forms of credit exposure, individually and in aggregate.
Financial Principal Risks	Treasury and Capital Risk	Liquidity Risk: The risk that the Barclays Bank UK Group is unable to meet its contractual or contingent obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets. Capital Risk: The risk that the Barclays Bank UK Group has an insufficient level or composition of capital to support its normal business activities and to meet its regulatory capital requirements under normal operating environments or stressed conditions (both actual and as defined for internal planning or regulatory testing purposes). This includes the risk from the Barclays Bank UK Group's pension plans. Interest Rate Risk in the Banking Book: The risk that the Barclays Bank UK Group is exposed to capital or income volatility because of a mismatch between the interest rate exposures of its (non-traded) assets and liabilities.	Treasury and capital risk is identified and managed by specialists in Capital Planning, Liquidity, Asset and Liability Management and Market Risk. A range of approaches are used appropriate to the risk, such as; limits; plan monitoring; internal and external stress testing.
Financial Principal Risks	Market Risk	The risk of loss arising from potential adverse changes in the value of the Barclays Bank UK Group's assets and liabilities from fluctuation in market variables including, but not limited to, interest rates, foreign exchange, equity prices, commodity prices, credit spreads, implied volatilities and asset correlations.	A range of complementary approaches to identify and evaluate market risk are used to capture exposure to market risk. These are measured, controlled and monitored by market risk specialists.
Non-Financial Principal Risks	Operational Risk	The risk of loss to the Barclays Bank UK Group from inadequate or failed processes or systems, human factors or due to external events (for example fraud) where the root cause is not due to credit or market risks.	Operational risk comprises the following risks; data management and information, execution risk, financial reporting, fraud, payments processing, people, physical security, premises, prudential regulation, supplier, tax, technology and transaction operations. It is not always cost effective or possible to attempt to eliminate all operational risks. Operational risk is managed across the businesses and functions through an internal control environment with a view to limiting the risk to acceptable residual levels.
Non-Financial Principal Risks	Model Risk	The risk of the potential adverse consequences from financial assessments or decisions based on incorrect or misused model outputs and reports.	Models are independently validated and approved prior to implementation and their performance is monitored on a continual basis.
Non-Financial Principal Risks	Conduct Risk	The risk of detriment to customers, clients, market integrity, effective competition or Barclays Bank UK Group from the inappropriate supply of financial services, including instances of wilful or negligent misconduct.	The Compliance function sets the minimum standards required, and provides oversight to monitor that these risks are effectively managed and escalated where appropriate.
Non-Financial Principal Risks	Reputation Risk	The risk that an action, transaction, investment or event, decision or business relationship will reduce trust in the Barclays Bank UK Group's integrity and/or competence.	Reputation risk is managed by embedding our purpose and values and maintaining a controlled culture within the Barclays Bank UK Group, with the objective of acting with integrity, enabling strong and trusted relationships with customers and clients, colleagues and broader society.
Non-Financial Principal Risks	Legal Risk	The risk of loss or imposition of penalties, damages or fines from the failure of the Barclays Bank UK Group to meet its legal obligations including regulatory or contractual requirements.	The Legal function supports colleagues in identifying and limiting legal risks.

Note
a The ERMF defines eight principal risks. For further information on the how these principal risks apply specifically to Barclays Bank UK Group, please see pages 39 to 42.

Performance measures

Financial performance measures

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

Income Statement

Barclays Bank UK Group results For the year ended 31 December	2019 £m	2018 £m
Total income	7,322	5,606
Credit impairment charges	(709)	(624)
Net operating income	6,613	4,982
Operating costs	(4,358)	(3,356)
Litigation and conduct	(1,586)	(78)
Total operating expenses	(5,944)	(3,434)
Profit before tax	669	1,548
Tax charge	(513)	(405)
Profit after tax	156	1,143
Attributable to:		
Equity holders of the parent	3	1,038
Other equity instrument holders	153	105
Profit after tax	156	1,143

Income Statement commentary

The UK banking business was acquired from Barclays Bank PLC on 1 April 2018, resulting in the prior period containing nine months of full business operations, compared to 12 months in the current period. As such, detailed period on period analysis of the income statement has not been provided and the commentary below therefore encapsulates themes and factors impacting the current period performance only.

Profit before tax was £669m, including the impact of a £1,400m provision for Payment Protection Insurance (PPI). The income environment in 2019 was challenging, with continuing margin pressure reflecting increased refinancing activity by mortgage customers, lower interest earning lending (IEL) balances in UK cards and the mix effect from growth in secured lending. Nevertheless, the business continued to deliver strong growth in balances, increasing mortgage lending by £6.4bn and growing customer deposits by £8.2bn. Barclays Bank UK PLC also delivered cost efficiencies that outweighed continued investment.

Total income was £7,322m, consisting of:

- Personal Banking income of £4,112m reflecting ongoing mortgage margin pressure, offset by mortgage and deposit balance growth, with improved deposit margins
- Barclaycard Consumer UK income of £1,997m reflecting a continued reduced risk appetite and reduced borrowing by customers, which resulted in a lower level of IEL balances, partially offset by increased debt sales
- Business Banking income of £1,361m reflecting deposit growth, with improved deposit margins
- This was partially offset by an expense of £148m in Head Office primarily due to hedge arrangements.

Credit impairment charges of £709m comprised Personal Banking charges of £196m, Barclaycard Consumer UK charges of £472m Business Banking charges of £45m, and Head Office releases of £4m. 2018 included a £100m specific charge in Q418 relating to the impact of anticipated economic uncertainty in the UK. The 30 and 90 day arrears rates in UK cards decreased to 1.7% (Q418: 1.8%) and 0.8% (Q418: 0.9%) respectively.

Total Operating expenses of £5,944m, included litigation and conduct charges of £1,586m. Operating costs were £4,358m comprising £3,036m in Personal Banking, £585m in Barclaycard Consumer UK, £717m in Business Banking and £20m in Head Office.

Balance Sheet Information

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

As at 31 December	2019 £m	2018 £m
Assets		
Loans and advances at amortised cost	197,569	188,565
Financial assets at fair value through other comprehensive income	19,322	6,710
Cash and balances at central banks	24,305	40,669
Liabilities		
Deposits at amortised cost	205,696	197,485

Balance Sheet commentary

Loans and advances at amortised cost increased 5% to £197.6bn reflecting growth in mortgage lending and increased investment in debt securities, held as part of the liquidity buffer. The increased investment in debt securities was driven by a shift in the composition of the liquidity pool from cash and balances at central banks to debt securities, which is also reflected in the increase in financial assets at fair value through other comprehensive income.

Deposits at amortised cost increased 4% to £205.7bn demonstrating franchise strength across both Personal and Business Banking.

Other Metrics and Capital[a]

Throughout 2018, Barclays Bank UK PLC was regulated by the Prudential Regulation Authority (PRA) on an individual basis only. From 1 January 2019, as part of structural reform, Barclays Bank UK Group became regulated by the PRA as a ring-fenced bank. Due to the change in scope, there are no comparatives.

As at 31 December	2019 £bn
Common equity tier 1 (CET1) ratio	13.5%
Total risk weighted assets (RWAs)	75.0
Average UK leverage ratio	5.2%

Note
a Capital, RWAs and leverage are calculated applying the IFRS 9 transitional arrangement of the Capital Requirement Regulation (CRR) as amended by the Capital Requirements Regulation II (CRR II) applicable as at the reporting date. For further information on the implementation of CRR II see page 85.

Capital commentary

The Barclays Bank UK Group CET1 ratio as at 31 December 2019 was 13.5%, which is above regulatory capital minimum requirements.

Non-financial performance measures

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

Barclays Bank UK PLC has addressed the Non-Financial Reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006 through the disclosure contained in Barclays PLC Annual report 2019 on pages 39 to 40.

Our people and culture

We believe that the culture of Barclays Group is built and shaped by the thousands of professionals around the world who serve our customers and clients with a shared purpose and values. Our people make a critical difference to our success, and our investment in them protects and strengthens our culture. Barclays Bank UK PLC colleague themes and initiatives are aligned to Barclays Group values and strategic goals. The following sub-sections are therefore consistent with those detailed in the People Section of the Barclays PLC Annual Report 2019 and figures mentioned are for Barclays Group other than as specifically mentioned.

Colleague engagement

We have an established approach to engaging colleagues which includes the majority of mechanisms recommended the UK's Financial Reporting Council and with new governance requirements in 2019. This ensures that we understand their perspective, take it into account in our decision making at the most senior level, and share with them our strategy and progress.

That extends to those who work for us indirectly as well, such as contractors, although in a more limited way. In 2020, our supplier code of conduct will require organisations with more than 250 employees to demonstrate that they have an effective workforce engagement approach of their own.

It's important to us that our Board members are engaged with our people – directly, and indirectly through our management team. The Board regularly receives reports on colleague engagement activity.

Together with direct engagement, this reporting approach and dedicated time at board meetings helps our Board take the issues of interest to our colleagues into account in their decision making. This has enabled them to confirm that our workforce engagement approach is effective.

Listening to our people

Our regular colleague survey formally captures the views of our people and is a key part of how we track colleague engagement, alongside more granular colleague sentiment tracking across our businesses. Barclays Bank UK PLC's overall engagement score[a] reduced slightly to 76% in 2019, but 78% of our colleagues would still recommend Barclays Group as a good place to work.

The results from the survey are an important part of the conversations our leaders have about how we run the business, and it's a specific focus for our Executive Committee and our Board.

We monitor our culture across the organisation, and in individual business areas, through Culture Dashboards. These combine colleague survey data with other metrics about our business, so that we can see the effect our people's engagement has on our performance, and on the continued strength of our culture. 82% of our people have heard or read the speeches of senior leaders across the Barclays Group talking about the character and culture of Barclays Group.

Keeping our people informed

In addition to these data sources, our leaders, including our Board, engage face to face with colleagues to hear what they think. That might be through site visits, large-scale town halls, training and development activity, mentoring, informal breakfast sessions, committee membership, diversity and wellbeing programmes, or focus and consultative groups.

We make sure we're regularly keeping everyone up to date on the strategy, performance and progress of the organisation through a strategically-coordinated, multichannel approach across a combination of leader-led engagement, and digital and print communication, including blogs, vlogs and podcasts.

We also engage with our people collectively through a strong and effective partnership with Unite, as well as the Barclays Group European Forum, which represents all Barclays Group colleagues within the European Union.

These conversations help us to deliver things like a collective pay deal for our Unite covered colleagues, who represent 84% of the Group's UK-based colleagues, as well as more complex business change and our long-term focus on colleague wellbeing. We regularly brief our union partners on the strategy and progress of the business and seek their input on ways in which we can improve the colleague experience of working in Barclays. The collective bargaining coverage of Unite in the UK represents c.52% of our global workforce.

Building a supportive culture

Diversity of thought and experience works best when everyone feels included. People who feel they can be themselves at work are happier and more productive, so we believe that creating an inclusive and diverse culture isn't just the right thing to do, but is also best for our business.

Our policies require managers to give full and fair consideration to those with a disability on the basis of their aptitudes and abilities; both when hiring and through ongoing people management, as well as ensuring opportunities for training, career development and promotion are available to all. As part of our commitment to the UK government Disability Confident scheme, we encourage applications from people with a disability, or a physical or mental health condition.

We encourage our people to benefit from Barclays Group performance by enrolling in our share plans, further strengthening their commitment to the organisation.

Note

a Engagement score is a measure of employee satisfaction, which indicates levels of fulfilment in Barclays.

Having regard to our stakeholders in our decision making

Section 172(1) statement

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

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- 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.

The Directors also took into account the views and interests of a wider set of stakeholders, including our pensioners, our regulators, the Government, and non-government organisations. You can find out more about who are key stakeholders are, how management and/or the Directors engaged with them, the key issues raised and actions taken on pages 14 to 15 of the Barclays PLC Annual Report 2019 which is incorporated by reference into this statement.

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

How does the Board engage with stakeholders?

The Board will sometimes engage directly with certain stakeholders on certain issues, but the size and distribution of our stakeholders and of the Barclays Bank UK Group 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 Barclays Bank UK Group's operations, and the interests and views of our key stakeholders. It also reviews strategy, financial and operational performance as well as information covering areas such as key risks, and legal and regulatory compliance. This information is provided to the Board through reports sent in advance of each Board meeting, and through in-person presentations.

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

For more details on how our Board operates, and the way in which it reaches decisions, including the matters it discussed and debated during the year, please see pages 16 to 17 of the Governance Report.

The following are some examples of how the Directors have had regard to the matters set out in sections 172 (a)-(f) when discharging their section 172 duties and the effect of that on certain of the decisions taken by them.

Engagement in action

(a) Being accountable for our decisions

Our governance is designed to ensure that we take into account the views of all our stakeholders, so that our decision-making is collaborative and well-informed – both before and after we make our decisions public.

In October 2019 we announced that we would be withdrawing over-the-counter access to cash for our customers at Post Offices in the UK. This was a decision made after carefully balancing the economic impact of a significant increase in transaction fees, and our ability to put in place comprehensive plans to safeguard our customers' access to cash. Following our announcement, we continued to engage with customers, Members of Parliament, and government. It became clear from this further engagement that our full participation in the Post Office Banking Framework was crucial to the viability of the Post Office network at this point in time.

As a result of that further engagement and debate, we reversed our decision. The Board has reviewed the planning and decision-making process around this issue. This has highlighted and re-confirmed, amongst other things, the importance of listening to all of our stakeholders, on an ongoing basis.

(b) Our role in society/investing in communities

The Board in setting and overseeing the Company's citizenship agenda has considered the interests of colleagues, customers and the Company's impact on the community. Barclays Group is considered part of the fabric of the UK due to its number of customers and colleagues. Through the products and services, we offer, we help people to buy a home, build a nest egg, start a business and support their family. Whilst this is our prime responsibility, we strongly believe there is bigger role Barclays Group can play in society.

One example of this is the 'Thriving Local Economies' initiative. At a time of economic and political uncertainty and squeezed living standards, our success as a country will be driven by thriving local economies and by ensuring the businesses and people in those communities have the right support, and skills, to make the most of the opportunities that exist.

Through investment in our 'Thriving Local Economies' initiative, we will make a difference in communities across the UK by partnering with a range of others initially in pilot schemes in four different local economies running for a five-year period – a metropolitan area, a smaller town, a rural community and a coastal area. The aim of the pilots, which focus on boosting skills and the growth of local business by targeting bespoke initiatives utilising the best of our citizenship flagship programmes, is to gain a deep understanding of the needs of our stakeholders, in particular our customers and the communities, and how best we can serve them.

In 2019 we extended the LifeSkills programme to help millions of adults across the country, providing them with the skills, knowledge and confidence to succeed in the workplace. For further detail on LifeSkills and our other community programmes (Connect with Work, Eagle Labs and Unreasonable Impact) please see page 34 of the Barclays PLC Annual Report 2019.

YourBank is another example of how we are thinking differently about the branches that are last in town or remote. We are working with the communities in each of these towns to make them more sustainable as a banking service for the longer term. The Board has reviewed and endorsed the Company's commitment in these cases not to close these branches until at least October 2021.

(c) Serving and protecting our customers

Our customers' behaviours continue to evolve, placing even greater reliance on our digital capabilities in how we serve their needs in the most convenient way for them. Given the increased reliance they place on them, our customers expect those digital capabilities to be available whenever they need them, and for them to protect their interests at all times.

Despite the challenging market environment, the Board concurs with management that it is critical that our investment keeps pace with those expectations. The Board has, as a result, continued to direct heavy investment in our technology, specifically, in areas of most concern to our customers, such as operational resilience, cyber security and in supporting our customers against the ever present threat of scams; ensuring that Barclays Group is as safe to bank with virtually as it has been physically for over 325 years.

The further build out of our digital capability in 2020 and beyond remains fundamental to our strategy to put customers at the centre of everything we do. More detail on our technology initiatives can be found on page 10 of the Barclays PLC Annual Report 2019 'Becoming more digital' section.

Sir Ian Cheshire
Chair – Barclays Bank UK PLC
12 February 2020

Our corporate governance processes and the role they play in supporting the delivery of our strategy.

Governance

Chair's introduction

I am very pleased to present our Governance Report for 2019.

In our second year of operation as a ring-fenced bank, the role of the Board has been clarified against four key priorities: (i) to ensure compliance with the regulatory and legislative framework of the ring-fencing requirements, whilst recognising the wishes of our shareholder, Barclays PLC ('Barclays'); (ii) to add value to the business on all matters considered significant to Barclays Bank UK PLC (the 'Company'); principally purpose, culture, strategy, conduct and customer outcomes; (iii) to hold management to account for delivery of the strategy; and (iv) to bring the outside world into the business through a diversity of perspectives and innovative thinking.

Board activities

Strategy

A key focus of the Board this year has been overseeing the enhancement and embedding of our strategy, to build deeper, longer term relationships with customers. In pursuing a digital-led strategy we are responding to ever changing customer expectations and behaviours, whilst continuing to support those who prefer to do their banking in more traditional ways. For further detail on our strategic priorities please see page 1 of the Strategic Report.

The operating environment continues to be challenging: low interest rates and intense pricing competition in the mortgage and unsecured lending markets continue to put pressure on margins; new challenger banks and technology are disrupting markets and changing customer expectations; while the expectations of society are increasing and regulation continues to evolve.

Against this context, the Board has spent considerable time, both inside and outside formal meetings, discussing strategy and the medium term business plan ('MTP'). We believe our strategy, structure and governance positions us well in supporting customers in what they want to do throughout their lives and in managing the risks of a changing economic, political and market environment.

Our relentless focus on strengthening and deepening customer relationships is reflected in improvements in our net promoter score which, as of December 2019, is +18 (2018: +17). Complaints have also reduced 8% year-on-year but more will be done to ensure we are truly customer focused and stay ahead of the regulatory agenda and our competitors.

Culture and stakeholder engagement

The Board continues to play a key role in setting and monitoring the culture of the organisation. We recognise the importance of the Barclays Group being a supportive and collaborative place to work and view engagement with our stakeholders and the impact of Barclays Group on society as a whole as important. For further detail on how the Board monitors the culture of the organisation, please see page 7 and separately pages 8 to 9 for how it fosters effective stakeholder relationships aligned to the Company's purpose.

Our long-standing commitment to the importance and value of our colleagues continues. An extensive engagement matrix has been developed to ensure sufficient and effective engagement with our colleagues and that the Board is made aware of views expressed. Please see page 7 of the Strategic Report for further detail.

Risk and control

The Board continues to ensure management maintains an effective system of risk management and internal control for assessing its effectiveness. Key to this is identifying, evaluating and managing the principal risks facing the Company and setting the Company's risk appetite; that is, the level of risk it is prepared to take in the context of achieving its strategic objectives.

In conjunction with the Risk Committee, the Board has overseen the operational impact of the UK's decision to leave the European Union (EU) and the Company's readiness for Brexit. In addition, conduct risk remains a key area of focus to ensure the goal of providing positive customer and client outcomes.

The Board has continued to receive regular updates on operational resilience and cyber threats, with the loss of, or interruption to, business processing remaining a material inherent risk for the Company and across the financial services industry. The risks arising from an evolving regulatory change agenda, data management and emerging risks such as climate change have also been, and will continue to be, areas of Board focus.

The Board, in conjunction with the Audit Committee, has been kept updated on PPI redress attributed to claims received prior to the 29 August 2019 complaints deadline.

Board composition, succession planning and effectiveness

Following a formal and transparent process, the Board was delighted to welcome as Executive Directors, both Rupert Fowden, as Interim Chief Financial Officer, and Matt Hammerstein, as Chief Executive in June and July respectively. James Mack replaced Rupert, joining the organisation and Board as Chief Financial Officer on 3 February 2020. We welcome James and thank Rupert for his hard work and considerable contribution in role.

There have been no changes to the Non-Executive Directors during the year.

Board and executive composition and succession remains a key area of focus to ensure the quality of leadership is in place to lead the business in the delivery of strategy against a challenging economic and operating environment. In 2019 this led to organisational structure changes, to be implemented in early 2020, to optimise delivery of the customer focused strategy.

We believe an effective Board is a cohesive Board which provides informed and constructive challenge to the management team, vital to the generation of increased and sustainable shareholder return. We view effectiveness as a continuous task and one that relates not only to Board composition, to ensure a diverse and well balanced Board, with the right mix of skills and experience, but also to how the Board operates and engages with each other and management. Our accountability is driven through routine evaluations. An external evaluation was undertaken in 2019, the conclusion of which was the Board was operating effectively with certain recommendations arising to enhance effectiveness further. The Board priorities, together with enhancements to the Board agenda and briefings programme will ensure appropriate strategic focus to the Board's work in 2020.

Governance

This year, as required under the Companies (Miscellaneous Reporting) Regulations 2018 (the '2018 Regulations'), we have included on pages 13 to 15 a statement of the Company's corporate governance arrangements and separately pages 8 to 9 of the Strategic Report set out how the Board has had regard to the matters set out in section 172 (1)(a)–(f) of the Companies Act 2006 (the 'Act') when discharging their duty to promote the success of the Company and the effect of that on certain of the decisions taken.

We have continued to focus on embedding and strengthening of our governance arrangements, in our second year of operation.

Looking ahead

Despite the challenging and uncertain external market environment, and specific issues arising from Brexit and PPI, I wanted to congratulate our colleagues for delivering a strong returns performance in 2019. We will continue our relentless focus in 2020 on creating value for our customers and move forward at pace with our digital strategy.

Finally, I would like to thank fellow Board members and all colleagues for their support and hard work throughout 2019.

Sir Ian Cheshire
Chair – Barclays Bank UK PLC
12 February 2020

Corporate Governance Statement

The Board aspires to have high standards of corporate governance and, in accordance with the 2018 Regulations, has during the year considered which corporate governance arrangements would be most appropriate to apply.

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

Our primary aim is that our governance is:

- effective, in particular to ensure the safety and soundness of the ring-fenced bank;
- provides checks and balances and encourages constructive challenge;
- drives informed, collaborative and accountable decision-making; and
- creates long-term sustainable value for our shareholder, the ultimate shareholders of Barclays and our wider stakeholders.

Below is a table setting out the principles which underpin our corporate governance arrangements and how these principles have been applied during 2019. Certain additional information, signposted throughout this section, is available in the Strategic Report and the 'Board and Committee Governance: Additional Information' section on pages 16 to 21.

Our group-wide governance framework is set by Barclays and has been designed to facilitate the effective management of the Barclays Group. This includes the setting of 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 Group policies which are relevant to the way in which the Company is governed.

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

Principle One: Board Leadership and Company Purpose

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

- Through the leadership of the Board, a clear vision for the Company's purpose and overall values is articulated, underpinning and defining the strategy and culture of the organisation. This is embedded at every level of management.
- Purpose has been brought to life for all colleagues in 2019 through Company initiatives such as the creation of a single set of common employee objectives and a 'working together' initiative to increase better connectivity between support areas and front line colleagues and customers.
- Time was spent in 2019 overseeing the development of the Company's strategy to align with the Barclays purpose of 'creating opportunities to rise'. Further detail on our strategy and how it fits within the Barclays Group strategy can be found on page 1 of the Strategic Report and separately pages 8 to 11 and pages 20 to 22 of the Barclays PLC Annual Report 2019 and the Board's role in creation of the strategy on pages 16 to 17 'What we did in 2019'.
- 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. Detail on how the Board monitors culture can be found on page 7 of the Strategic Report.

Principle Two: Division of Responsibilities

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

- Clear division of responsibilities between the Chair and Chief Executive. Detail on the role of each can be found on page 16. Page 16 lists 'Current Directors', with a majority of the Board, independent Non-Executive Directors.
- Policies and protocols are in place to support effective decision-making and independent challenge including: the Barclays Group's corporate governance manual setting out clearly how the Barclays Group entities and their respective boards and board committees should interact and Barclays' Charter of Expectations, setting out clearly the role and responsibilities of each Director. The Chair meets privately with the Non-Executive Directors prior to each scheduled Board meeting to promote required independence.
- Board duties are executed in part through Board Committees, which provide oversight and make recommendations on the matters delegated to them by the Board. Detail on the principal Committees, their core responsibilities and activities in 2019 is set out on pages 17 to 20.
- Appropriate information and support is provided to the Board to enable them to undertake their work with due care and discharge their responsibilities. See pages 16 and 21 for further detail.

Principle Three: Composition, Succession and Evaluation

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

- The size and composition of the Board is appropriate to a large UK retail bank. A good balance exists between Executive and independent Non-Executive Directors who bring a strong combination of technical, finance (including significant financial services experience), retail and audit skills, with broader experience in culture, colleague engagement and technology. In addition, the independent Non-Executive Directors bring independent challenge.
- All appointments to the Board and senior management are based on merit and objective criteria with a strong acknowledgement in the benefits of diversity (gender, ethnicity and thought) for an effective Board and organisation. Diversity will remain a key area of focus. Further detail, including on the Barclays Group Board Diversity Policy, can be found on page 21.
- There is a regular review of the leadership and succession needs of the business to ensure the depth and diversity of the talent and succession pipeline at the Board, Executive Committee and one level down. In 2019 this led to organisational structure changes, to be implemented in early 2020, to optimise delivery of the customer focused strategy. Talent and succession remains a key focus for 2020 to ensure the quality of leadership is in place to lead the business in the delivery of the strategy, against a challenging economic and operating environment.
- New Chief Executive, Matt Hammerstein, and Interim Chief Financial Officer, Rupert Fowden, joined the Board as Executive Directors, with James Mack replacing Rupert Fowden as the new Chief Financial Officer and Executive Director on the 3 February 2020. All appointments were made pursuant to a formal and transparent procedure.
- Accountability is driven through routine evaluations of the Board and Board Committees with an external Board evaluation undertaken in 2019 and separately an internal Board Committee evaluation and Non-Executive Director reviews (including the Chair) concluded, relating to 2019 activity. Key findings are summarised on pages 12 and 19.
- Ongoing focus on training and professional development to provide Board members with a deeper and more granular understanding of the business contributing to informed and sound decision-making. Further detail on 'training and induction' can be found on page 21.

Principle Four: Audit, Risk and Internal Control

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

- Principal risks have been identified, as articulated on page 4, with robust processes in place to evaluate and manage such risks; including regular reporting to, and oversight by the Risk Committee and the Board.
- The Board approves the Company's risk appetite; the level of risk the Company is prepared to accept across different risk types.
- Effectiveness of risk management and internal controls is reviewed regularly by the Risk Committee (with responsibility for providing oversight on current and potential future risk exposures) and the Audit Committee (with responsibility for controls, including reviewing audit reports, internal controls and risk management systems). Please see pages 17 to 20 for further detail on the role of these Committees.
- Please see pages 16 and 20 of the 'Board and Committee Governance: Additional Information' section for detail on the reliability of information provided to the Board.
- The Audit Committee continues to provide its oversight of the financial reporting processes and the work of the external and internal auditors (including independence and effectiveness). Further detail can be found on page 18.

Principle Five: Remuneration

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

- Barclays' Remuneration Policy is set by the Barclays' remuneration committee, but adopted by the Company's independent Board Remuneration Committee. Remuneration is aligned to the Company's strategy and risk management approach and designed to promote the long-term success of the Company.
- Executive and senior management remuneration approaches are developed in accordance with the Barclays Group's formal and transparent procedures (ensuring no director is involved in deciding their own remuneration outcome) and having regard to workforce remuneration policies and alignment of incentives and rewards with culture and performance as reviewed annually by the Barclays' remuneration committee and shared with the Company's Remuneration Committee.
- The Remuneration Committee has clearly defined terms of reference, with responsibility for: the development of a remuneration approval framework to ensure an appropriate level of oversight of senior remuneration decisions; annual consideration of the Company incentive pool to ensure alignment with delivery of the Company's strategic ambitions and oversight of reward and recognition across the entire workforce to ensure alignment with our desired culture and behaviours.

- Barclays remains focused on improving its gender pay gap position, with the 2019 gender pay gap statistics due to be published on the Government's Gender Pay Gap reporting portal on or around 13 February 2020, along with a Pay Gaps report in which Barclays makes both statutory gender pay gap disclosures and voluntary ethnicity pay gap disclosures.

Principle Six: Stakeholder Relationships and Engagement

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

- Through the Company's defined purpose and strategy, key stakeholders on whom the success of the Company depends are identified. Please see page 8 of the Strategic Report for detail of our key stakeholders.
- The Board seeks to understand key stakeholder's views, and the impact of the Company's behaviour and business on customers and clients, colleagues, suppliers, communities and society more broadly. Detail on how we engaged with our stakeholders in 2019, and the link between stakeholder management and key decisions is set out in the section 172(1) statement on pages 8 to 9 of the Strategic Report. There is more to be done in this regard in 2020.
- The Board monitors key indicators across areas such as culture, citizenship, conduct and customer satisfaction on a continuing and ongoing basis.
- Engagement by Board and/or management throughout the year with broader stakeholders through participation in forums and roundtables and joining industry, sector and topic debates and this will continue in 2020.
- Our long-standing commitment to the importance and value of colleague engagement continues; our people are our most valuable asset. They make a critical difference to our success. An extensive engagement matrix has been developed to ensure sufficient and effective engagement with our colleagues and that the Board is made aware of views expressed. Further detail on our colleague commitment and engagement model can be found on page 7 of the Strategic Report.

Board and Committee Governance: Additional Information

Current Directors

Sir Ian Cheshire	Chair of the Board and the Board Nominations Committee
Michael Jary	Independent Non-Executive Director and Chair of the Remuneration Committee
Andrew Ratcliffe	Independent Non-Executive Director and Chair of the Audit Committee
David Thorburn	Independent Non-Executive Director and Chair of the Risk Committee
Avid Larizadeh Duggan	Independent Non-Executive Director
Kathryn Matthews	Independent Non-Executive Director
Chris Pilling	Independent Non-Executive Director
Sir John Timpson	Independent Non-Executive Director
Matt Hammerstein	Chief Executive (appointed 5 July 2019)
James Mack	Chief Financial Officer (appointed 3 February 2020)

The Board

The Board is responsible for the overall leadership of the Company ensuring the business is able to take decisions and operate independently, and is run in a way that promotes the long term success of the Company, creating and delivering sustainable value.

As the Board of a ring-fenced entity, the Board must ensure the Company is managed to meet the obligations and objectives of the ring-fencing requirements.

The Barclays board sets the overall strategic direction of the Barclays Group and acts as ultimate decision-making body for matters of Barclays Group-wide strategic, financial, regulatory or reputational significance.

Within this constraint, central to the Board's leadership role is the development and execution of a strategy for the Barclays Bank UK Group and the establishment of a corporate governance framework that embeds the right culture, values and behaviours throughout the Company. This framework ensures that the business maintains an effective and proportional system of internal financial, legal and regulatory controls designed to support the reputation of the business and mitigate financial and other risks. For further detail on risk management and internal control, please see pages 3 and 20.

The Board is also responsible for ensuring that the necessary resources are in place to enable objectives to be met and that performance is measured against them. The Board receives regular and timely information on all key aspects of the business including financial performance, strategy, operational matters, risks and opportunities, customer and conduct; all supported by key performance indicators.

The Board maintains a formal schedule of powers reserved to it to ensure control over key decision-making. These include approval over key appointments, strategy, financial statements and any major acquisitions, mergers or disposals.

As listed in 'Current Directors' above, the Board comprises a Chair, who was independent on appointment, two Executive Directors and seven independent Non-Executive Directors. The majority of the Board are independent Non-Executive Directors bringing significant expertise (including external perspectives) and independent challenge. The independence of our Non-Executive Directors is considered annually, using the independence criteria set out in the ring-fencing requirements, including length of tenure, which can affect independence.

Executive and Non-Executive Directors share the same duties and are subject to the same constraints. However, a clear division of responsibilities has been established. The Chair is responsible for leading the Board and its overall effectiveness, demonstrating objective judgement and promoting a culture of openness and constructive debate between all Directors. The Chair facilitates constructive Board relations and the effective contribution of all Non-Executive Directors and ensures Directors receive accurate, clear and timely information. Responsibility for the day-to-day management of the Company is delegated to the Chief Executive who is supported by the Company's Executive Committee.

Expectations of each Director are set out in Barclays' Charter of Expectations. This includes role profiles and the behaviours and competencies required for each role on the Board, namely the Chair, Non-Executive Directors, Executive Directors and Committee Chairs. Pursuant to the Charter of Expectations, Non-Executive Directors provide effective oversight and scrutiny, strategic guidance and constructive challenge whilst holding the Executive Directors to account against their agreed performance objectives.

What we did in 2019

The primary focus for the Board this year was to oversee the enhancement to, and execution of, the Company's digital-led strategy to build deeper, long term relationships with customers. The Board continued to monitor the ring-fence perimeter of the Barclays Bank UK Group to ensure ongoing compliance with the ring-fencing requirements.

During 2019, the principal activities of the Board included:

Strategy and operational matters

- Formulation of the Barclays Bank UK Group's strategy and reviewing progress against the same
- Oversight of changes to the organisational structure to better enable delivery of the customer focused strategy
- Updates on key strategic projects, including those strengthening the customer's digital and integrated product experience
- Oversight on commercial, financial, customer, operational, risk and regulatory matters, with regular updates from the Chief Executive and Executive Committee members
- An ongoing focus and regular updates in respect of culture and 'ways of working' (including regular review of the Culture Dashboard), building on the Company's commitment to empower, enable and support colleagues to create a more inclusive working environment
- Updates on the market environment, including new developments in UK banking, the evolving regulatory landscape and the impact of challenger banks on market disruption and changing customer behaviours
- In conjunction with the Risk Committee, oversight of the operational impact of the UK's decision to leave the European Union and the Company's readiness for Brexit.

Finance and liquidity

- Discussed and approved the Barclays Bank UK Group's MTP, in which strategy is embedded, together with related funding and capital plans for the Barclays Bank UK Group
- Oversight of the financial performance of the Barclays Bank UK Group and its main businesses through regular reports from the Chief Financial Officer
- On recommendation of the Audit Committee, approval of the Company's full year and half year Financial Statements and approval and declaration of dividends
- Approval, on the recommendation of the Risk Committee, of the Internal Capital Adequacy Assessment Process ('ICAAP') and the Internal Liquidity Adequacy Assessment Process ('ILAAP').

Governance and risk (including regulatory issues)

- Approval, on the recommendation of the Risk Committee, of the Company Risk Appetite Statement and oversight of risk parameters
- Introduction, from January 2020, of a report from the Chief Risk Officer on key risk themes (including emerging risks)
- Oversight of the Barclays Bank UK Group's operational and technology capacity, including updates on cyber risk and operational resilience (supported by an independent review of Barclays Bank UK Group operational resilience maturity)
- Oversight of the services provided by Barclays Execution Services Limited, the Barclays Group services company, to the Company
- Oversight of Barclays Bank UK Group's internal controls framework, via regular updates from the Company's Chief Controls Officer
- Approval, on the recommendation of the Nominations Committee, of the appointment of Matt Hammerstein as Chief Executive and Rupert Fowden as Interim Chief Financial Officer (26 June 2019 – 2 February 2020) and subsequently James Mack, who joined the Company on 3 February 2020 as the new Chief Financial Officer
- Approval of the appointment of the new Company Secretary
- Approval of an appointment to a Board Committee
- Regular updates from the Chairs of Board Committees and Chair of the Barclays Investment Solutions Limited Board on matters discussed at meetings
- In conjunction with the Nominations Committee, oversight of the 2019 Board, Committee and Non-Executive Director evaluation reviews.

During 2019 the Board regularly held deep dive and briefing sessions with management on key areas of strategic focus. Deep dives provide Directors with deeper insight and understanding of a subject matter to help drive better quality of debate and enhance knowledge. In 2019 topics included our banking model, customer strategy, culture, citizenship, wealth management strategy, technology, data and operational resilience. Two to three deep dives are included on a typical Board meeting agenda, to ensure the Board is considering strategy at every meeting, rather than in a set piece event once a year. The Board will continue to enhance its education and training proposition in 2020, including participation by the Non-Executive Directors in the Barclays Board bi-annual training deep dives.

Board Committees

The Company established Risk, Audit, Nominations and Remuneration Committees in 2018 to provide oversight and make recommendations on the matters delegated to them by the Board. Each has met a number of times during the year, setting forward agendas, for the year, to establish regular reporting patterns and sufficient time for updates and the coverage of new topics and/or deep dive briefings.

Details of the roles and responsibilities for each Board Committee and their respective memberships and activities are set out below.

The Chairs of each Board Committee provide a report on Committee business at each Board meeting, including the matters being recommended by a Committee for Board approval.

Audit Committee

The Audit Committee comprises independent Non-Executive Directors, with Andrew Ratcliffe acting as its Chair. David Thorburn, Chris Pilling and Kathryn Matthews complete its membership. Andrew, David and Chris are also members of the Risk Committee, applying consistency across two committees with overlap, although duplication is minimised where possible.

Board and Committee Governance: Additional Information

Meetings are attended by management, at the invitation of the Committee Chair, including the Chief Executive, Chief Financial Officer, Chief Internal Auditor, Chief Risk Officer, Chief Compliance Officer, Chief Controls Officer, General Counsel and the Company's external auditors, KPMG. During 2019 the Committee formally noted a change in the KPMG Lead Audit Partner.

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

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

During 2019, the principal activities of the Committee were:

- Examination of the Company's full year and half year Financial Statements and recommendation of their approval to the Board
- Examination of the Company's Q1 and Q3 results for incorporation into Barclays' Q1 and Q3 financial statements
- Assessing the appropriateness of key management judgements, including consideration of provision for PPI redress (and other material conduct provisions) and accounting judgements
- Overseeing the external auditor's independence and objectivity and contributing to the Barclays Group auditor effectiveness exercise
- Overseeing the performance of the Internal Audit function, including an internal quality assurance assessment and approving the 2019 and 2020 audit plans
- Receiving reports from management on certain areas of the business where Internal Audit reports had recommended improvements to existing controls or on areas of new risks, for example data usage and governance
- Monitoring management progress on the embedding of, and enhancements to, a bespoke Risk Control Self-Assessment ('RCSA') framework
- Review and re-adoption of the Barclays Bank UK Group specific policy on the provision of non-audit services by the statutory auditor
- Monitoring the whistleblowing programme including receiving regular whistleblowing metrics as they relate to the Barclays Bank UK Group and ensuring that the procedures for protection from detrimental treatment of staff who raise concerns continue to be effective
- Receiving updates on financial crime activity that impacted the Barclays Bank UK Group in 2019, including overseeing the first Company's Money Laundering Reporting Officer's report
- Consideration of future internal control needs
- Reviewing the Committee's effectiveness.

A comprehensive internal control framework is in place within the Barclays Bank UK Group and regular reports on its operation (and its continued enhancement) are received by the Committee on a quarterly basis. This includes reports from Internal Audit and external audit functions the Chief Controls Officer, as well as related plans and management actions to remediate control recommendations raised in those reports.

Nominations Committee

The Committee comprises independent Non-Executive Directors and is chaired by Sir Ian Cheshire. The other members are Andrew Ratcliffe, David Thorburn, Michael Jary and Sir John Timpson (who joined the Committee in May 2019). Meetings are attended by the Chief Executive and the Human Resources Director, at the invitation of the Chair.

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

- Skills and Diversity - to evaluate the balance of skills, knowledge, experience and diversity for the Board and more broadly across the senior management of the business
- Director Appointments - to identify, and recommend to the Board, candidates for appointment to the Board and its Committees
- Director Independence - to consider and assess the independence of the Non-Executive Directors, including recommendations for any steps to manage conflicts or potential conflicts of interest
- Board Performance - to assess the performance of the Non-Executive Directors and their annual time requirements
- Board Evaluation - to consider any actions, from the Company's Board evaluation process, that relate to the composition of the Board or Committees
- Board Development – to lead the development and effective implementation of policies and procedures for the induction, training and professional development of all members of the Board
- Group Talent - to oversee the adoption of internal policies and talent progression for senior management.

During 2019, the Committee's principal activities were:

- Review of the Company's talent and succession plans at Board, Executive Committee and one level below
- Review and adoption of the Barclays Group's Board Diversity Policy
- Monitoring of the Company's diversity and inclusion initiatives
- Recommendation of the appointment of Executive Directors to the Board, and separately a Non-Executive Director to the Nominations Committee. There have been no new Non-Executive Directors appointed to the Board during the year
- Approval of a new organisational structure to support delivery of the strategy, including consequential changes to the Executive Committee
- Review of the results of the external independent Board evaluation and the internal Board Committee evaluation and Non-Executive Director reviews. The reviews concluded that the Board, its Committees and Non-Executive Directors are operating effectively meeting their required responsibilities. Recommendations arising to further enhance effectiveness are being progressed. These included adoption of Board objectives, as referenced in the Chair's introduction, and enhancements to the Board agenda and deep dive programme to ensure the appropriate strategic focus to the Board's work in 2020. Focus will also continue on the quality of Board and Committee papers
- Considered and assessed the independence of the Non-Executive Directors, including the management of any conflicts of interest and their time commitments.

Remuneration Committee

The Committee comprises independent Non-Executive Directors and is chaired by Michael Jary. The other members are Avid Larizadeh Duggan and Sir John Timpson.

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

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

- Remuneration Policy – to recommend, for Board approval, a remuneration policy (designed and set by the Barclays' remuneration committee) setting out the objectives, principles and parameters including reward and performance structures and pensions. Ensuring such policy is aligned with Barclays Bank UK Group strategy, risk management and that incentives does not encourage risk taking, beyond the tolerated risk of the Company, or undermine its ability to comply with ring-fencing requirements
- Overall pay structure – to have oversight for overall pay and benefits across the Barclays Bank UK Group
- Pay – to consider the annual incentive pool and individual remuneration proposals for senior colleagues and the calculation of outturns made under formulaic incentive schemes. This includes considering ex-ante (current and future) and ex-post (crystallised) risk adjustments to remuneration.

During 2019, the principal activities of the Committee were:

- Considering stakeholder, regulatory and legal updates
- Review and approval, for recommendation to Barclays' remuneration committee where appropriate, the remuneration of Executive Directors and other senior employees
- Reviewing and approving the methodology, framework and proposals for the 2019 remuneration review including the incentive funding framework and incentive pool outcome
- Considering financial and risk performance updates (including appropriateness of risk adjustments to incentives)
- Receiving updates on Barclays Bank UK Group remuneration initiatives and developments
- Oversight of reward and recognition across the entire workforce to ensure alignment with our desired culture and behaviours.
- Reviewing the Committee's effectiveness.

Risk Committee

The Risk Committee comprises independent Non-Executive Directors and is chaired by David Thorburn. The other members of the Committee are Michael Jary, Chris Pilling and Andrew Ratcliffe.

Committee meetings are attended by management, at the invitation of the Committee Chair, including the Chief Executive, Chief Risk Officer, Chief Compliance Officer, Chief Financial Officer, Chief Internal Auditor and the Company's external auditors.

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

- Risk Appetite and Risk Profile - reviewing and ensuring that the risks undertaken by the business are within the risk appetite of the Board
- Risk Limits – reviewing and adopting risk limits and mandates for financial and non-financial risk, monitoring the risk profile and receiving and considering reports on key risk issues (including emerging risks)
- Regulatory - reviewing and monitoring the Company's capital and liquidity position including considering both the existing and forecasted Company risk profile and the potential impact of stress
- Brexit – reviewing the potential impact on the business of the UK's decision to leave the European Union and the Company's readiness for Brexit
- Monitoring the Internal Control and Risk Control framework
- Credit risk – reviewing credit risk performance (including concentration of credit risk and expected credit losses)

Board and Committee Governance: Additional Information

- Conduct risk - reviewing the effectiveness of the management of conduct risk, seeking to ensure fair customer outcomes following the implementation of policies and reviewing the effectiveness of the conduct risk management framework, as it applies to the Company and its subsidiaries
- Reputation risk - reviewing the effectiveness of the management of reputation risk within the Company, receiving reports on any significant business decisions that may impact the Company's reputation and considering the ancillary reputational matters that emerge from other business decisions. From January 2020 oversight of reputation risk was transferred to the Board
- Risk culture – monitoring to ensure a robust risk culture (relating to risk awareness, risk taking and risk management)
- Ring Fencing – reviewing the ring-fencing requirements (including attestation and ongoing compliance requirements).

During 2019, the principal activities of the Committee were:

- Adopting the Company's Risk Appetite Statement
- Reviewing regular financial and non-financial risk reporting on each of the principal risks (detailed on page 4) and reviewing emerging risks
- Adopting the 2019 limits and mandates and monitoring the risk profile in accordance with the same
- Reviewing conduct risk and overseeing the execution of conduct remediation programmes
- Monitoring compliance with key portfolio metrics, including the use of Chief Risk Officer discretion
- Reviewing data aggregation risk limitations in accordance with Basel regulations
- Oversight on risk resources and the independence of the Risk function
- Reviewing and adopting the relevant Barclays Group Policies, including the ERMF and the associated framework Company addenda
- Reviewing the risks identified by the findings of internal audits
- Monitoring liquidity and capital levels and considering and approving the Company sections of the Barclays Group ICAAP and ILAAP
- Reviewing the necessary sections of the European Banking Authority and Bank of England stress test submissions (including the Biennial Exploratory Scenario)
- A review of the key risks associated with Brexit and operational readiness for Brexit
- A focused look at the Company's education, social housing and local authority (ESHLA) loan portfolio, RCSA Process, affordability portfolio, model governance and the Company's agriculture business
- Considering regular reports on the Company's operational resilience (including the independent review, commissioned by Barclays Bank UK Group, and referenced above)
- Reviewing the effectiveness of risk management and internal control systems
- Reviewing the Committee's effectiveness.

Audit, Risk and Internal Control

The Company is committed to operating within a strong system of internal control that enables business to be transacted and risk taken without exposure to unacceptable potential losses or reputational damage.

As referenced above, the Board is responsible for ensuring that management maintains an effective system of risk management and internal control and for assessing its effectiveness. Such a system is designed to identify, evaluate and manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Processes are in place for identifying, evaluating and managing the principal risks facing the Company. A key component of the framework is the ERMF which supports the business in its aim to embed effective risk management and a strong risk management culture. The ERMF is designed to identify and set minimum requirements, in respect of the main risks, to achieving the Company's strategic objectives and to provide reasonable assurance that internal controls are effective. Further detail on the principal risks and management of them can be found in the Managing risk section of the Strategic Report on pages 3 to 4.

As detailed above, the effectiveness of the risk management and internal control systems is reviewed regularly by the Risk Committee and the Audit Committee.

The Risk Committee is responsible for providing oversight and advice to the Board in relation to current and potential future risk exposures examining reports covering the principal risks including those that would threaten its business model, future performance, solvency or liquidity, as well as reports on risk measurement methodologies and risk appetite. For further detail on the work of the Risk Committee see pages 19 to 20.

The Board is enhancing its reporting on risk matters during 2020, to include reputation risk, which previously sat within the remit of the Risk Committee and to ensure sufficient focus around strategic and emerging risks, including those arising from within the broader Barclays Group, which may impact the Company. Oversight of conduct risk and compliance remains within the remit of the Risk Committee.

As referenced above, the Audit Committee carries out several duties, delegated to it by the Board, including oversight of financial reporting processes, reviewing the effectiveness of internal controls, considering whistle-blowing arrangements and oversight of the work of the external and internal auditors. Throughout the year ended 31 December 2019 and to date, the Company has operated a system of internal control that provides reasonable assurance of effective operations covering all controls, including financial and operational controls and compliance with laws and regulations.

The Board together with the Audit Committee is responsible for ensuring the independence and effectiveness of the Internal and external audit functions. For this reason, the Audit Committee members met regularly with the Chief Auditor and External Audit Partner, separately, without management present.

Executive Committee

During 2019, the Executive Committee membership included the Chief Financial Officer, Chief Risk Officer, and leaders of each business unit, Human Resources, Legal and Compliance. The Executive Committee meets weekly and is chaired by the Chief Executive. In addition to the day-to-day management of the Company the Executive Committee supports the Chief Executive in ensuring that the values, strategy and culture align, are implemented and are communicated consistently to colleagues – for example through regular leadership team conferences, roadshows and communications that are available to all colleagues.

Non-Executive Directors time commitment and conflict

Non-Executive Directors, including the Chair, are informed of the minimum time commitment required prior to their appointment and they are required to devote sufficient time to the Company to effectively discharge their responsibilities. A Non-Executive Director's preparation for, and attendance at, Board and Committee meetings is only part of their role.

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

In accordance with the Act and the Articles of Association, the Board has authority to authorise conflicts of interest, and this ensures that the influence of third parties does not compromise or override the independent judgement of the Board. The Company Secretary maintains a conflicts register, which is a record of actual and potential conflicts, together with any Board authorisation of the conflict.

Training and induction

During 2019, Directors updated their skills, knowledge and familiarity with the Company, by meeting with senior management and visiting a number of branches and operational sites, as well as attending town halls and senior leadership gatherings. In addition, Directors are regularly provided with the opportunity to take part in ongoing training and development and can also request specific training they may consider necessary or useful. During 2019 the Directors received training on legal and regulatory developments, including Whistleblowing, Competition Law and the Senior Manager's Regime. Please see page 17 'What we did in 2019' for details of the deep dive sessions and briefings held with management on key areas of strategy and risk matters, providing a deeper and more granular understanding of the business, which in turn contributes to informed and sound decision-making.

There is an induction programme for all new Directors which is tailored to their specific experience and knowledge, providing access to all parts of the business, so that the Director should have sufficient understanding of the nature of the business and the key issues the Company faces. When a Director is joining a Board Committee, the schedule includes induction to the operation of that committee.

Diversity and inclusion

The Board recognises the importance of ensuring that there is broad diversity among the Directors inclusive of, but not limited to, gender, ethnicity, geography and business experience. In addition, the Company aims to ensure that employees of all backgrounds are treated equally and have the opportunity to be successful. The Barclays Group's Global Diversity and Inclusion (D&I) strategy sets objectives, initiatives and plans across five core pillars: Gender, LGBT, Disability, Multicultural and Multigenerational, in support of that ambition. Further information on the Barclays Group's Board Diversity Policy and D&I strategy can be found on pages 28 and 31 of the Barclays PLC Annual Report 2019.

All appointments to the Board and senior management are based on merit and objective criteria in the context of the strategy of the Company and the diversity of gender, social and ethnic backgrounds, cognitive and personal strengths, as well as skills, knowledge and experience required for the Board to be effective.

Within the Company we are striving to build a workforce that reflects the diversity of our customers and the communities we serve. We acknowledge that there is a relative lack of gender diversity on the Board. As set out in our Barclays Group's Board Diversity Policy, which was reviewed during the year, our ambition is to achieve a target of 33% women on the Board by 2020 and to improve diversity on the Board in other forms. Prior to the resignation of Anna Cross (the former Chief Financial Officer) to take on a new role within the Barclays Group we achieved 30% female representation on the Board. We will continue to focus on diversity in succession and appointment considerations to ensure we bring the very best, diverse, talent that we can attract to the Board.

Directors' Report

The Directors present their report together with the audited accounts for the Company for the year ended 31 December 2019.

Section 414A of the Companies Act 2006 (the 'Act') requires the Directors to present a Strategic Report in the Annual Report. The information can be found on pages 1 to 9.

The Company has addressed the Non-Financial Reporting requirements contained in sections 414CA and 414CB of the Act through the disclosure contained in the Barclays PLC Annual Report 2019 on pages 39 to 40. In addition, the Company has chosen, in accordance with section 414C(11) of the Act and as noted in this Directors' Report, to include certain matters in its Strategic Report that would otherwise be disclosed in this Directors' Report. Such information is incorporated by reference into this report.

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

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

	Page
Governance Report	11 to 21
Performance measures	5 to 6
Managing risk	3 to 4
Principal Risks	4
Disclosures required pursuant to Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as updated by Companies (Miscellaneous Reporting) Regulations 2018 can be found on the following pages:	
Engagement with employees (Sch.7 Para 11 and 11A 2008/2018 Regs), S172(1) Statement)	7
Policy concerning the employment of disabled persons (Sch.7 Para 10 2008 Regs)	7
Financial Instruments (Sch.7 Para 6 2008 Regs)	130 to 144
Hedge accounting policy (Sch.7 Para 6 2008 Regs)	131

Profits and dividends

The results of the Barclays Bank UK Group show statutory profit after tax of £156m (2018: £1,143m[a]). The Barclays Bank UK Group had net assets of £16,513m at 31 December 2019 (2018: £16,943m).

The Company paid a half-year dividend of £350m to Barclays PLC on 16 September 2019. The 2019 full year dividend of £220m will be paid to Barclays PLC on or around 25 March 2020. More details are set out in Note 10 to the financial statements.

Share capital

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

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

The powers of the Directors are determined by the Act and the Company's Articles of Association. No shares were repurchased in 2019.

Directors

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

Name	Role	Effective date of appointment / resignation
Angela Anna Cross	Executive Director	Resigned 1 April 2019
Ashok Vaswani	Executive Director	Resigned 1 April 2019
Rupert Fowden	Executive Director	Appointed 26 June 2019 / Resigned 2 February 2020
Matt Hammerstein	Executive Director	Appointed 5 July 2019
James Mack	Executive Director	Appointed 3 February 2020

Directors' indemnities

Qualifying third party indemnity provisions (as defined by section 234 of the Act) were in force during the course of the financial year ended 31 December 2019 for the benefit of the then Directors and, at the date of this report, are in force for the benefit of the Directors in relation to certain losses and liabilities which they may incur (or have incurred) in connection with their duties, powers or office. In addition, the Company maintains Directors' & Officers' Liability Insurance which gives appropriate cover for legal action brought against its Directors.

Note

a The 2018 profit after tax figure has been restated, following amendments to IAS 12. Please see Note 1 in the financial statements on page 116 for further information.

Political donations
The Barclays Bank UK Group did not give any money for political purposes in the UK, the rest of the EU or outside the EU, nor did it make any political donations to political parties or other political organisations, or to any independent election candidates, or incur any political expenditure during the year. Details of any political contributions made by the wider Barclays Group can be found in the Barclays PLC Annual Report 2019.

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

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

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

Engagement with customers, suppliers and others in a business relationship with the Company
Customers and clients are central to the Barclays business – without them, Barclays would not exist. Barclays works hard to understand the needs of its customers and clients to inform and improve its products and services. Barclays engages with them in a variety of ways, including conducting a wide-range of customer and client research; using the invaluable insight to inform and improve Barclays products and services. As an illustration, during 2019, in response to engagement with Barclays' SMEs, Barclays held over 200 local clinics to help UK SMEs to prepare for Brexit and beyond and separately raised the unsecured lending limit to £100k for SME clients with a quicker application process to receive money within 24 hours.

Barclays supply chain helps it deliver for all of its customers, clients and stakeholders. Barclays engages with its suppliers through its contractual arrangements and requirements to ensure suppliers adhere to the Barclays' Supplier Code of Conduct and Supply Control Obligations through pre-contract attestation. From such engagement suppliers have identified prompt payment as critical. Barclays is a signatory to the Prompt Payment Code in the UK, committing to pay its suppliers within clearly defined terms. Please see page 33 of the Barclays PLC Annual Report 2019 for detail on Barclays' supplier on-time payment by value performance in 2019.

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

Branches and Country-by-Country Reporting
The Barclays Bank UK Group operates through branches, offices and subsidiaries in the UK.

The Company is exempt from publishing information required by The Capital Requirements (Country-by-Country Reporting) Regulations 2013 as this information is published by its parent Barclays PLC. This information is due to be published on or around 13 February 2020 and will be available at home.barclays/annualreport.

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

The Auditors
The Barclays PLC audit committee reviews the appointment of the external auditors, as well as their relationship with the Barclays Group, including monitoring the Barclays Group's use of the external auditors for non-audit services and the balance of audit and non-audit fees paid to them. More details on this can be found in Note 34 to the financial statements. Detail of the oversight of the external auditors by the Company's Audit Committee is set out on page 18.

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

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

Provided that KPMG continue to maintain their independence and objectivity, and the Barclays PLC audit committee remains satisfied with their performance, the Barclays Group has no intention of appointing an alternative external auditor before the end of the current required period of 10 years.

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 auditors are unaware and that each of the Directors has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information. This confirmation is given pursuant to section 418 of the Act and should be interpreted in accordance with and subject to those provisions.

Directors' Report

Directors' responsibilities

The following statement, which should be read in conjunction with the Auditor's report set out on page 98 to 104, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the Auditor's in relation to the financial statements.

Going concern

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

- assess the Barclays Bank UK Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Barclays Bank UK Group or to cease operations, or have no realistic alternative but to do so.

The Barclays Bank UK Group's business activities, financial position, capital, factors likely to affect its future development and performance and its objectives and policies in managing the financial risks to which it is exposed are discussed in the Strategic Report and Risk Management sections.

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

Preparation of accounts

The Directors are required by the Act to prepare Barclays Bank UK Group and Company accounts for each financial year, and, with regards to Barclays Bank UK Group accounts, in accordance with Article 4 of the International Accounting Standard ('IAS') Regulation. The Directors have prepared these accounts in accordance with IFRS as adopted by the EU. Under the Act, the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Barclays Bank UK Group and the Company and of their profit or loss for that period.

The Directors consider that, in preparing the financial statements on pages 105 to 165, the Barclays Bank UK Group and Company has used appropriate accounting policies, supported by reasonable judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

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

Directors are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Directors' responsibility statement

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

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

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

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

The Directors, whose names and functions are set out on page 16, confirm to the best of their knowledge that:

(a) The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
(b) The management report on pages 1 to 9 which is incorporated in the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Katie Marshall
Company Secretary
12 February 2020

Registered in England.
Company No. 9740322

Risk review
Content

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

Risk performance continued

Supervision and regulation

Risk management

Barclays' risk management strategy

The Barclays Bank UK Group's risk management strategy

This section introduces Barclays Bank UK Group's approach to managing and identifying risks, and for fostering a strong risk culture.

Enterprise Risk Management Framework (ERMF)

The ERMF sets the strategic approach for risk management by defining standards, objectives and responsibilities for all areas of the Barclays Group. It is approved by the Barclays PLC Board on recommendation of the Barclays Group Chief Risk Officer (CRO); it is then adopted by the Barclays Bank UK Group with modifications where needed. It supports senior management in effective risk management and developing a strong risk culture.

The ERMF sets out:

- Segregation of duties: The ERMF defines a Three Lines of Defence model;
- Principal risks faced by the Barclays Bank UK Group: This list guides the organisation of the risk management function, and the identification, management and reporting of risks;
- Risk appetite requirements: This helps define the level of risk we are willing to undertake in our business;
- Roles and responsibilities for risk management: The ERMF sets out the accountabilities of the Barclays Bank UK Group CEO and other senior managers, as well as Barclays Bank UK Group committees.

The ERMF is complemented by frameworks, policies and standards that are mainly aligned to individual principal risks:

- Frameworks cover the management approach for a collection of related activities and define the associated policies used to govern them;
- Policies set out principles and other core requirements for the activities of the Barclays Bank UK Group. Policies describe "what" must be done;
- Standards set out the key control objectives that describe how the requirements set out in the policy are met, and who needs to carry them out. Standards describe "how" controls should be undertaken.

Segregation of duties - the "Three Lines of Defence" model

The ERMF sets out a clear lines of defence model. All colleagues are responsible for understanding and managing risks within the context of their individual roles and responsibilities, as set out below:

- First line comprises all employees engaged in the revenue generating and client facing areas of the Barclays Bank UK Group and all associated support functions, including Finance, Treasury, and Human Resources. The first line is responsible for identifying and managing the risks they generate, establishing a control framework, and escalating risk events to Risk and Compliance;
- Second line is comprised of the Risk and Compliance functions. The role of the second line is to establish the limits, rules and constraints under which first line activities shall be performed, consistent with the risk appetite of the Barclays Bank UK Group, and to monitor the performance of the first line against these limits and constraints. Note that limits for a number of first line activities, related to operational risk, will be set by the first line and overseen by the Chief Controls Office. These will remain subject to supervision by the second line;
- Third line of defence is Internal Audit, who are responsible for providing independent assurance over the effectiveness of governance, risk management and control over current, systemic and evolving risks;
- The Legal function provides support to all areas of the bank and is not formally part of any of the three lines, However, it is subject to second line oversight.

Principal risks

The ERMF identifies eight principal risks (see table on page 4) and sets out associated responsibilities and expectations around risk management.

Each of the principal risks is overseen by an accountable executive within the Barclays Group who is responsible for the framework, policies and standards that detail the related requirements. Risk reports to executive and Board committees are clearly organised by principal risk. In addition, certain risks span more than one principal risk; these are also subject to the ERMF and are reported to executive and Board committees.

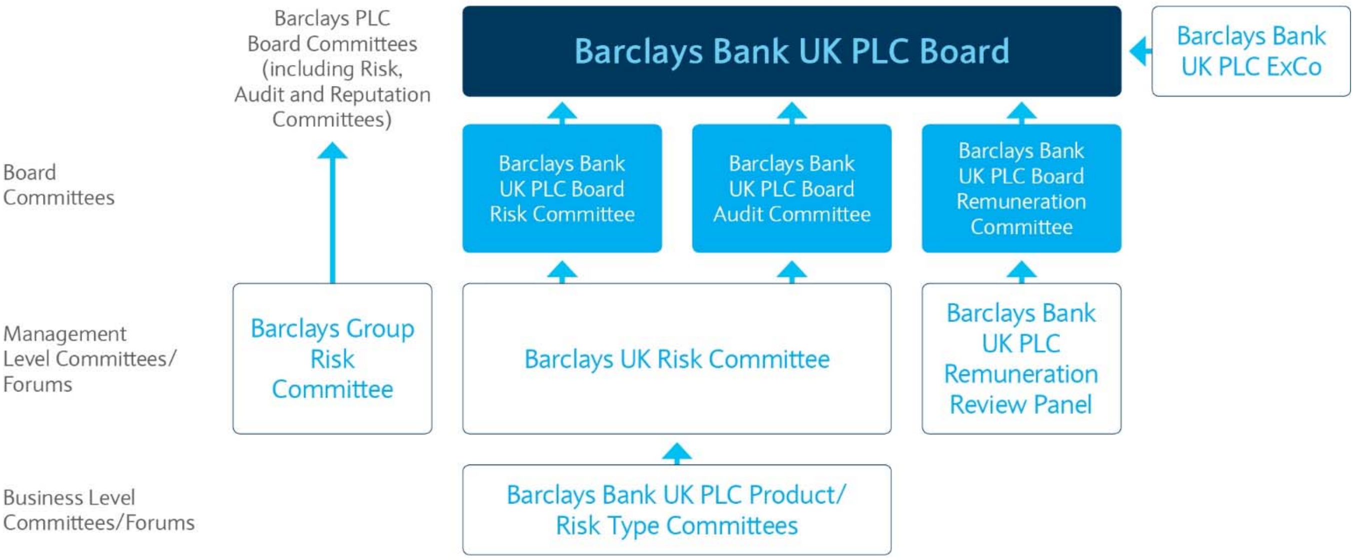
Risk appetite for the principal risks

Risk appetite is defined as the level of risk which the Barclays Bank UK Group's businesses are prepared to accept in the conduct of their activities. It sets the 'tone from the top' and provides a basis for ongoing dialogue between management and Board with respect to the Barclays Bank UK Group's current and evolving risk profile, allowing strategic and financial decisions to be made on an informed basis.

Risk appetite is approved by the Barclays PLC Board and disseminated across legal entities, including the Barclays Bank UK Group. The Barclays Bank UK Group may choose to adopt a lower risk appetite than allocated to it by the Barclays Group. Total Barclays Group risk appetite and its allocation to the Barclays Bank UK Group are supported by limits to control exposures and activities that have material concentration risk implications.

Risk committees

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



There are two Board-level forums which oversee the application of the ERMF and review and monitor risk across the Barclays Bank UK Group. These are: the Barclays Bank UK PLC Board Risk Committee and the Barclays Bank UK PLC Board Audit Committee. Additionally, the Barclays Bank UK PLC Board Remuneration Committee oversees pay practices focusing on aligning pay to sustainable performance. The Barclays Bank UK PLC Board receives regular information on the risk profile of the Barclays Bank UK Group.

- **The Barclays Bank UK PLC Board:** One of the Board's responsibilities is the approval of risk appetite allocated to Barclays Bank UK Group. Risk appetite is approved by the Barclays PLC Board and disseminated across legal entities, including the Barclays Bank UK Group. The Barclays Bank UK Group may choose to adopt a lower risk appetite than allocated to it by the Barclays Group. The Barclays Bank UK PLC Board is also responsible for the adoption of the ERMF
- **The Barclays Bank UK PLC Board Risk Committee (BRC):** monitors the risk profile against the agreed appetite. Where actual performance differs from expectations, the actions taken by management are reviewed to ascertain that the Committee is comfortable with them. The BRC also reviews certain key risk methodologies, the effectiveness of risk management, and Barclays Bank UK Group's risk profile, including the material issues affecting each business portfolio and forward risk trends. The Committee also commissions in-depth analyses of significant risk topics, which are presented by the Barclays Bank UK Group CRO or senior risk managers in the business
- **The Barclays Bank UK PLC Board Audit Committee (BAC):** receives regular reports on the effectiveness of internal control systems, on material control issues of significance, and on accounting judgements (including impairment). It also receives a half-yearly review of the adequacy of impairment allowances, which it reviews relative to the risk inherent in the portfolios, the business environment, and Barclays Bank UK Group's policies and methodologies
- **The Barclays Bank UK PLC Board Remuneration Committee (RemCo):** receives a report on risk management performance and risk profile, and proposals on ex-ante and ex-post risk adjustments to variable remuneration. These inputs are considered in the setting of performance incentives.

Barclays' risk culture

Risk culture can be defined as the norms, attitudes and behaviours related to risk awareness, risk taking and risk management. This is reflected in how the Barclays Bank UK Group identifies, escalates and manages risk matters.

The Barclays Bank UK Group is committed to maintaining a robust risk culture in which:

- management expect, model and reward the right behaviours from a risk and control perspective;
- colleagues identify, manage and escalate risk and control matters, and meet their responsibilities around risk management.

Specifically, all employees regardless of their positions, functions or locations must play their part in the Barclays Bank UK Group's risk management. Employees are required to be familiar with risk management policies which are relevant to their responsibilities, know how to escalate actual or potential risk issues, and have a role-appropriate level of awareness of the risk management process as defined by the ERMF.

Our Code of Conduct – the Barclays Way

Globally, all colleagues must attest to the "Barclays Way", our Code of Conduct, and comply with all frameworks, policies and standards applicable to their roles. The Code of Conduct outlines the purpose and values which govern our "Barclays Way" of working across our business globally. It constitutes a reference point covering the aspects of colleagues' working relationships, with other Barclays employees, customers and clients, governments and regulators, business partners, suppliers, competitors and the broader community.

Material existing and emerging risks

Material existing and emerging risks to the Barclays Bank UK Group's future performance

The Barclays Bank UK Group has identified a broad range of risks to which its businesses are exposed. Material risks are those to which senior management pay particular attention and which could cause the delivery of the Barclays Bank UK Group's strategy, results of operations, financial condition and/or prospects to differ materially from expectations. Emerging risks are those which have unknown components, the impact of which could crystallise over a longer time period. In addition, certain other factors beyond the Barclays Bank UK Group's control, including escalation of terrorism or global conflicts, natural disasters, epidemic outbreaks and similar events, although not detailed below, could have a similar impact on the Barclays Bank UK Group.

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

i) Business conditions, general economy and geopolitical issues

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

A deterioration in global or local economic and market conditions may lead to (among other things): (i) deteriorating business, consumer or investor confidence and lower levels of fixed asset investment and productivity growth, which in turn may lead to lower client activity, including lower demand for borrowing from creditworthy customers; (ii) higher default rates, delinquencies, write-offs and impairment charges as borrowers struggle with the burden of additional debt; (iii) subdued asset prices and payment patterns, including the value of any collateral held by the Barclays Bank UK Group; and (iv) revisions to calculated expected credit losses (ECLs) leading to increases in impairment allowances. In addition, the Barclays Bank UK Group's ability to borrow from other financial institutions or raise funding from external investors may be affected by deteriorating economic conditions and market disruption.

Geopolitical events may lead to further financial instability and affect economic growth. In particular, in the UK, the decision to leave the EU may give rise to further economic and political consequences including for investment and market confidence in the UK and the remainder of EU. See '(ii) Process of UK withdrawal from the EU' below for further details.

ii) Process of UK withdrawal from the EU

The manner in which the UK withdraws from the EU will likely have a marked impact on general economic conditions in the UK and the EU. The UK's future relationship with the EU and its trading relationships with the rest of the world could take a number of years to resolve. This may lead to a prolonged period of uncertainty, unstable economic conditions and market volatility, including fluctuations in interest rates and foreign exchange rates.

Whilst the exact impact of the UK's withdrawal from the EU is unknown, the Barclays Bank UK Group continues to monitor the risks that may have a more immediate impact for its business, including, but not limited to:

- Credit spreads could widen leading to reduced investor appetite for the Barclays Bank UK Group's debt securities. This could negatively impact the Barclays Bank UK Group's cost of and/or access to funding. In addition, market and interest rate volatility could affect the underlying value of assets in the banking book and securities held by the Barclays Bank UK Group for liquidity purposes.
- A credit rating agency downgrade applied directly to the Barclays Bank UK Group, or indirectly as a result of a credit rating agency downgrade to the UK Government, could significantly increase the Barclays Bank UK Group's cost of and/or reduce its access to funding, widen credit spreads and materially adversely affect the Barclays Bank UK Group's interest margins and liquidity position.
- A UK recession with lower growth, higher unemployment and falling UK property prices could lead to increased impairments in relation to a number of the Barclays Bank UK Group's portfolios, including, but not limited to, its UK mortgage portfolio, UK unsecured lending portfolio (including credit cards), commercial real estate exposures, and its ESHLA portfolio.
- The ability to attract, or prevent the departure of, qualified and skilled employees may be impacted by the UK's and the EU's future approach to the EU freedom of movement and immigration from the EU countries and this may impact the Barclays Bank UK Group's access to the EU talent pool.
- Changes to current EU 'Passporting' rights may require further adjustment to the current model for the Barclays Bank UK Group's cross-border banking operation which could increase operational complexity and/or costs for the Barclays Bank UK Group.
- The legal framework within which the Barclays Bank UK Group operates could change and become more uncertain if the UK takes steps to replace or repeal certain laws currently in force, which are based on EU legislation and regulation (including EU regulation of the banking sector) following its withdrawal from the EU. Certainty around the ability to maintain existing contracts, enforceability of certain legal obligations and uncertainty around the jurisdiction of the UK courts may be affected until the impacts of the loss of the current legal and regulatory arrangements between the UK and EU and the enforceability of UK judgements across the EU are fully known.
- Should the UK see reduced access to financial markets infrastructures (including exchanges, central counterparties and payments services or other support services provided by third party suppliers) service provision for clients could be impacted, likely resulting in reduced market share and revenue and increased operating costs for the Barclays Bank UK Group.

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

Any changes to the Bank of England base interest rate are significant for the Barclays Bank UK Group, especially given the uncertainty as to the direction of interest rates and the pace at which interest rates may change.

A continued period of low interest rates and flat yield curves, including any further cuts, may affect and continue to put pressure on the Barclays Bank UK Group's net interest margins (the difference between its lending income and borrowing costs) and could adversely affect the profitability and prospects of the Barclays Bank UK Group.

However, whilst interest rate rises could positively impact the Barclays Bank UK Group's profitability as income increases due to margin decompression, further increases in interest rates, if larger or more frequent than expected, could lead to generally weaker than expected growth, reduced business confidence and higher unemployment, which in turn could cause stress in the lending portfolio. Resultant higher credit losses driving an increased impairment charge would most notably impact retail unsecured portfolios and could have a material effect on the Barclays Bank UK Group's business, results of operations, financial condition and prospects.

In addition, changes in interest rates could have an adverse impact on the value of the securities held in the Barclays Bank UK Group's liquid asset portfolio. Consequently, this could create more volatility than expected through the Barclays Bank UK Group's FVOCI reserves.

iv) The competitive environments of the banking and financial services industry

The Barclays Bank UK Group's businesses are conducted in competitive environments, with increased competition scrutiny, and the Barclays Bank UK Group financial performance depends upon the Barclays Bank UK Group's ability to respond effectively to competitive pressures whether due to competitor behaviour, new entrants to the market, consumer demand, technological changes or otherwise.

This competitive environment, and the Barclays Bank UK Group's response to it, may have a material adverse effect on the Barclays Bank UK Group's ability to maintain existing or capture additional market share, business, results of operations, financial condition and prospects.

v) Regulatory change agenda and impact on business model

The Barclays Bank UK Group remains subject to ongoing significant levels of regulatory change and scrutiny. As a result, regulatory risk will remain a focus for senior management. Furthermore, a more intensive regulatory approach and enhanced requirements may adversely affect the Barclays Bank UK Group's business, capital and risk management strategies and/or may result in the Barclays Bank UK Group deciding to modify its legal entity, capital and funding structures and business mix, or to exit certain business activities altogether or not to expand in areas despite otherwise attractive potential.

There are several significant pieces of legislation and areas of focus which will require significant management attention, cost and resource, including:

- Changes in prudential requirements may impact minimum requirements for own funds and eligible liabilities (MREL) (including requirements for internal MREL), leverage, liquidity or funding requirements, applicable buffers and/or add-ons to such minimum requirements and risk weighted assets calculation methodologies all as may be set by international, EU or national authorities. Such or similar changes to prudential requirements or additional supervisory and prudential expectations, either individually or in aggregate, may result in, among other things, a need for further management actions to meet the changed requirements, such as:
  - increasing capital, MREL or liquidity resources, reducing leverage and risk weighted assets;
  - restricting distributions on capital instruments;
  - modifying the terms of outstanding capital instruments;
  - modifying legal entity structure (including with regard to issuance and deployment of capital, MREL and funding);
  - changing the Barclays Bank UK Group's business mix or exiting other businesses;
  - and/or undertaking other actions to strengthen the Barclays Bank UK Group's position.
- The Barclays Group is subject to supervisory stress testing of which Barclays Bank UK PLC forms a component part. These exercises currently include the programmes of the Bank of England (BoE) and the European Banking Authority (EBA). Failure to meet the requirements of regulatory stress tests, or the failure by regulators to approve the stress test results and capital plans of the Barclays Group, could result in the Barclays Group or certain of its members including the Barclays Bank UK PLC being required to enhance their capital position, limit capital distributions or position additional capital in specific subsidiaries.

For further details on the regulatory supervision of, and regulations applicable to, the Barclays Bank UK Group, see Supervision and regulation on pages 93 to 96.

vi) The impact of climate change on the Barclays Bank UK Group's business

The risks associated with climate change are subject to rapidly increasing societal, regulatory and political focus, both in the UK and internationally. Embedding climate risk into the Barclays Bank UK Group's risk framework in line with regulatory expectations, and adapting the Barclays Bank UK Group's operations and business strategy to address both the financial risks resulting from: (i) the physical risk of climate change; and (ii) the risk from the transition to a low carbon economy, could have a significant impact on the Barclays Bank UK Group's business.

Physical risks from climate change arise from a number of factors and relate to specific weather events and longer-term shifts in the climate. The nature and timing of extreme weather events are uncertain but they are increasing in frequency and their impact on the economy is predicted to be more acute in the future. The potential impact on the economy includes, but is not limited to, lower GDP growth, higher unemployment and significant changes in asset prices and profitability of industries. Damage to the properties and operations of borrowers could impair asset values and the creditworthiness of customers leading to increased default rates, delinquencies, write-offs and impairment charges in the Barclays Bank UK Group's portfolios. In addition, the Barclays Bank UK Group's premises and resilience may also suffer physical damage due to weather events leading to increased costs for the Barclays Bank UK Group.

As the economy transitions to a low-carbon economy, financial institutions such as the Barclays Bank UK Group may face significant and rapid developments in stakeholder expectations, policy, law, regulation which could impact the lending activities the Barclays Bank UK Group undertakes, as well as the risks associated with its lending portfolios and the value of the Barclays Bank UK Group's assets. As sentiment towards climate change shifts and societal preferences change, the Barclays Bank UK Group may face greater scrutiny of the type of business it conducts, adverse media coverage and reputational damage, which may in turn impact customer demand for the Barclays Bank UK Group's products, returns on certain business activities and the value of certain assets resulting in impairment charges.

In addition, the impacts of physical and transition climate risks can lead to second order connected risks, which have the potential to affect the Barclays Bank UK Group's retail and wholesale portfolios. The impacts of climate change may increase losses for those sectors sensitive to the effects of physical and transition risks. Any subsequent increase in defaults and rising unemployment could create recessionary pressures, which may lead to wider deterioration in the creditworthiness of the Barclays Bank UK Group's clients, higher ECLs, and increased charge-offs and defaults among retail customers.

If the Barclays Bank UK Group does not adequately embed risks associated with climate change into its risk framework to appropriately measure, manage and disclose the various financial and operational risks it faces as a result of climate change, or fails to adapt its strategy and business model to the changing regulatory requirements and market expectations on a timely basis, it may have a material and adverse impact on the Barclays Bank UK Group's level of business growth, competitiveness, profitability, capital requirements, cost of funding, and financial condition.

For further details on the Barclays Bank UK Group's approach to climate change, see page 36 of climate change risk management.

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

For several years, global regulators and central banks have been driving international efforts to reform key benchmark interest rates and indices, such as the London Interbank Offered Rate ("LIBOR"), which are used to determine the amounts payable under a wide range of transactions and make them more reliable and robust. This has resulted in significant changes to the methodology and operation of certain benchmarks and indices, the adoption of alternative "risk-free" reference rates and the proposed discontinuation of certain reference rates (including LIBOR), with further changes anticipated.

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

Uncertainty as to the nature of such potential changes, the availability and/or suitability of alternative "risk-free" reference rates and other reforms may adversely affect a broad range of transactions (including any securities, loans and derivatives which use LIBOR to determine the amount of interest payable that are included in the Barclays Bank UK Group's financial assets and liabilities) that use these reference rates and indices and introduce a number of risks for the Barclays Bank UK Group, including, but not limited to:

- **Conduct risk:** in undertaking actions to transition away from using certain reference rates (including LIBOR), the Barclays Bank UK Group faces conduct risks, which may lead to customer complaints, regulatory sanctions or reputational impact if the Barclays Bank UK Group is (i) considered to be undertaking market activities that are manipulative or create a false or misleading impression, (ii) misusing sensitive information or not identifying or appropriately managing or mitigating conflicts of interest, (iii) providing customers with inadequate advice, misleading information, unsuitable products or unacceptable service, (iv) not taking an appropriate or consistent response to remediation activity or customer complaints, (v) providing regulators with inaccurate regulatory reporting or (vi) colluding or inappropriately sharing information with competitors;
- **Financial risks:** the valuation of certain of the Barclays Bank UK Group's financial assets and liabilities may change. Moreover, transitioning to alternative "risk-free" reference rates may impact the ability of members of the Barclays Bank UK Group to calculate and model amounts receivable by them on certain financial assets and determine the amounts payable on certain financial liabilities (such as debt securities issued by them) because currently alternative "risk-free" reference rates (such as the Sterling Overnight Index Average (SONIA) and the Secured Overnight Financing Rate (SOFR)) are look-back rates whereas term rates (such as LIBOR) allow borrowers to calculate at the start of any interest period exactly how much is payable at the end of such interest period. This may have an adverse effect on the Barclays Bank UK Group's cashflows;
- **Operational risk:** changes to existing reference rates and indices, discontinuation of any reference rate or index and transition to alternative "risk-free" reference rates may require changes to the Barclays Bank UK Group's IT systems, trade reporting infrastructure, operational processes, and controls. In addition, if any reference rate or index (such as LIBOR) is no longer available to calculate amounts payable, the Barclays Bank UK Group may incur additional expenses in amending documentation for new and existing transactions and/or effecting the transition from the original reference rate or index to a new reference rate or index; and
- **Accounting risk**: an inability to apply hedge accounting in accordance with IFRS could lead to increased volatility in the Barclays Bank UK Group's financial results and performance.

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

For further details on the impacts of benchmark interest rate reforms on the Barclays Bank UK Group, see Note 13 on pages 131 to 137.

Material existing and emerging risks impacting individual principal risks

i) Credit risk

Credit risk is the risk of loss to the Barclays Bank UK Group from the failure of clients, customers or counterparties, including sovereigns, to fully honour their obligations to members of the Barclays Bank UK Group, including the whole and timely payment of principal, interest, collateral and other receivables.

a) Impairment
The introduction of the impairment requirements of IFRS 9 *Financial Instruments*, resulted in impairment loss allowances that are recognised earlier, on a more forward-looking basis and on a broader scope of financial instruments, and may continue to have a material impact on the Barclays Bank UK Group's business, results of operations, financial condition and prospects.

Measurement involves complex judgement and impairment charges could be volatile, particularly under stressed conditions. Unsecured products with longer expected lives, such as credit cards, are the most impacted. Taking into account the transitional regime, the capital treatment on the increased reserves has the potential to adversely impact the Barclays Bank UK Group's regulatory capital ratios.

In addition, the move from incurred losses to ECLs has the potential to impact the Barclays Bank UK Group's performance under stressed economic conditions or regulatory stress tests. For more information, refer to Note 1 on pages 113 to 117.

b) Specific sectors and concentrations
The Barclays Bank UK Group is subject to risks arising from changes in credit quality and recovery rates of loans and advances due from borrowers and counterparties in any specific portfolio. Any deterioration in credit quality could lead to lower recoverability and higher impairment in a specific

sector. The following are areas of uncertainties to the Barclays Bank UK Group's portfolio which could have a material impact on performance:

- **Consumer affordability** has remained a key area of focus, particularly in unsecured lending. Macroeconomic factors, such as rising unemployment, that impact a customer's ability to service unsecured debt payments could lead to increased arrears in unsecured products.
- **UK real estate market.** UK property represents a significant portion of the overall Group retail and corporate credit exposure. In 2019, property price growth across the UK has slowed, particularly in London and the South East where the Barclays Bank UK Group's exposure has high concentration. The Barclays Bank UK Group is at risk of increased impairment from a material fall in property prices.

For further details on the Barclays Bank UK Group's approach to credit risk, see credit risk management on pages 37 to 38 and credit risk performance on pages 44 to 76.

ii) Treasury and capital risk

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

a) Liquidity risk
Liquidity risk is the risk that the Barclays Bank UK Group is unable to meet its contractual or contingent obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets. This could cause the Barclays Bank UK Group to fail to meet regulatory liquidity standards or be unable to support day-to-day banking activities. Key liquidity risks that the Barclays Bank UK Group faces include:

- **The stability of the Barclays Bank UK Group's current funding profile:** In particular, that part which is based on accounts and deposits payable on demand or at short notice, could be affected by general UK economic conditions and the Barclays Bank UK Group failing to preserve the current level of customer and investor confidence in the financial services sector. The Barclays Bank UK Group benefits from the additional deposit stability generated as a result of the guarantees provided under the Financial Services Compensation Scheme but recognises that there is the potential for outflow of deposits or the reduction of the ability to access retail deposit funding on reasonable terms if the arrangement is altered or removed in future.

  In the interest of generating greater resilience to liquidity stress events and to benefit from diversified sources of funding, the Barclays Bank UK Group holds distinct relations with various counterparties with the intention of creating issuance capability for debt instruments which is independent of Barclays Group and to support its own funding requirements in addition to funding provided by the Barclays Group. Counterparties are likely however to incorporate an assessment of the health of the Barclays Group in addition to the Barclays Bank UK Group specifically when making investment decisions. As with all financial institutions arranging funding, several factors, including adverse macroeconomic conditions, adverse outcomes in conduct and legal, competition and regulatory matters and loss of confidence by investors, counterparties and/or customers in the Barclays Bank UK Group, can affect the ability of the Barclays Bank UK Group to access money or capital markets and/or the cost and other terms upon which the Barclays Bank UK Group is able to obtain market funding.

- **Credit rating changes and the impact on funding costs**: Rating agencies regularly review credit ratings given to Barclays Bank UK PLC. Credit ratings are based on a number of factors, including some which are not within the Barclays Bank UK Group's control (such as political and regulatory developments, changes in rating methodologies, macro-economic conditions and the UK's sovereign credit rating).

  Whilst the impact of a credit rating change will depend on a number of factors (including the type of issuance and prevailing market conditions), any reductions in a credit rating (in particular, any downgrade below investment grade) may affect the Barclays Bank UK Group's access to the money or capital markets and/or terms on which the Barclays Bank UK Group is able to obtain market funding, increase costs of funding and credit spreads, reduce the size of the Barclays Bank UK Group's deposit base, trigger additional collateral or other requirements in derivative contracts and other secured funding arrangements or limit the range of counterparties who are willing to enter into transactions with the Barclays Bank UK Group. Any of these factors could have a material adverse effect on the Barclays Bank UK Group's business, results of operations, financial condition and prospects.

b) Capital risk
Capital risk is the risk that the Barclays Bank UK Group has an insufficient level or composition of capital to support its normal business activities and to meet its regulatory capital requirements under normal operating environments or stressed conditions (both actual and as defined for internal planning or regulatory stress testing purposes). This includes the risk from the Barclays Bank UK Group's pension plans. Key capital risks that the Barclays Bank UK Group faces include:

- **Failure to meet prudential capital requirements**: This could lead to the Barclays Bank UK Group being unable to support some or all of its business activities, a failure to pass regulatory stress tests, increased cost of funding due to deterioration in investor appetite or credit ratings, restrictions on distributions including the ability to meet dividend targets, and/or the need to take additional measures to strengthen the Barclays Bank UK Group's capital or leverage position.
- **Adverse changes in FX rates impacting capital ratios**: The Barclays Bank UK Group equity is held in Sterling. However, some capital resources (e.g. MREL) are denominated in foreign currencies. Changes in foreign currency exchange rates may adversely impact the Sterling equivalent value of these items. As a result, the Barclays Bank UK Group's regulatory capital ratios are sensitive to foreign currency movements. Failure to appropriately manage the Barclays Bank UK Group's balance sheet to take account of foreign currency movements could result in an adverse impact on its regulatory capital.

c) Interest rate risk in the banking book
Interest rate risk in the banking book is the risk that the Barclays Bank UK Group is exposed to capital or income volatility because of a mismatch between the interest rate exposures of its (non-traded) assets and liabilities. The Barclays Bank UK Group's hedge programmes for interest rate risk in the banking book rely on behavioural assumptions and, as a result, the success of the hedging strategy cannot be guaranteed. A potential mismatch in the balance or duration of the hedge assumptions could lead to earnings deterioration. A decline in GBP interest rates may also compress net interest margin on retail portfolios. In addition, the Barclays Bank UK Group's liquidity pool is exposed to potential capital and/or income volatility due to movements in market rates and prices.

For further details on the Barclays Bank UK Group's approach to treasury and capital risk, see treasury and capital risk management on pages 38 to

39 and treasury and capital risk performance on pages 78 to 87.

iii) Operational risk

Operational risk is the risk of loss to the Barclays Bank UK Group from inadequate or failed processes or systems, human factors or due to external events where the root cause is not due to credit or market risks. Examples include:

a) Operational resilience
The loss of or disruption to business processing is a material inherent risk within the Barclays Bank UK Group and across the financial services industry, whether arising through impacts on the Barclays Bank UK Group's technology systems, real estate services including its retail branch network, or availability of personnel or services supplied by third parties. Failure to build resilience and recovery capabilities into business processes or into the services of technology, real estate or suppliers on which the Barclays Bank UK Group's business processes depend, may result in significant customer detriment, costs to reimburse losses incurred by the Barclays Bank UK Group's customers, and reputational damage.

b) Cyber threats
The frequency of cyber-attacks continues to grow and is a global threat that is inherent across all industries. The financial sector remains a primary target for cyber criminals, hostile nation states, opportunists and hacktivists and there is an increasing level of sophistication in criminal hacking for the purpose of stealing money, stealing, destroying or manipulating data (including customer data) and/or disrupting operations, where multiple threats exist including threats arising from malicious emails, distributed denial of service (DDoS) attacks, payment system compromises, insider attackers, supply chain and vulnerability exploitation. Cyber events have a compounding impact on services and customers, e.g. data breaches in social networking sites, retail companies and payments networks.

Any failure in the Barclays Bank UK Group's cyber-security policies, procedures or controls and/or its IT systems, may result in significant financial losses, major business disruption, inability to deliver customer services, or loss of data or other sensitive information (including as a result of an outage) and may cause associated reputational damage. Any of these factors could increase costs (including, but not limited to, costs relating to notification of, or compensation for customers) or may affect the Barclays Bank UK Group's ability to retain and attract customers. Regulators in the UK and Europe continue to recognise cyber-security as an increasing systemic risk to the financial sector and have highlighted the need for financial institutions to improve their monitoring and control of, and resilience (particularly of critical services) to cyber-attacks, and to provide timely notification of them, as appropriate. Given the Barclays Bank UK Group's reliance on technology, a cyber-attack could have a material adverse effect on its business, results of operations, financial condition and prospects.

For further details on the Barclays Bank UK Group's approach to cyber threats, see operational risk performance on pages 89 to 90.

c) New and emergent technology
Technological advancements present opportunities to develop new and innovative ways of doing business across the Barclays Bank UK Group, with new solutions being developed both in-house and in association with third-party companies. Introducing new forms of technology, however, also has the potential to increase inherent risk. Failure to evaluate, actively manage and closely monitor risk exposure during all phases of business development could introduce new vulnerabilities and security flaws and have a material adverse effect on the Barclays Bank UK Group's business, results of operations, financial condition and prospects.

d) External fraud
The level and nature of fraud threats continues to evolve, particularly with the increasing use of digital products and the greater functionality available online. Criminals continue to adapt their techniques and are increasingly focused on targeting customers and clients through ever more sophisticated methods of social engineering. External data breaches also provide criminals with the opportunity to exploit the growing levels of compromised data. These fraud threats could lead to customer detriment, loss of business, missed business opportunity and reputational damage, all of which could have a material adverse effect on the Barclays Bank UK Group's business, results of operations, financial condition and prospects. Furthermore, recent changes in the regulatory landscape has seen increased levels of liability being taken by the Barclays Bank UK Group as part of a voluntary code in the UK to provide additional protection to customers and clients who are victims of Authorised Push Payment scams.

e) Data management and information protection
The Barclays Bank UK Group holds and processes large volumes of data, including personally identifiable information, intellectual property, and financial data. The General Data Protection Regulation (GDPR) has strengthened the data protection rights of customers and increased the accountability of the Barclays Bank UK Group in its management of such data. Failure to accurately collect and maintain this data, protect it from breaches of confidentiality and interference with its availability exposes the Barclays Bank UK Group to the risk of loss or unavailability of data (including customer data discussed under 'v) Conduct risk, d) Data protection and privacy' below) or data integrity issues. Any of these failures could have a material adverse effect on the Barclays Bank UK Group's business, results of operations, financial condition and prospects.

f) Processing error
As a large, complex financial institution, the Barclays Bank UK Group faces the risk of material errors in existing operational processes, or from new processes as a result of on-going change activity, including payments and client transactions. Material operational or payment errors could disadvantage the Barclays Bank UK Group's customers, clients or counterparties and could have a material adverse effect on the Barclays Bank UK Group's business, results of operations, financial condition and prospects.

g) Supplier exposure
The Barclays Bank UK Group depends on suppliers, including Barclays Execution Services Limited, for the provision of many of its services and the development of technology. Whilst the Barclays Bank UK Group depends on suppliers, it remains fully accountable for any risk arising from the actions of suppliers. The dependency on suppliers and sub-contracting of outsourced services introduces concentration risk where the failure of specific suppliers could have an impact on the Barclays Bank UK Group's ability to continue to provide material services to its customers. Failure to adequately manage supplier risk could have a material adverse effect on the Barclays Bank UK Group's business, results of operations, financial condition and prospects.

h) Critical accounting estimates and judgements
The preparation of financial statements in accordance with IFRS requires the use of estimates. It also requires management to exercise judgement in applying relevant accounting policies. The key areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the consolidated and individual financial statements, include credit impairment charges for amortised cost assets, taxes, fair value of

financial instruments, and provisions including conduct and legal, competition and regulatory matters. There is a risk that if the judgement exercised, or the estimates or assumptions used, subsequently turn out to be incorrect, this could result in material losses to the Barclays Bank UK Group, beyond what was anticipated or provided for. Further development of standards and interpretations under IFRS could also materially impact the financial results, condition and prospects of the Barclays Bank UK Group. For further details on the accounting estimates and policies, see the Notes to the audited financial statements on pages 113 to 164.

i) Tax risk

The Barclays Bank UK Group is required to comply with the tax laws and practice of all countries in which it has business operations. There is a risk that the Barclays Bank UK Group could suffer losses due to additional tax charges, other financial costs or reputational damage as a result of failing to comply with such laws and practice, or by failing to manage its tax affairs in an appropriate manner. In addition, increasing customer tax reporting requirements for UK and international customers and the digitisation of the administration of tax has potential to increase the Barclays Bank UK Group's tax compliance obligations further.

j) Ability to hire and retain appropriately qualified employees

As a regulated financial institution, the Barclays Bank UK Group requires diversified and specialist skilled colleagues. The Barclays Bank UK Group's ability to attract, develop and retain a diverse mix of talent is key to the delivery of its core business activity and strategy. This is impacted by a range of external and internal factors, such as the UK's decision to leave the EU and the enhanced individual accountability applicable to the banking industry. Failure to attract or prevent the departure of appropriately qualified and skilled employees could have a material adverse effect on the Barclays Bank UK Group's business, results of operations, financial condition and prospects. Additionally, this may result in disruption to service which could in turn lead to disenfranchising certain customer groups, customer detriment and reputational damage.

For further details on the Barclays Bank UK Group's approach to operational risk, see operational risk management on pages 39 to 40 and operational risk performance on pages 89 to 91.

iv) Model risk

Model risk is the risk of potential adverse consequences from financial assessments or decisions based on incorrect or misused model outputs and reports. The Barclays Bank UK Group relies on models to support a broad range of business and risk management activities, including informing business decisions and strategies, measuring and limiting risk, valuing exposures (including the calculation of impairment), conducting stress testing, assessing capital adequacy, supporting new business acceptance and risk and reward evaluation, managing client assets, and meeting reporting requirements. 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. For instance, the quality of the data used in models across the Barclays Bank UK Group has a material impact on the accuracy and completeness of its risk and financial metrics. Models may also be misused. Model errors or misuse may result in (among other things) the Barclays Bank UK Group making inappropriate business decisions and/or inaccuracies or errors being identified in the Barclays Bank UK Group's risk management and regulatory reporting processes. This could result in significant financial loss, imposition of additional capital requirements, enhanced regulatory supervision and reputational damage, all of which could have a material adverse effect on the Barclays Bank UK Group's business, results of operations, financial condition and prospects.

For further details on the Barclays Bank UK Group's approach to model risk, see model risk management on page 40 and model risk performance on page 92.

v) Conduct risk

Conduct risk is the risk of detriment to customers, clients, market integrity, effective competition or the Barclays Bank UK Group from the inappropriate supply of financial services, including instances of wilful or negligent misconduct. This risk could manifest itself in a variety of ways:

a) Employee misconduct

The Barclays Bank UK Group's business is exposed to risk from potential non-compliance with its policies and instances of wilful and negligent misconduct by employees, all of which could result in enforcement action or reputational harm. It is not always possible to deter employee misconduct, and the precautions we take to prevent and detect this activity may not always be effective. Employee misconduct could have a material adverse effect on the Barclays Bank UK Group's customers, clients, market integrity as well as reputation, financial condition and prospects.

b) Product governance and life cycle

The ongoing review management and governance of new and amended products has come under increasing regulatory focus (for example, the recast of the Markets in Financial Instruments Directive and guidance in relation to the adoption of the EU Benchmarks Regulation) and the Barclays Bank UK Group expects this to continue. The following could lead to poor customer outcomes: (i) ineffective product governance, including design, approval and review of products, and (ii) inappropriate controls over internal and third party sales channels and post sales services, such as complaints handling, collections and recoveries. The Barclays Bank UK Group is at risk of financial loss and reputational damage as a result.

c) Financial crime

The Barclays Bank UK Group may be adversely affected if it fails to effectively mitigate the risk that third parties or its employees facilitate, or that its products and services are used to facilitate, financial crime (money laundering, terrorist financing and proliferation financing, breaches of economic and financial sanctions, bribery and corruption, and the facilitation of tax evasion). UK and US regulations covering financial institutions continue to focus on combating financial crime. Failure to comply may lead to enforcement action by the Barclays Bank UK Group's regulators, including severe penalties, which may have a material adverse effect on the Barclays Bank UK Group's business, financial condition and prospects.

d) Data protection and privacy

Proper handling of personal data is critical to sustaining long-term relationships with our customers and clients and complying with privacy laws and regulations. Failure to protect personal data can lead to potential detriment to our customers and clients, reputational damage, enforcement action and financial loss which may be substantial (see 'iii) Operational risk, (e) Data management and information protection' above).

e) Regulatory focus on culture and accountability

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

For further details on the Barclays Bank UK Group's approach to conduct risk, see conduct risk management on page 41 and conduct risk performance on page 92.

vi) Reputation risk

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

Any material lapse in standards of integrity, compliance, customer service or operating efficiency may represent a potential reputation risk. Stakeholder expectations constantly evolve, and so reputation risk is dynamic and varies between geographical regions, groups and individuals. A risk arising in one business area can have an adverse effect upon the Barclays Bank UK Group's overall reputation and any one transaction, investment or event (in the perception of key stakeholders) can reduce trust in the Barclays Bank UK Group's integrity and competence. The Barclays Bank UK Group's association with sensitive topics and sectors has been, and in some instances continues to be, an area of concern for stakeholders, including (i) the financing of, and investments in, businesses which operate in sectors that are sensitive because of their relative carbon intensity or local environmental impact; (ii) potential association with human rights violations (including combating modern slavery) in the Barclays Bank UK Group's operations or supply chain and by clients and customers; and (iii) the financing of businesses which manufacture and export military and riot control goods and services.

Reputation risk could also arise from negative public opinion about the actual, or perceived, manner in which the Barclays Bank UK Group conducts its business activities, or the Barclays Bank UK Group's financial performance, as well as actual or perceived practices in banking and the financial services industry generally. Modern technologies, in particular online social media channels and other broadcast tools that facilitate communication with large audiences in short time frames and with minimal costs, may significantly enhance and accelerate the distribution and effect of damaging information and allegations. Negative public opinion may adversely affect the Barclays Bank UK Group's ability to retain and attract customers, in particular, corporate and retail depositors, and to retain and motivate staff, and could have a material adverse effect on the Barclays Bank UK Group's business, results of operations, financial condition and prospects.

In addition to the above, reputation risk has the potential to arise from operational issues or conduct matters which cause detriment to customers, clients, market integrity, effective competition or the Barclays Bank UK Group (see "iii) Operational risk" above).

For further details on the Barclays Bank UK Group's approach to reputation risk, see reputation risk management on page 41 and reputation risk performance on page 92.

vii) Legal risk and legal, competition and regulatory matters

The Barclays Bank UK Group conducts activities in a highly regulated market which exposes it and its employees to legal risk arising from (i) the multitude of laws and regulations that apply to the businesses it operates, which are highly dynamic, may vary between jurisdictions, and are often unclear in their application to particular circumstances especially in new and emerging areas; and (ii) the diversified and evolving nature of the Barclays Bank UK Group's businesses and business practices. In each case, this exposes the Barclays Bank UK Group and its employees to the risk of loss or the imposition of penalties, damages or fines from the failure of members of the Barclays Bank UK Group to meet their respective legal obligations, including legal or contractual requirements. Legal risk may arise in relation to a number of the risk factors identified above, including (without limitation) as a result of (i) the UK's withdrawal from the EU, (ii) benchmark reform, (iii) the regulatory change agenda, and (iv) rapidly evolving rules and regulations in relation to data protection, privacy and cyber-security.

A breach of applicable legislation and/or regulations by the Barclays Bank UK Group or its employees could result in criminal prosecution, regulatory censure, potentially significant fines and other sanctions. Where clients, customers or other third parties are harmed by the Barclays Bank UK Group's conduct, this may also give rise to civil legal proceedings, including class actions. Other legal disputes may also arise between the Barclays Bank UK Group and third parties relating to matters such as breaches or enforcement of legal rights or obligations arising under contracts, statutes or common law. Adverse findings in any such matters may result in the Barclays Bank UK Group being liable to third parties or may result in the Barclays Bank UK Group's rights not being enforced as intended.

Details of legal, competition and regulatory matters to which the Barclays Bank UK Group is currently exposed are set out in Note 24. In addition to matters specifically described in Note 24, the Barclays Bank UK Group is engaged in various other legal proceedings which arise in the ordinary course of business. The Barclays Bank UK Group is also subject to requests for information, investigations and other reviews by regulators, governmental and other public bodies in connection with business activities in which the Barclays Bank UK Group is, or has been, engaged.

The outcome of legal, competition and regulatory matters, both those to which the Barclays Bank UK Group is currently exposed and any others which may arise in the future, is difficult to predict. In connection with such matters, the Barclays Bank UK Group may incur significant expense, regardless of the ultimate outcome, and any such matters could expose the Barclays Bank UK Group to any of the following outcomes: substantial monetary damages, settlements and/or fines; remediation of affected customers and clients; other penalties and injunctive relief; additional litigation; criminal prosecution; the loss of any existing agreed protection from prosecution; regulatory restrictions on the Barclays Bank UK Group's business operations including the withdrawal of authorisations; increased regulatory compliance requirements or changes to laws or regulations; suspension of operations; public reprimands; loss of significant assets or business; a negative effect on the Barclays Bank UK Group's reputation; loss of confidence by investors, counterparties, clients and/or customers; risk of credit rating agency downgrades; potential negative impact on the availability and/or cost of funding and liquidity; and/or dismissal or resignation of key individuals. In light of the uncertainties involved in legal, competition and regulatory matters, there can be no assurance that the outcome of a particular matter or matters will not have a material adverse effect on the Barclays Bank UK Group's business, results of operations, financial condition and prospects.

Climate change risk management

Climate change risk management

Overview

The Barclays Group has a longstanding commitment to Environmental Risk Management (ERM) and its approach, aided by regulatory initiatives, has continued to evolve, incorporating climate change in recent years as the understanding of associated risks has grown. In 2018, a dedicated Sustainability team was created to consider how the Barclays Group approaches wider sustainability and Environmental Social Governance (ESG) matters, working closely with the ERM function.

In 2019, the Barclays Group published an Energy & Climate Change Statement (https://home.barclays/statements/barclays-energy-and-climate-change-statement) which articulates our focus on three areas: financing growth of renewables and businesses addressing environmental challenges; taking a responsible approach to financing energy sources with a greater carbon intensity; and reducing our own carbon footprint. It is supported by an internal standard containing guidelines for restricting or supporting financing activities in carbon-intensive energy sectors, as well as enhanced due diligence requirements for environmentally or socially sensitive sectors.

For more detail on how climate change risks arise and their impact on the Barclays Bank UK Group, refer to material existing and emerging risks on pages 30 to 31.

Organisation and Structure

The matters and risks associated with climate change are managed at a Barclays Group level, with additional oversight and monitoring provided by the Barclays Bank UK PLC Board and Barclays Bank UK Group CRO for matters pertaining to the Barclays Bank UK Group.

On behalf of the Barclays PLC Board, the Barclays PLC BRC reviews and approves the Barclays Group's approach to managing the financial and operational risks associated with climate change.

Broadly, climate change matters are co-ordinated by the Sustainability team, including reputation risks linked to the Barclays Group's financial and societal impact. In 2019, reputation risk became the responsibility of the Barclays PLC Board, where the most material issues facing the Barclays Group are escalated to and directly handled by the Barclays PLC Board.

Risk management – Policy

In 2019, the Barclays Group published a *'Climate Change Financial Risk and Operational Risk Policy'*. This introduced climate change as an overarching risk impacting certain principal risks: credit risk, market risk, treasury & capital risk and operational risk. The policy is jointly owned by the relevant Principal Risk Leads with oversight by the Barclays PLC BRC, and applies across the Barclays Group including within the Barclays Bank UK Group

Each relevant Principal Risk Lead has developed a methodology and implementation plan for quantifying climate change risk.

Risk	Measurement approach
Credit risk	A Credit Risk Materiality Matrix (Climate Lens) assesses the climate change risk of a counterparty to which the Group is exposed. The Climate Lens considers transition factors such as a counterparty's reliance on fossil fuels, sensitivity to policy changes and ability to diversify, as well as exposure to physical risks. Where an obligor is rated as Medium or High, the details are referred to the Environmental Risk Management team, who conduct enhanced due diligence.
Market risk	Stress tests are used to assess and aggregate exposures arising from climate related risks. Stress test scenarios are applied to a range of assets, reflecting the impact of climate change across sectors, countries and regions.
Treasury and capital risk	Stress tests are used to assess and aggregate exposures arising from climate related risks. They are measured as part of existing stress testing, ICAAP and capital planning.
Operational risk	The risks associated with Climate Change are relevant to the following Operational Risk Categories/Themes, which are managed through the Operational Risk Framework: Premises Risk, Supplier Risk and Resilience. Climate Change has been included in the Strategic Risk Assessment to understand exposure on a forward looking basis across the five-year business planning cycle.

Credit risk management (audited)

The risk of loss to the Barclays Bank UK Group from the failure of clients, customers or counterparties, including sovereigns, to fully honour their obligations to Barclays Bank UK Group including the whole and timely payment of principal, interest, collateral and other receivables.

Overview

The credit risk that the Barclays Bank UK Group faces arises from retail and wholesale loans and advances together with the counterparty credit risk arising from derivative contracts with market counterparties; trading activities, including: debt securities, settlement balances with market counterparties, FVOCI assets and reverse repurchase loans. Wholesale lending in the Barclays Bank UK Group includes Business Banking, ESHLA and Wealth UK portfolios.

Credit risk management objectives are to:

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

Organisation, roles and responsibilities

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

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

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

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

Credit risk mitigation

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

- netting and set-off
- collateral
- risk transfer.

Netting and set-off

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

Collateral

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

- **home loans:** a fixed charge over residential property in the form of houses, flats and other dwellings;
- **wholesale lending:** a fixed charge over commercial property and other physical assets, in various forms;
- **other retail lending:** includes charges over motor vehicles and other physical assets; second lien charges over residential property and finance lease receivables;
- **derivatives:** the Barclays Bank UK Group also often seeks to enter into a margin agreement (e.g. Credit Support Annex) with counterparties with which the Barclays Bank UK Group has master netting agreements in place. These annexes to master agreements provide a mechanism for further reducing credit risk, whereby collateral (margin) is posted on a regular basis (typically daily) to collateralise the mark to market exposure of a derivative portfolio measured on a net basis;
- **reverse repurchase agreements:** collateral typically comprises highly liquid securities which have been legally transferred to the Barclays Bank UK Group subject to an agreement to return them for a fixed price; and
- **financial guarantees and similar off-balance sheet commitments:** cash collateral may be held against these arrangements.

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

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

Treasury and capital risk management

This comprises:

Liquidity risk: The risk that Barclays Bank UK Group is unable to meet its contractual or contingent obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets.

Capital risk: The risk that Barclays Bank UK Group has an insufficient level or composition of capital to support its normal business activities and to meet its regulatory capital requirements under normal operating environments or stressed conditions (both actual and as defined for internal planning or regulatory testing purposes). This also includes the risk from Barclays Bank UK Group's pension plans.

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

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

Liquidity risk management (audited)

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

Organisation, roles and responsibilities
Treasury has the primary responsibility for managing liquidity risk within the set risk appetite. Both Risk and Treasury contribute to the production of the Internal Liquidity Adequacy Assessment Process. The Treasury and Capital Risk function is responsible for the management and governance of the liquidity risk mandate, as defined by the Barclays Bank UK PLC Board.

The liquidity risk control framework is designed to deliver the appropriate term and structure of funding, consistent with the liquidity risk appetite set by the Board.

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

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

Capital risk management (audited)

Overview
Capital risk is managed through ongoing monitoring and management of the capital position, regular stress testing and a robust capital governance framework. The objectives of the framework are to maintain adequate capital for the Barclays Bank UK Group to withstand the impact of the risks that may arise under normal and stressed conditions, and maintain adequate capital to cover current and forecast business needs and associated risks to provide a viable and sustainable business offering.

Organisation, roles and responsibilities
Treasury has the primary responsibility for managing and monitoring capital. The Barclays Bank UK Group Treasury and Capital Risk function provides oversight of capital risk and is an independent risk function that reports to the Barclays Bank UK Group CRO. Production of the Barclays Bank UK PLC Internal Capital Adequacy Assessment Process is the responsibility of Barclays Bank UK Group Treasury.

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

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

Management assures compliance with minimum regulatory capital requirements by reporting to the Barclays Bank UK PLC ALCO with oversight by the Barclays Group Treasury Committee, as required. In 2019, Barclays complied with all regulatory minimum capital requirements.

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

Interest rate risk in the banking book management (IRRBB)

Overview
Interest rate risk in the banking book is driven by customer deposit taking and lending activities, investments in the liquid asset portfolio and funding activities. As per the Barclays Bank UK Group's policy to remain within the defined risk appetite, businesses and Treasury execute hedging strategies to mitigate the risks. However, the Barclays Bank UK Group remains susceptible to interest rate risk and other non-traded market risks from key sources:

- **interest rate and repricing risk:** the risk that net interest income could be adversely impacted by a change in interest rates, differences in the timing of interest rate changes between assets and liabilities, and other constraints on interest rate changes as per product terms and conditions.
- **customer behavioural risk:** the risk that net interest income could be adversely impacted by the discretion that customers and counterparties may have in respect of being able to vary their contractual obligations with the Barclays Bank UK Group. This risk is often referred to by industry regulators as 'embedded option risk'.
- **investment risks in the liquid asset portfolio:** the risk that the fair value of assets held in the liquid asset portfolio and associated risk management portfolios could be adversely impacted by market volatility, creating volatility in capital directly.

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

In addition, the Barclays Bank UK Group's IRRBB policy sets out the processes and key controls required to identify all IRRBB risks arising from banking book operations, to monitor the risk exposures via a set of metrics with a frequency in line with the risk management horizon, and to manage these risks within agreed risk appetite and limits.

Market risk management (audited)

The risk of loss arising from potential adverse changes in the value of Barclays Bank UK Group's assets and liabilities from fluctuation in market variables including, but not limited to, interest rates, foreign exchange, equity prices, commodity prices, credit spreads, implied volatilities and asset correlations.

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

Organisation, roles and responsibilities
The objectives of market risk management are to:

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

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

The Barclays Bank UK PLC Board Risk Committee recommends market risk appetite to the Barclays Bank UK PLC Board for their approval, within the parameters set by the Barclays PLC Board. The Barclays Bank UK Group CRO confirms the Barclays Bank UK Group market risk appetite with the Barclays Group CRO.

The Market Risk Committee approves and makes recommendations concerning the Barclays Group-wide market risk profile. This includes overseeing the operation of the Market Risk Framework and associated standards and policies; reviewing market or regulatory issues and limits and utilisation. The committee is chaired by the Barclays Group Market Risk Principal Risk Lead.

The Barclays Bank UK Group Treasurer is accountable for all market risks associated with its activities, whilst the Barclays Bank UK Group CRO is the senior manager accountable for the creation, maintenance and implementation of the risk control framework for market risk.

Operational risk management

The risk of loss to Barclays Bank UK Group from inadequate or failed processes or systems, human factors or due to external events (for example fraud) where the root cause is not due to credit or market risks.

Overview
The management of operational risk has three key objectives:

- deliver an operational risk capability owned and used by business leaders to enable sound risk decisions over the long term;

- provide the frameworks, policies and standards to enable management to meet their risk management responsibilities while the second line of defence provides robust, independent, and effective oversight and challenge; and
- deliver a consistent and aggregated measurement of operational risk that will provide clear and relevant insights, so that the right management actions can be taken to keep the operational risk profile consistent with the Barclays Bank UK Group's strategy, the stated risk appetite and stakeholder needs.

The Barclays Bank UK Group operates within a system of internal controls that enables business to be transacted and risk taken without exposing Barclays Bank UK Group to unacceptable potential losses or reputational damages.

Organisation, roles and responsibilities

The prime responsibility for the management of operational risk and the compliance with control requirements rests with the business and functional units where the risk arises. The operational risk profile and control environment is reviewed by business management through business risk committees and control committees. Businesses and functions are required to report their operational risks on both a regular and an event-driven basis. The reports include a profile of the material risks that may threaten the achievement of their objectives and the effectiveness of key controls, operational risk events and a review of scenarios.

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

Operational Risk Management (ORM) acts in a second line of defence capacity, and is responsible for defining and overseeing the implementation of the framework and monitoring the Barclays Bank UK Group's operational risk profile. ORM alerts management when risk levels exceed acceptable tolerance in order to drive timely decision making and actions by the first line of defence. Operational risk issues escalated from these meetings are considered through the second line of defence review meetings. Depending on their nature, the outputs of these meetings are presented to the Barclays UK Risk Committee, the BRC or the BAC.

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

Operational risk categories

Operational risks are grouped into risk categories to support effective risk management, measurement and reporting. These comprise: Data Management & Information Risk; Financial Reporting Risk; Fraud Risk; Payments Process Risk; People Risk; Premises Risk; Physical Security Risk; Supplier Risk; Tax Risk; Technology Risk; Transaction Operations Risk and Execution Risk.

Enterprise risk themes

Barclays Bank UK Group also recognises that there are certain threats/risk drivers that are more thematic and have the potential to impact Barclays Bank UK Group's strategic objectives. These are enterprise risk themes which require an overarching and integrated risk management approach. The Barclays Bank UK Group's enterprise risk themes include Cyber, Data and Resilience.

For definitions of the Barclays Bank UK Group's operational risk categories and enterprise risk themes, refer to page 100 of the Barclays Bank UK PLC Pillar 3 Report 2019.

Model risk management

The risk of the potential adverse consequences from financial assessments or decisions based on incorrect or misused model outputs and reports.

Overview

The Barclays Bank UK Group uses models to support a broad range of activities, including informing business decisions and strategies, measuring and limiting risk, valuing exposures, conducting stress testing, assessing capital adequacy, managing client assets, and meeting reporting requirements.

Since models are imperfect and incomplete representations of reality, they may be subject to errors affecting the accuracy of their output. Model errors and misuse are the primary sources of model risk.

Organisation, roles and responsibilities

The Barclays Group has a dedicated Model Risk Management (MRM) function that consists of two main units: the Independent Validation Unit (IVU), responsible for model validation and approval, and Model Governance and Controls (MGC), covering model risk governance, controls and reporting, including ownership of model risk policy and the model inventory.

The model risk management framework consists of the model risk policy and standards. The policy prescribes group-wide, end-to-end requirements for the identification, measurement and management of model risk, covering model documentation, development, implementation, monitoring, annual review, independent validation and approval, change and reporting processes. The policy is supported by global standards covering model inventory, documentation, validation, complexity and materiality, testing and monitoring, overlays, risk appetite, as well as vendor models and stress testing challenger models.

The function reports to the Barclays Group CRO and operates a global framework. Implementation of best practice standards is a central objective of the Barclays Bank UK Group.

The key model risk management activities include:

- Correctly identifying models across all relevant areas of the Barclays Bank UK Group, and recording models in the Barclays Bank UK Group Models Database (GMD), the Barclays Group-wide model inventory
- Enforcing that every model has a model owner who is accountable for the model. The model owner must sign off models prior to submission to IVU for validation and maintain that the model presented to IVU is and remains fit for purpose
- Overseeing that every model is subject to validation and approval by IVU, prior to being implemented and on a continual basis
- Defining model risk appetite in terms of risk tolerance, and qualitative metrics which are used to track and report model risk.

Principal risk management

Conduct risk management

The risk of detriment to customers, clients, market integrity, effective competition or to Barclays from the inappropriate supply of financial services, including instances of wilful or negligent misconduct.

Overview

The Barclays Bank UK Group defines, manages and mitigates conduct risk with the goal of providing positive customer and client outcomes, protecting market integrity and promoting effective competition. Product Lifecycle, Culture and Strategy and Financial Crime are the risk categories under the Barclays Group definition of Conduct Risk.

Organisation, roles and responsibilities

The governance of conduct risk within the Barclays Bank UK Group is fulfilled through management committees and forums operated by the first and second lines of defence with clear escalation and reporting lines to the BRC. The Barclays UK Risk Committee is the most senior executive body responsible for reviewing and monitoring the effectiveness of the Barclays Bank UK Group's management of conduct risk.

The Conduct Risk Management Framework (CRMF) comprises a number of elements that allow the Barclays Bank UK Group to manage and measure its conduct risk profile.

Senior Managers have accountability for managing conduct risk in their areas of responsibility. This is expressed in their Statement of Responsibilities which identifies the activities and areas for which they are accountable. The primary responsibility for managing conduct risk sits with the business where the risk arises. The first line business control committees provide oversight of controls relating to conduct risk.

The Barclays Bank UK Group Chief Compliance Officer is responsible for providing effective oversight, management and escalation of conduct risk in line with the CRMF. This includes overseeing the development and maintenance of the relevant conduct risk policies and standards and monitoring and reporting on the consistent application and effectiveness of the implementation of controls to manage conduct risk.

The Barclays UK Risk Committee is the primary second line governance committee for oversight of the conduct risk profile for Barclays Bank UK Group and implementation of the CRMF. The responsibilities of the Barclays UK Risk Committee include the identification and discussion of any emerging conduct risks exposures that have been identified.

Reputation risk management

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

Overview

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

Organisation, roles and responsibilities

The Barclays UK Risk Committee is the most senior executive body responsible for reviewing and monitoring the effectiveness of the Barclays Bank UK Group's management of reputation risk.

The Barclays Bank UK Group Chief Compliance Officer is accountable for developing a Reputation Risk Management Framework (RRMF), and the Head of Corporate Relations is responsible for developing a reputation risk policy and associated standards, including tolerances against which data is monitored, reported on and escalated, as required. The RRMF sets out what is required to manage reputation risk across the Barclays Bank UK Group.

The primary responsibility for identifying and managing reputation risk and adherence to the control requirements sits with the business and support functions where the risk arises.

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

Legal risk management

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

Overview

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

Organisation, roles and responsibilities

The Barclays Bank UK Group's businesses and functions have primary responsibility for identifying, managing and escalating legal risk in their area as well as responsibility for adherence to minimum control requirements.

The Legal Function organisation and coverage model aligns expertise to businesses, functions, products, activities and geographic locations so that the Barclays Bank UK Group receives legal support from appropriate legal professionals. The senior management of the Legal Function oversees, monitors and challenges legal risk across the Barclays Group. The Legal Function does not sit in any of the three lines of defence but supports them all.

The Barclays Group General Counsel is responsible for maintaining an appropriate Barclays Group-wide legal risk management framework. This includes defining the relevant legal risk policies and oversight of the implementation of controls to manage and escalate legal risk.

The legal risk profile and control environment is reviewed by management through business risk committees and control committees. The BRC the most senior body responsible for reviewing and monitoring the effectiveness of risk management across the Barclays Bank UK Group. Escalation paths from this committee exist to the Barclays Group Risk Committee.

Risk performance

Credit risk

Summary of Contents

All disclosures in this section (pages 44 to 76) are unaudited unless otherwise stated.

Overview

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

Further detail can be found in the Financial statements section in Note 7 Credit impairment charges. Descriptions of terminology can be found in the glossary, available at home.barclays/annualreport.

Summary of performance in the period

Credit impairment charges of £709m comprised Personal Banking charges of £196m, Barclaycard Consumer UK charges of £472m Business Banking charges of £45m, and Head Office releases of £4m. The 30 and 90 day arrears rates in UK cards decreased to 1.7% (Q418: 1.8%) and 0.8% (Q418: 0.9%) respectively. 2018 included a £100m specific charge in Q418 relating to the impact of anticipated economic uncertainty in the UK.

Key metrics

Decrease of £300m impairment allowance

Impairment allowances on loans and advances at amortised cost, including off-balance sheet elements of the allowance in Barclays Bank UK Group decreased by £300m to £2,681m (2018: £2,981m) during the year. This is driven by a decrease in Credit cards, unsecured loans and other retail lending £315m and Wholesale Loans £2m, partially offset by an increase in Home Loans £1m and an increase in off-balance sheet provisions £16m. Please refer to page 50 Expected Credit Loss Section for further details.

Please see the credit risk management section on pages 37 to 38 for details of governance, policies and procedures.

Analysis of the Balance Sheet

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

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

For financial assets recognised on-balance sheet, the maximum exposure to credit risk represents the balance sheet carrying value after allowance for impairment. For off-balance sheet guarantees, the maximum exposure is the maximum amount that the Barclays Bank UK Group would have to pay if the guarantees were to be called upon. For loan commitments and other credit related commitments that are irrevocable over the life of the respective facilities, the maximum exposure is the full amount of the committed facilities.

This and subsequent analyses of credit risk exclude other financial assets not subject to credit risk. For off-balance sheet exposures certain contingent liabilities not subject to credit risk such as performance guarantees are excluded.

The Barclays Bank UK Group mitigates the credit risk to which it is exposed through netting and set-off, collateral and risk transfer. Further detail on these forms of credit enhancement is presented on page 37 of the credit risk management section.

Overview
As at 31 December 2019, the Barclays Bank UK Group's net exposure to credit risk, after taking into account credit risk mitigation, decreased 6% to £143.6bn (2018: £152.4bn). Overall, the extent to which the Barclays Bank UK Group holds mitigation against its total exposure increased to 55% (2018: 51%).

Of the unmitigated on balance sheet exposure, a significant portion relates to cash and balances at central banks, cash collateral and settlement balances and debt securities issued by governments all of which are considered to be lower risk. The decrease in the Barclays Bank UK Group's net exposure to credit risk was driven by decreases in cash and balances at central banks and wholesale loans, offset by an increase in financial assets at fair value through other comprehensive income. Further analysis on the credit quality of assets is presented on pages 68 to 74.

Collateral obtained
Where collateral has been obtained in the event of default, the Barclays Bank UK Group does not, ordinarily, use such assets for its own operations and they are usually sold on a timely basis. The carrying value of assets held by the Barclays Bank UK Group as at 31 December 2019, as a result of the enforcement of collateral, was £nil (2018: £nil).

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

Barclays Bank UK Group As at 31 December 2019	Maximum exposure £m	Netting and set-off £m	Cash collateral £m	Non-cash collateral £m	Risk transfer £m	Net exposure £m
On-balance sheet:						
Cash and balances at central banks	24,305	-	-	-	-	24,305
Cash collateral and settlement balances	4,331	-	-	-	-	4,331
Loans and advances at amortised cost:						
Home loans	143,492	-	-	(143,357)	(1)	134
Credit cards, unsecured loans and other retail lending	21,793	-	(82)	(530)	(2)	21,179
Wholesale loans	32,284	-	(2)	(14,066)	(7,521)	10,695
Total loans and advances at amortised cost	197,569	-	(84)	(157,953)	(7,524)	32,008
Of which credit-impaired (Stage 3):						
Home loans	*1,044*	-	-	*(1,036)*	-	*8*
Credit cards, unsecured loans and other retail lending	*416*	-	*(4)*	*(23)*	*(1)*	*388*
Wholesale loans	*1,032*	-	-	*(701)*	-	*331*
Total credit-impaired loans and advances at amortised cost	*2,492*	-	*(4)*	*(1,760)*	*(1)*	*727*
Reverse repurchase agreements and other similar secured lending	1,761	-	-	(1,761)	-	-
Trading portfolio assets:						
Debt securities	860	-	-	-	-	860
Total trading portfolio assets	860	-	-	-	-	860
Financial assets at fair value through the income statement						
Loans and advances	3,568	-	-	(1,789)	-	1,779
Other financial assets	3	-	-	-	-	3
Total financial assets at fair value through the income statement	3,571	-	-	(1,789)	-	1,782
Derivative financial instruments	192	(59)	-	(107)	-	26
Financial assets at fair value through other comprehensive income	19,322	-	-	-	(324)	18,998
Other assets	886	-	-	-	-	886
Total on-balance sheet	252,797	(59)	(84)	(161,610)	(7,848)	83,196
Off-balance sheet:						
Contingent liabilities	750	-	-	-	-	750
Loan commitments	64,309	-	(36)	(4,588)	(38)	59,647
Total off-balance sheet	65,059	-	(36)	(4,588)	(38)	60,397
Total	317,856	(59)	(120)	(166,198)	(7,886)	143,593

Off-balance sheet exposures are shown gross of provisions of £70m (2018: £54m). See Note 22 for further details.

For further information on credit risk mitigation techniques, refer to pages 37 to 38 within the credit risk management section.

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

Barclays Bank UK Group As at 31 December 2018	Maximum exposure £m	Netting and set-off £m	Cash collateral £m	Non-cash collateral £m	Risk transfer £m	Net exposure £m
On-balance sheet:						
Cash and balances at central banks	40,669	-	-	-	-	40,669
Cash collateral and settlement balances	3,349	-	-	-	-	3,349
Loans and advances at amortised cost:						
Home loans	137,124	-	-	(137,004)	(3)	117
Credit cards, unsecured loans and other retail lending	22,626	-	(118)	(545)	(24)	21,939
Wholesale loans	28,815	-	(2)	(13,189)	(483)	15,141
Total loans and advances at amortised cost	188,565	-	(120)	(150,738)	(510)	37,197
Of which credit-impaired (Stage 3):						
Home loans	*1,238*	-	-	*(1,230)*	-	*8*
Credit cards, unsecured loans and other retail lending	*604*	-	-	*(1)*	-	*603*
Wholesale loans	*1,205*	-	-	*(744)*	-	*461*
Total credit-impaired loans and advances at amortised cost	*3,047*	-	-	*(1,975)*	-	*1,072*
Reverse repurchase agreements and other similar secured lending	1,759	-	-	(1,758)	-	1
Trading portfolio assets:						
Debt securities	151	-	-	-	-	151
Total trading portfolio assets	151	-	-	-	-	151
Financial assets at fair value through the income statement						
Loans and advances	3,880	-	-	(2,092)	(89)	1,699
Total financial assets at fair value through the income statement	3,880	-	-	(2,092)	(89)	1,699
Derivative financial instruments	241	(19)	-	-	-	222
Financial assets at fair value through other comprehensive income	6,710	-	-	-	-	6,710
Other assets	493	-	-	-	-	493
Total on-balance sheet	245,817	(19)	(120)	(154,588)	(599)	90,491
Off-balance sheet:						
Contingent liabilities	910	-	-	-	-	910
Loan commitments	66,435	-	(35)	(5,266)	(107)	61,027
Total off-balance sheet	67,345	-	(35)	(5,266)	(107)	61,937
Total	313,162	(19)	(155)	(159,854)	(706)	152,428

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

Barclays Bank UK PLC As at 31 December 2019	Maximum exposure £m	Netting and set-off £m	Cash collateral £m	Non-cash collateral £m	Risk transfer £m	Net exposure £m
On-balance sheet:						
Cash and balances at central banks	24,305	-	-	-	-	24,305
Cash collateral and settlement balances	4,331	-	-	-	-	4,331
Loans and advances at amortised cost:						
Home loans	143,492	-	-	(143,357)	(1)	134
Credit cards, unsecured loans and other retail lending	21,787	-	(82)	(530)	(2)	21,173
Wholesale loans	32,681	-	(2)	(14,066)	(7,518)	11,095
Total loans and advances at amortised cost	197,960	-	(84)	(157,953)	(7,521)	32,402
Of which credit-impaired (Stage 3):						
Home loans	*1,044*	-	-	*(1,036)*	-	*8*
Credit cards, unsecured loans and other retail lending	*411*	-	*(4)*	*(23)*	*(1)*	*383*
Wholesale loans	*1,032*	-	-	*(701)*	-	*331*
Total credit-impaired loans and advances at amortised cost	*2,487*	-	*(4)*	*(1,760)*	*(1)*	*722*
Reverse repurchase agreements and other similar secured lending	1,761	-	-	(1,761)	-	-
Trading portfolio assets:						
Debt securities	860	-	-	-	-	860
Total trading portfolio assets	860	-	-	-	-	860
Financial assets at fair value through the income statement						
Loans and advances	3,568	-	-	(1,789)	-	1,779
Other financial assets	3	-	-	-	-	3
Total financial assets at fair value through the income statement	3,571	-	-	(1,789)	-	1,782
Derivative financial instruments	193	(59)	-	-	-	134
Financial assets at fair value through other comprehensive income	19,322	-	-	-	(324)	18,998
Other assets	870	-	-	-	-	870
Total on-balance sheet	253,173	(59)	(84)	(161,503)	(7,845)	83,682
Off-balance sheet:						
Contingent liabilities	750	-	-	-	-	750
Loan commitments	64,326	-	(36)	(4,588)	(38)	59,664
Total off-balance sheet	65,076	-	(36)	(4,588)	(38)	60,414
Total	318,249	(59)	(120)	(166,091)	(7,883)	144,096

Off-balance sheet exposures are shown gross of provisions of £70m (2018: £54m). See Note 22 for further details.

For further information on credit risk mitigation techniques, refer to pages 37 to 38 within the credit risk management section.

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

Barclays Bank UK PLC As at 31 December 2018	Maximum exposure £m	Netting and set-off £m	Cash collateral £m	Non-cash collateral £m	Risk transfer £m	Net exposure £m
On-balance sheet:						
Cash and balances at central banks	40,664	-	-	-	-	40,664
Cash collateral and settlement balances	3,364	-	-	-	-	3,364
Loans and advances at amortised cost:						
Home loans	137,124	-	-	(137,004)	(3)	117
Credit cards, unsecured loans and other retail lending	22,621	-	(118)	(545)	(24)	21,934
Wholesale loans	28,861	-	(2)	(13,189)	(483)	15,187
Total loans and advances at amortised cost	188,606	-	(120)	(150,738)	(510)	37,238
Of which credit-impaired (Stage 3):						
Home loans	*1,238*	-	-	*(1,230)*	-	*8*
Credit cards, unsecured loans and other retail lending	*604*	-	-	*(1)*	-	*603*
Wholesale loans	*1,205*	-	-	*(744)*	-	*461*
Total credit-impaired loans and advances at amortised cost	*3,047*	-	-	*(1,975)*	-	*1,072*
Reverse repurchase agreements and other similar secured lending	1,759	-	-	(1,758)	-	1
Trading portfolio assets:						
Debt securities	151	-	-	-	-	151
Total trading portfolio assets	151	-	-	-	-	151
Financial assets at fair value through the income statement						
Loans and advances	3,880	-	-	(2,092)	(89)	1,699
Total financial assets at fair value through the income statement	3,880	-	-	(2,092)	(89)	1,699
Derivative financial instruments	241	(19)	-	-	-	222
Financial assets at fair value through other comprehensive income	6,710	-	-	-	-	6,710
Other assets	501	-	-	-	-	501
Total on-balance sheet	245,876	(19)	(120)	(154,588)	(599)	90,550
Off-balance sheet:						
Contingent liabilities	910	-	-	-	-	910
Loan commitments	66,435	-	(35)	(5,266)	(107)	61,027
Total off-balance sheet	67,345	-	(35)	(5,266)	(107)	61,937
Total	313,221	(19)	(155)	(159,854)	(706)	152,487

Expected Credit Losses

Loans and advances at amortised cost by product

The tables below present a breakdown of loans and advances at amortised cost and the impairment allowance with stage allocation by asset classification.

Impairment allowance under IFRS 9 considers both the drawn and the undrawn counterparty exposure. For retail portfolios, the total impairment allowance is allocated to the drawn exposure to the extent that the allowance does not exceed the exposure as ECL is not reported separately. Any excess is reported on the liability side of the balance sheet as a provision. For wholesale portfolios the impairment allowance on the undrawn exposure is reported on the liability side of the balance sheet as a provision.

Barclays Bank UK Group (audited)

		Stage 2					
As at 31 December 2019	Stage 1	Not past due	<=30 days past due	>30 days past due	Total	Stage 3	Total[a]
Gross exposure	£m	£m	£m	£m	£m	£m	£m
Home loans	126,109	14,189	1,537	643	16,369	1,099	143,577
Credit cards, unsecured loans and other retail lending	16,471	5,953	192	164	6,309	1,280	24,060
Wholesale loans	28,430	2,885	20	12	2,917	1,196	32,543
Total	171,010	23,027	1,749	819	25,595	3,575	200,180
Impairment allowance							
Home loans	6	13	5	6	24	55	85
Credit cards, unsecured loans and other retail lending	180	1,074	60	89	1,223	864	2,267
Wholesale loans	27	65	1	2	68	164	259
Total	213	1,152	66	97	1,315	1,083	2,611
Net exposure							
Home loans	126,103	14,176	1,532	637	16,345	1,044	143,492
Credit cards, unsecured loans and other retail lending	16,291	4,879	132	75	5,086	416	21,793
Wholesale loans	28,403	2,820	19	10	2,849	1,032	32,284
Total	170,797	21,875	1,683	722	24,280	2,492	197,569
Coverage ratio	%	%	%	%	%	%	%
Home loans	-	0.1	0.3	0.9	0.1	5.0	0.1
Credit cards, unsecured loans and other retail lending	1.1	18.0	31.3	54.3	19.4	67.5	9.4
Wholesale loans	0.1	2.3	5.0	16.7	2.3	13.7	0.8
Total	0.1	5.0	3.8	11.8	5.1	30.3	1.3
As at 31 December 2018							
Gross exposure	£m	£m	£m	£m	£m	£m	£m
Home loans	118,580	15,009	1,622	715	17,346	1,282	137,208
Credit cards, unsecured loans and other retail lending	16,223	6,881	225	197	7,303	1,682	25,208
Wholesale loans	22,950	4,697	45	32	4,774	1,352	29,076
Total	157,753	26,587	1,892	944	29,423	4,316	191,492
Impairment allowance							
Home loans	5	27	4	4	35	44	84
Credit cards, unsecured loans and other retail lending	172	1,201	51	80	1,332	1,078	2,582
Wholesale loans	22	85	5	2	92	147	261
Total	199	1,313	60	86	1,459	1,269	2,927
Net exposure							
Home loans	118,575	14,982	1,618	711	17,311	1,238	137,124
Credit cards, unsecured loans and other retail lending	16,051	5,680	174	117	5,971	604	22,626
Wholesale loans	22,928	4,612	40	30	4,682	1,205	28,815
Total	157,554	25,274	1,832	858	27,964	3,047	188,565
Coverage ratio	%	%	%	%	%	%	%
Home loans	-	0.2	0.2	0.6	0.2	3.4	0.1
Credit cards, unsecured loans and other retail lending	1.1	17.5	22.7	40.6	18.2	64.1	10.2
Wholesale loans	0.1	1.8	11.1	6.3	1.9	10.9	0.9
Total	0.1	4.9	3.2	9.1	5.0	29.4	1.5

Note

a Other financial assets subject to impairment not included in the table above include cash collateral and settlement balances, financial assets at fair value through other comprehensive income, accrued income and sundry debtors. These have a total gross exposure of £24.5bn (December 2018: £10.4bn) and an impairment allowance of £3m (December 2018: £1m) in Stage 1. Loan commitments and financial guarantee contracts have total ECL of £70m (December 2018: £54m).

Barclays Bank UK PLC (audited)

As at 31 December 2019	Stage 1	Stage 2 Not past due	Stage 2 <=30 days past due	Stage 2 >30 days past due	Stage 2 Total	Stage 3	Total[a]
Gross exposure	£m	£m	£m	£m	£m	£m	£m
Home loans	126,109	14,189	1,537	643	16,369	1,099	143,577
Credit cards, unsecured loans and other retail lending	16,470	5,953	192	164	6,309	1,275	24,054
Wholesale loans	28,827	2,885	20	12	2,917	1,196	32,940
Total	171,406	23,027	1,749	819	25,595	3,570	200,571
Impairment allowance							
Home loans	6	13	5	6	24	55	85
Credit cards, unsecured loans and other retail lending	180	1,074	60	89	1,223	864	2,267
Wholesale loans	27	65	1	2	68	164	259
Total	213	1,152	66	97	1,315	1,083	2,611
Net exposure							
Home loans	126,103	14,176	1,532	637	16,345	1,044	143,492
Credit cards, unsecured loans and other retail lending	16,290	4,879	132	75	5,086	411	21,787
Wholesale loans	28,800	2,820	19	10	2,849	1,032	32,681
Total	171,193	21,875	1,683	722	24,280	2,487	197,960
Coverage ratio	%	%	%	%	%	%	%
Home loans	-	0.1	0.3	0.9	0.1	5.0	0.1
Credit cards, unsecured loans and other retail lending	1.1	18.0	31.3	54.3	19.4	67.8	9.4
Wholesale loans	0.1	2.3	5.0	16.7	2.3	13.7	0.8
Total	0.1	5.0	3.8	11.8	5.1	30.3	1.3

As at 31 December 2018	Stage 1	Stage 2 Not past due	Stage 2 <=30 days past due	Stage 2 >30 days past due	Stage 2 Total	Stage 3	Total[a]
Gross exposure	£m	£m	£m	£m	£m	£m	£m
Home loans	118,580	15,009	1,622	715	17,346	1,282	137,208
Credit cards, unsecured loans and other retail lending	16,222	6,881	225	197	7,303	1,678	25,203
Wholesale loans	22,996	4,697	45	32	4,774	1,352	29,122
Total	157,798	26,587	1,892	944	29,423	4,312	191,533
Impairment allowance							
Home loans	5	27	4	4	35	44	84
Credit cards, unsecured loans and other retail lending	172	1,201	51	80	1,332	1,078	2,582
Wholesale loans	22	85	5	2	92	147	261
Total	199	1,313	60	86	1,459	1,269	2,927
Net exposure							
Home loans	118,575	14,982	1,618	711	17,311	1,238	137,124
Credit cards, unsecured loans and other retail lending	16,050	5,680	174	117	5,971	600	22,621
Wholesale loans	22,974	4,612	40	30	4,682	1,205	28,861
Total	157,599	25,274	1,832	858	27,964	3,043	188,606
Coverage ratio	%	%	%	%	%	%	%
Home loans	-	0.2	0.2	0.6	0.2	3.4	0.1
Credit cards, unsecured loans and other retail lending	1.1	17.5	22.7	40.6	18.2	64.2	10.2
Wholesale loans	0.1	1.8	11.1	6.3	1.9	10.9	0.9
Total	0.1	4.9	3.2	9.1	5.0	29.4	1.5

Note
a Other financial assets subject to impairment not included in the table above include cash collateral and settlement balances, financial assets at fair value through other comprehensive income, accrued income and sundry debtors. These have a total gross exposure of £24.5bn (December 2018: £10.4bn) and an impairment allowance of £3m (December 2018: £1m) in Stage 1. Loan commitments and financial guarantee contracts have total ECL of £70m (December 2018: £54m).

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

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument including loan commitments and financial guarantees. Explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired are included in Note 7 on page 121. The disclosure has been enhanced in 2019 to provide further granularity by product. Transfers between stages in the tables have been reflected as if they had taken place at the beginning of the year. The movements are measured over a 12-month period.

Loans and advances at amortised cost (audited)	Stage 1		Stage 2		Stage 3		Total	
	Gross	ECL	Gross	ECL	Gross	ECL	Gross	ECL
Barclays Bank UK Group	£m	£m	£m	£m	£m	£m	£m	£m
Home loans								
As at 1 January 2019	118,580	5	17,346	35	1,282	44	137,208	84
Transfers from Stage 1 to Stage 2	(8,731)	-	8,731	-	-	-	-	-
Transfers from Stage 2 to Stage 1	7,698	17	(7,698)	(17)	-	-	-	-
Transfers to Stage 3	(96)	-	(416)	(3)	512	3	-	-
Transfers from Stage 3	30	2	225	1	(255)	(3)	-	-
Business activity in the year	24,150	2	734	2	3	-	24,887	4
Changes to models used for calculation[a]	-	-	-	-	-	-	-	-
Net drawdowns, repayments, net re-measurement and movements due to exposure and risk parameter changes	(6,136)	(19)	(787)	9	(143)	25	(7,066)	15
Final repayments	(9,386)	(1)	(1,766)	(3)	(295)	(9)	(11,447)	(13)
Disposals[b]	-	-	-	-	-	-	-	-
Write-offs[c]	-	-	-	-	(5)	(5)	(5)	(5)
As at 31 December 2019[d]	126,109	6	16,369	24	1,099	55	143,577	85
Credit cards, unsecured loans and other retail lending								
As at 1 January 2019	16,223	172	7,303	1,332	1,682	1,078	25,208	2,582
Transfers from Stage 1 to Stage 2	(1,993)	(31)	1,993	31	-	-	-	-
Transfers from Stage 2 to Stage 1	2,387	388	(2,387)	(388)	-	-	-	-
Transfers to Stage 3	(272)	(5)	(740)	(204)	1,012	209	-	-
Transfers from Stage 3	140	100	12	6	(152)	(106)	-	-
Business activity in the year	3,656	45	393	67	44	29	4,093	141
Changes to models used for calculation[a]	-	-	-	(53)	-	-	-	(53)
Net drawdowns, repayments, net re-measurement and movements due to exposure and risk parameter changes	(2,269)	(461)	(60)	459	31	819	(2,298)	817
Final repayments	(1,401)	(28)	(205)	(27)	(88)	(43)	(1,694)	(98)
Disposals[b]	-	-	-	-	(724)	(597)	(724)	(597)
Write-offs[c]	-	-	-	-	(525)	(525)	(525)	(525)
As at 31 December 2019[d]	16,471	180	6,309	1,223	1,280	864	24,060	2,267
Wholesale loans								
As at 1 January 2019	22,950	22	4,774	92	1,352	147	29,076	261
Transfers from Stage 1 to Stage 2	(953)	(4)	953	4	-	-	-	-
Transfers from Stage 2 to Stage 1	2,309	41	(2,309)	(41)	-	-	-	-
Transfers to Stage 3	(197)	(1)	(269)	(5)	466	6	-	-
Transfers from Stage 3	421	35	112	10	(533)	(45)	-	-
Business activity in the year	8,660	7	261	5	-	-	8,921	12
Changes to models used for calculation[a]	-	-	-	-	-	-	-	-
Net drawdowns, repayments, net re-measurement and movements due to exposure and risk parameter changes	(1,430)	(72)	(292)	15	(21)	114	(1,743)	57
Final repayments	(3,330)	(1)	(313)	(12)	(10)	-	(3,653)	(13)
Disposals[b]	-	-	-	-	-	-	-	-
Write-offs[c]	-	-	-	-	(58)	(58)	(58)	(58)
As at 31 December 2019[d]	28,430	27	2,917	68	1,196	164	32,543	259

Notes

a Changes to models used for calculation relate to a £53m movement in credit cards, unsecured loans and other retail lending which reflects methodology changes made during the year. Barclays continually review the output of models to determine accuracy of the ECL calculation including review of model monitoring, external benchmarking and experience of model operation over an extended period of time. This ensures that the models used continue to reflect the risks inherent across the businesses.

b The £724m disposal reported within Credit cards, unsecured loans and other retail lending portfolio relates to debt sales undertaken during the year.

c In 2019, gross write-offs amounted to £588m (2018: £435m) and post write-off recoveries of £51m (2018: £93m). Net write-offs after applying recoveries amounted to £537m (2018: £342m).

d Other financial assets subject to impairment not included in the table above include cash collateral and settlement balances, financial assets at fair value through other comprehensive income, accrued income and sundry debtors. These have a total gross exposure of £24.5bn (31 December 2018: £10.4bn) in Stage 1 and an impairment allowance of £3m (31 December 2018: £1m).

Reconciliation of ECL movement to impairment charge/(release) for the period	£m
Home loans	*6*
Credit cards, unsecured loans and other retail lending	*807*
Wholesale loans	*56*
ECL movement excluding assets derecognised due to disposals and write-offs	*869*
Post write-off recoveries	(51)
Other adjustments[a]	(127)
Impairment charge on loan commitments and financial guarantees	16
Impairment charge on other financial assets[b]	2
Income statement charge for the period	709

Notes
a Includes interest and fees in suspense.
b Other financial assets subject to impairment not included in the table above include cash collateral and settlement balances, financial assets at fair value through other comprehensive income, accrued income and sundry debtors. These have a total gross exposure of £24.5bn (31 December 2018: £10.4bn) in Stage 1 and an impairment allowance of £3m (31 December 2018: £1m).

Loan commitments and financial guarantees (audited)	Stage 1		Stage 2		Stage 3		Total	
Barclays Bank UK Group	Gross £m	ECL £m	Gross £m	ECL £m	Gross £m	ECL £m	Gross £m	ECL £m
Home loans								
As at 1 January 2019	6,932	-	545	-	13	-	7,490	-
Net transfers between stages	(38)	-	46	-	(8)	-	-	-
Business activity in the year	2,830	-	-	-	-	-	2,830	-
Net drawdowns and repayments, net re-measurement and movement due to exposure and risk parameter changes	-	-	(39)	-	(1)	-	(40)	-
Final repayments	(216)	-	(53)	-	(1)	-	(270)	-
As at 31 December 2019	9,508	-	499	-	3	-	10,010	-
Credit cards, unsecured loans and other retail lending								
As at 1 January 2019	49,987	10	4,714	44	198	-	54,899	54
Net transfers between stages	(134)	39	(102)	(40)	236	1	-	-
Business activity in the year	1,285	1	45	1	1	-	1,331	2
Net drawdowns and repayments, net re-measurement and movement due to exposure and risk parameter changes	(2,306)	(36)	(365)	59	(153)	-	(2,824)	23
Final repayments	(1,327)	(3)	(109)	(5)	(101)	(1)	(1,537)	(9)
As at 31 December 2019	47,505	11	4,183	59	181	-	51,869	70
Wholesale loans								
As at 1 January 2019	4,478	-	427	-	51	-	4,956	-
Net transfers between stages	5	-	(5)	-	-	-	-	-
Business activity in the year	19	-	2	-	-	-	21	-
Net drawdowns and repayments, net re-measurement and movement due to exposure and risk parameter changes	(1,271)	-	(22)	-	(4)	-	(1,297)	-
Final repayments	(493)	-	(7)	-	-	-	(500)	-
As at 31 December 2019	2,738	-	395	-	47	-	3,180	-

Loans and advances at amortised cost (audited)	Stage 1		Stage 2		Stage 3		Total	
	Gross	ECL	Gross	ECL	Gross	ECL	Gross	ECL
Barclays Bank UK PLC	£m	£m	£m	£m	£m	£m	£m	£m
Home loans								
As at 1 January 2019	118,580	5	17,346	35	1,282	44	137,208	84
Transfers from Stage 1 to Stage 2	(8,731)	-	8,731	-	-	-	-	-
Transfers from Stage 2 to Stage 1	7,698	17	(7,698)	(17)	-	-	-	-
Transfers to Stage 3	(96)	-	(416)	(3)	512	3	-	-
Transfers from Stage 3	30	2	225	1	(255)	(3)	-	-
Business activity in the year	24,150	2	734	2	3	-	24,887	4
Changes to models used for calculation[a]	-	-	-	-	-	-	-	-
Net drawdowns, repayments, net re-measurement and movements due to exposure and risk parameter changes	(6,136)	(19)	(787)	9	(143)	25	(7,066)	15
Final repayments	(9,386)	(1)	(1,766)	(3)	(295)	(9)	(11,447)	(13)
Disposals[b]	-	-	-	-	-	-	-	-
Write-offs[c]	-	-	-	-	(5)	(5)	(5)	(5)
As at 31 December 2019[d]	126,109	6	16,369	24	1,099	55	143,577	85
Credit cards, unsecured loans and other retail lending								
As at 1 January 2019	16,222	172	7,303	1,332	1,678	1,078	25,203	2,582
Transfers from Stage 1 to Stage 2	(1,993)	(31)	1,993	31	-	-	-	-
Transfers from Stage 2 to Stage 1	2,387	388	(2,387)	(388)	-	-	-	-
Transfers to Stage 3	(272)	(5)	(740)	(204)	1,012	209	-	-
Transfers from Stage 3	140	100	12	6	(152)	(106)	-	-
Business activity in the year	3,656	45	393	67	44	29	4,093	141
Changes to models used for calculation[a]	-	-	-	(53)	-	-	-	(53)
Net drawdowns, repayments, net re-measurement and movements due to exposure and risk parameter changes	(2,269)	(461)	(60)	459	30	819	(2,299)	817
Final repayments	(1,401)	(28)	(205)	(27)	(88)	(43)	(1,694)	(98)
Disposals[b]	-	-	-	-	(724)	(597)	(724)	(597)
Write-offs[c]	-	-	-	-	(525)	(525)	(525)	(525)
As at 31 December 2019[d]	16,470	180	6,309	1,223	1,275	864	24,054	2,267
Wholesale loans								
As at 1 January 2019	22,996	22	4,774	92	1,352	147	29,122	261
Transfers from Stage 1 to Stage 2	(953)	(4)	953	4	-	-	-	-
Transfers from Stage 2 to Stage 1	2,309	41	(2,309)	(41)	-	-	-	-
Transfers to Stage 3	(197)	(1)	(269)	(6)	466	7	-	-
Transfers from Stage 3	421	35	112	10	(533)	(45)	-	-
Business activity in the year	8,660	7	261	5	-	-	8,921	12
Changes to models used for calculation[a]	-	-	-	-	-	-	-	-
Net drawdowns, repayments, net re-measurement and movements due to exposure and risk parameter changes	(1,440)	(72)	(292)	16	(21)	113	(1,753)	57
Final repayments	(2,969)	(1)	(313)	(12)	(10)	-	(3,292)	(13)
Disposals[b]	-	-	-	-	-	-	-	-
Write-offs[c]	-	-	-	-	(58)	(58)	(58)	(58)
As at 31 December 2019[d]	28,827	27	2,917	68	1,196	164	32,940	259

Notes

a Changes to models used for calculation relate to a £53m movement in credit cards, unsecured loans and other retail lending which reflects methodology changes made during the year. Barclays continually review the output of models to determine accuracy of the ECL calculation including review of model monitoring, external benchmarking and experience of model operation over an extended period of time. This ensures that the models used continue to reflect the risks inherent across the businesses.

b The £724m disposal reported within Credit cards, unsecured loans and other retail lending portfolio relates to debt sales undertaken during the year.

c In 2019, gross write-offs amounted to £588m (2018: £433m) and post write-off recoveries amounted to £49m (2018: £93m). Net write-offs represent gross write-offs less post write-off recoveries and amounted to £539m (2018: £340m).

d Other financial assets subject to impairment not included in the table above include cash collateral and settlement balances, financial assets at fair value through other comprehensive income, accrued income and sundry debtors. These have a total gross exposure of £24.5bn (31 December2018: £10.4bn) in Stage 1 and an impairment allowance of £3m (31 December 2018: £1m).

Reconciliation of ECL movement to impairment charge/(release) for the period	£m
Home loans	*6*
Credit cards, unsecured loans and other retail lending	*807*
Wholesale loans	*56*
ECL movement excluding assets derecognised due to disposals and write-offs	*869*
Post write-off recoveries	(49)
Other adjustments[a]	(127)
Impairment charge on loan commitments and financial guarantees	16
Impairment charge on other financial assets[b]	1
Income statement charge for the period	710

Notes
a Includes interest and fees in suspense.
b Other financial assets subject to impairment not included in the table above include cash collateral and settlement balances, financial assets at fair value through other comprehensive income, accrued income and sundry debtors. These have a total gross exposure of £24.5bn (31 December2018: £10.4bn) in Stage 1 and an impairment allowance of £3m (31 December 2018: £1m).

Loan commitments and financial guarantees (audited)	Stage 1		Stage 2		Stage 3		Total	
Barclays Bank UK PLC	Gross £m	ECL £m	Gross £m	ECL £m	Gross £m	ECL £m	Gross £m	ECL £m
Home loans								
As at 1 January 2019	6,932	-	545	-	13	-	7,490	-
Net transfers between stages	(38)	-	46	-	(8)	-	-	-
Business activity in the year	2,830	-	-	-	-	-	2,830	-
Net drawdowns and repayments, net re-measurement and movement due to exposure and risk parameter changes	-	-	(39)	-	(1)	-	(40)	-
Final repayments	(216)	-	(53)	-	(1)	-	(270)	-
As at 31 December 2019	9,508	-	499	-	3	-	10,010	-
Credit cards, unsecured loans and other retail lending								
As at 1 January 2019	49,987	10	4,714	44	198	-	54,899	54
Net transfers between stages	(134)	39	(102)	(40)	236	1	-	-
Business activity in the year	1,285	1	45	1	1	-	1,331	2
Net drawdowns and repayments, net re-measurement and movement due to exposure and risk parameter changes	(2,306)	(36)	(365)	59	(153)	-	(2,824)	23
Final repayments	(1,327)	(3)	(109)	(5)	(101)	(1)	(1,537)	(9)
As at 31 December 2019	47,505	11	4,183	59	181	-	51,869	70
Wholesale loans								
As at 1 January 2019	4,478	-	427	-	51	-	4,956	-
Net transfers between stages	5	-	(5)	-	-	-	-	-
Business activity in the year	19	-	2	-	-	-	21	-
Net drawdowns and repayments, net re-measurement and movement due to exposure and risk parameter changes	(1,254)	-	(22)	-	(4)	-	(1,280)	-
Final repayments	(493)	-	(7)	-	-	-	(500)	-
As at 31 December 2019	2,755	-	395	-	47	-	3,197	-

Gross exposure for loans and advances at amortised cost (audited)

Barclays Bank UK Group	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
As at 1 January 2018	53	-	-	53
Acquisition of business from Barclays Bank PLC	155,581	27,978	4,202	187,761
Net transfers between stages	(3,612)	2,593	1,019	-
Business activity in the year	21,955	1,030	252	23,237
Net drawdowns and repayments	(7,770)	(629)	10	(8,389)
Final repayments	(8,454)	(1,549)	(417)	(10,420)
Disposals	-	-	(315)	(315)
Write-offs	-	-	(435)	(435)
As at 31 December 2018	157,753	29,423	4,316	191,492

Impairment allowance on loans and advances at amortised cost (audited)

Barclays Bank UK Group	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
As at 1 January 2018	-	-	-	-
Acquisition of business from Barclays Bank PLC	168	1,490	1,278	2,936
Net transfers between stages	133	(186)	53	-
Business activity in the year	32	59	38	129
Net re-measurement and movement due to exposure and risk parameter changes	(124)	39	731	646
UK economic uncertainty adjustment	-	100	-	100
Final repayments	(10)	(43)	(81)	(134)
Disposals	-	-	(315)	(315)
Write-offs	-	-	(435)	(435)
As at 31 December 2018[a]	199	1,459	1,269	2,927

Reconciliation of ECL movement to impairment charge/(release) for the period	
ECL movement excluding assets derecognised due to disposals and write-offs	741
Post write-off recoveries	(93)
Exchange and other adjustments	10
Impairment release on loan commitments and financial guarantees	(33)
Impairment charge on other financial assets[a]	(1)
Income statement charge/(release) for the period	624

Note

a Other financial assets subject to impairment not included in the table above include cash collateral and settlement balances, financial assets at fair value through other comprehensive income, accrued income and sundry debtors. These have a total gross exposure of £10.6bn, including £10.4bn in Stage 1, and an impairment allowance of £1m.

Gross exposure for loan commitments and financial guarantees (audited)

Barclays Bank UK Group	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
As at 1 January 2018	-	-	-	-
Acquisition of business from Barclays Bank PLC	60,848	6,113	294	67,255
Net transfers between stages	(995)	1,025	(30)	-
Business activity in the year	1,249	62	-	1,311
Net drawdowns and repayments	2,332	(1,203)	89	1,218
Final repayments	(2,037)	(311)	(91)	(2,439)
As at 31 December 2018	61,397	5,686	262	67,345

Impairment allowance on loan commitments and financial guarantees (audited)

Barclays Bank UK Group	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
As at 1 January 2018	-	-	-	-
Acquisition of business from Barclays Bank PLC	36	51	-	87
Net re-measurement and movement due to exposure and risk parameter changes	(26)	(7)	-	(33)
As at 31 December 2018	10	44	-	54

Gross exposure for loans and advances at amortised cost (audited)				
	Stage 1	Stage 2	Stage 3	Total
Barclays Bank UK PLC	£m	£m	£m	£m
As at 1 January 2018	33	-	-	33
Acquisition of business from Barclays Bank PLC	155,647	27,978	4,196	187,821
Net transfers between stages	(3,612)	2,593	1,019	-
Business activity in the year	21,897	1,030	252	23,179
Net drawdowns and repayments	(7,713)	(629)	7	(8,335)
Final repayments	(8,454)	(1,549)	(414)	(10,417)
Disposals	-	-	(315)	(315)
Write-offs	-	-	(433)	(433)
As at 31 December 2018	157,798	29,423	4,312	191,533

Impairment allowance on loans and advances at amortised cost (audited)				
	Stage 1	Stage 2	Stage 3	Total
Barclays Bank UK PLC	£m	£m	£m	£m
As at 1 January 2018	-	-	-	-
Acquisition of business from Barclays Bank PLC	168	1,490	1,278	2,936
Net transfers between stages	133	(186)	53	-
Business activity in the year	32	59	38	129
Net re-measurement and movement due to exposure and risk parameter changes	(124)	38	729	643
UK economic uncertainty adjustment	-	100	-	100
Final repayments	(10)	(42)	(81)	(133)
Disposals	-	-	(315)	(315)
Write-offs	-	-	(433)	(433)
As at 31 December 2018[a]	199	1,459	1,269	2,927

Reconciliation of ECL movement to impairment charge/(release) for the period	
ECL movement excluding assets derecognised due to disposals and write-offs	739
Post write-off recoveries	(93)
Exchange and other adjustments	9
Impairment release on loan commitments and financial guarantees	(33)
Income statement charge/(release) for the period	622

Note
a Other financial assets subject to impairment not included in the table above include cash collateral and settlement balances, financial assets at fair value through other comprehensive income, accrued income and sundry debtors. These have a total gross exposure of £10.6bn, including £10.4bn in Stage 1, and an impairment allowance of £1m.

Gross exposure for loan commitments and financial guarantees (audited)				
	Stage 1	Stage 2	Stage 3	Total
Barclays Bank UK PLC	£m	£m	£m	£m
As at 1 January 2018	-	-	-	-
Acquisition of business from Barclays Bank PLC	60,848	6,113	294	67,255
Net transfers between stages	(995)	1,025	(30)	-
Business activity in the year	1,249	62	-	1,311
Net drawdowns and repayments	2,332	(1,203)	89	1,218
Final repayments	(2,037)	(311)	(91)	(2,439)
As at 31 December 2018	61,397	5,686	262	67,345

Impairment allowance on loan commitments and financial guarantees (audited)				
	Stage 1	Stage 2	Stage 3	Total
Barclays Bank UK PLC	£m	£m	£m	£m
As at 1 January 2018	-	-	-	-
Acquisition of business from Barclays Bank PLC	36	51	-	87
Net re-measurement and movement due to exposure and risk parameter changes	(26)	(7)	-	(33)
As at 31 December 2018	10	44	-	54

Stage 2 decomposition

Loans and advances at amortised cost[a]

	2019		2018	
	Gross exposure	Impairment allowance	Gross exposure	Impairment allowance
As at 31 December	£m	£m	£m	£m
Quantitative test	15,618	1,211	20,308	1,389
Qualitative test	9,368	97	8,882	65
30 days past due backstop	609	7	233	5
Total Stage 2	25,595	1,315	29,423	1,459

Note
a Where balances satisfy more than one of the above three criteria for determining a significant increase in credit risk, the corresponding gross exposure and ECL has been assigned in order of categories presented.

Stage 2 exposures are predominantly identified using quantitative tests where the lifetime PD has deteriorated more than a pre-determined amount since origination. This is augmented by inclusion of accounts meeting the designated high risk criteria (including watchlist) for the portfolio under the qualitative test. Qualitative tests include £7.4bn relating to UK Home Finance, £1.1bn relating to Business Banking and £0.4bn relating to Barclaycard UK.

A small number of other accounts (0.5% of impairment allowances and 2.4% of gross exposure) are included in Stage 2. These accounts are not otherwise identified by the quantitative or qualitative tests but are more than 30 days past due. The percentage triggered by these backstop criteria is a measure of the effectiveness of the Stage 2 criteria in identifying deterioration prior to delinquency.

For further detail on the three criteria for determining a significant increase in credit risk required for Stage 2 classification, refer to Note 7 on page 121.

Stage 3 decomposition

Loans and advances at amortised cost

	2019		2018	
	Gross exposure	Impairment allowance	Gross exposure	Impairment allowance
As at 31 December	£m	£m	£m	£m
Exposures not charged-off including within cure period[a]	2,116	368	3,179	406
Exposures individually assessed or in recovery book[b]	1,459	715	1,137	863
Total Stage 3	3,575	1,083	4,316	1,269

Notes
a Includes £1.9bn of gross exposure in a cure period that must remain in Stage 3 for a minimum of 12 months before moving to Stage 2.
b Exposures individually assessed or in recovery book cannot cure out of Stage 3.

Management adjustments to models for impairment (audited)

Management adjustments to impairment models are applied in order to factor in certain conditions or changes in policy that are not fully incorporated into the impairment models, or to reflect additional facts and circumstances at the period end. Management adjustments are reviewed and incorporated into future model development where applicable.

Total management adjustments to impairment allowance are presented by product below.

Management adjustments to models for impairment (audited)[a]

	2019		2018	
	Total management adjustments to impairment allowances	Proportion of total impairment allowances	Total management adjustments to impairment allowances	Proportion of total impairment allowances
As at 31 December	£m	%	£m	%
Home loans	57	67.1	55	65.5
Credit cards, unsecured loans and other retail lending	305	13.5	403	15.6
Wholesale loans	15	5.8	6	2.3
Total	377	14.4	464	15.9

Note
a Positive values relate to an increase in impairment allowance.

Home loans: The low average LTV nature of the UK Home Loans portfolio means that modelled ECL estimates are low in all but the most severe economic scenarios. An adjustment is held to maintain an appropriate level of ECL.

Credit cards, unsecured loans and other retail lending: Management adjustments primarily relate to UK Cards where model adjustments have been made to maintain adequacy of Loss Given Default and Probability of Default estimates.

Following recent portfolio analysis and industry benchmarking, a release was applied to the UK Cards portfolio to account for changes in the modelled lifetime of credit cards in Stage 2. This adjustment will be removed once updates to the model have been incorporated.

A £100m ECL adjustment is held in UK Cards for the anticipated impact of economic uncertainty in the UK, first taken in December 2018 and retained as at 2019 year-end.

Wholesale loans: A small number of adjustments for minor data corrections.

Measurement uncertainty and sensitivity analysis

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

The Barclays Bank UK Group uses a five-scenario model to calculate ECL. An external consensus forecast is assembled from key sources, including HM Treasury (short and medium term forecasts), Bloomberg (based on median of economic forecasters) and the Urban Land Institute, which forms the Baseline scenario. In addition, two adverse scenarios (Downside 1 and Downside 2) and two favourable scenarios (Upside 1 and Upside 2) are derived, with associated probability weightings. The adverse scenarios are calibrated to a similar severity to internal stress tests, whilst also considering IFRS 9 specific sensitivities and non-linearity. Downside 2 is benchmarked to the Bank of England's annual cyclical scenarios and to the most severe scenario from Moody's inventory, but is not designed to be the same. The favourable scenarios are calibrated to be symmetric to the adverse scenarios, subject to a ceiling calibrated to relevant recent favourable benchmark scenarios. All scenarios are regenerated at a minimum annually. The scenarios include four economic variables, (GDP, unemployment, House Price Index (HPI) and base rate in the UK market), and expanded variables using statistical models based on historical correlations. The upside and downside shocks are designed to evolve over a five-year stress horizon, with all five scenarios converging to a steady state after approximately eight years.

Scenario weights (audited)

The methodology for estimating probability weights for each of the scenarios involves a comparison of the distribution of key historical UK macroeconomic variables against the forecast paths of the five scenarios. The methodology works such that the Baseline (reflecting current consensus outlook) has the highest weight and the weights of adverse and favourable scenarios depend on the deviation from the Baseline; the further from the Baseline, the smaller the weight. This is reflected in the table below where the probability weights of the scenarios as of 31 December 2019 are shown. A single set of five scenarios is used across all portfolios and all five weights are normalised to equate to 100%. The same scenarios and weights that are used in the estimation of expected credit losses are also used for the Barclays Bank UK Group internal planning purposes. The impacts across the portfolios are different because of the sensitivities of each of the portfolios to specific macroeconomic variables, for example, mortgages are highly sensitive to house prices and base rates, credit cards and unsecured consumer loans are highly sensitive to unemployment.

The tables below show the macroeconomic variables for each scenario and their respective scenario weights. Macroeconomic variables are presented using the most relevant basis for each variable. 5-year average tables and movement over time graphs provide additional transparency.

Scenario probability weighting (audited)	Upside 2	Upside 1	Baseline	Downside 1	Downside 2
	%	%	%	%	%
As at 31 December 2019					
Scenario probability weighting	**10.1**	**23.1**	**40.8**	**22.7**	**3.3**
As at 31 December 2018					
Scenario probability weighting	9.0	24.0	41.0	23.0	3.0

The weights of Upside 2 and Downside 2 have increased slightly reflecting the small decrease in dispersion in the scenarios. The impact on ECL is immaterial.

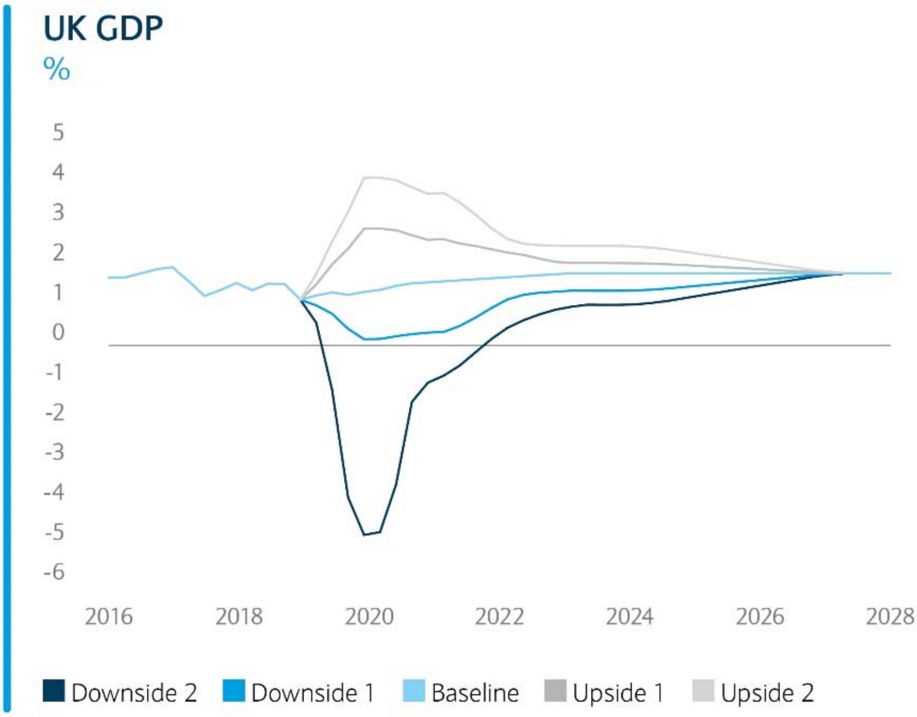
Macroeconomic variables used in the calculation of ECL (specific bases) (audited)[a]	Upside 2	Upside 1	Baseline	Downside 1	Downside 2
	%	%	%	%	%
As at 31 December 2019					
UK GDP[b]	**4.2**	**2.9**	**1.6**	**0.2**	**(4.7)**
UK unemployment[c]	**3.4**	**3.8**	**4.2**	**5.7**	**8.7**
UK HPI[d]	**46.0**	**32.0**	**3.1**	**(8.2)**	**(32.4)**
UK bank rate[c]	**0.5**	**0.5**	**0.7**	**2.8**	**4.0**
As at 31 December 2018					
UK GDP[b]	4.5	3.1	1.7	0.3	(4.1)
UK unemployment[c]	3.4	3.9	4.3	5.7	8.8
UK HPI[d]	46.4	32.6	3.2	(0.5)	(32.1)
UK bank rate[c]	0.8	0.8	1.0	2.5	4.0

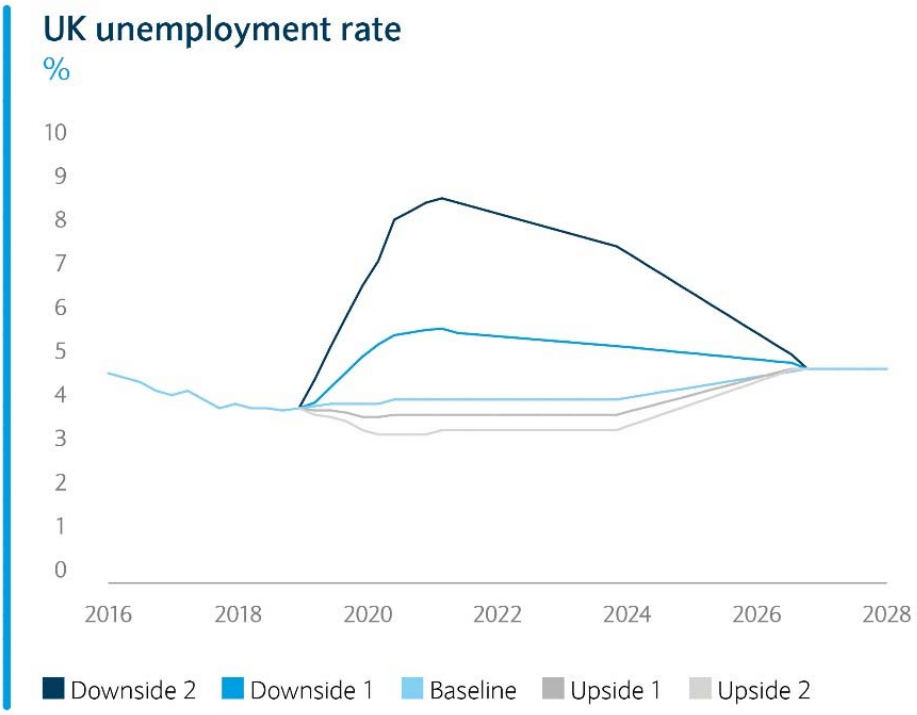
Macroeconomic variables used in the calculation of ECL (5-year averages) (audited)[a]	Upside 2	Upside 1	Baseline	Downside 1	Downside 2
	%	%	%	%	%
As at 31 December 2019					
UK GDP	**3.2**	**2.4**	**1.6**	**0.8**	**(0.7)**
UK unemployment	**3.5**	**3.9**	**4.2**	**5.4**	**7.7**
UK HPI	**7.9**	**5.7**	**3.1**	**(1.1)**	**(6.5)**
UK bank rate	**0.5**	**0.5**	**0.7**	**2.5**	**3.7**
As at 31 December 2018					
UK GDP	3.4	2.6	1.7	0.9	(0.6)
UK unemployment	3.7	4.0	4.3	5.1	7.9
UK HPI	7.9	5.8	3.2	0.9	(6.4)
UK bank rate	0.8	0.8	1.0	2.3	3.7

Notes
a UK GDP = Real GDP growth seasonally adjusted; UK unemployment = UK unemployment rate 16-year+; UK HPI = Halifax All Houses, All Buyers Index.
b Highest annual growth in Upside scenarios; 5-year average in Baseline; lowest annual growth in Downside scenarios.
c Lowest yearly average in Upside scenarios; 5-year average in Baseline; highest yearly average in Downside scenarios.
d Cumulative growth (trough to peak) in Upside scenarios; 5-year average in Baseline; cumulative fall (peak-to-trough) in Downside scenarios.

Macroeconomic baseline variables in the UK have remained fairly flat with a small decrease in bank rates driven by market expectations of lower interest rates in the next few years. The other scenarios are generally unchanged from 2018, with the exception of UK HPI in the Downside 1 scenario where the cumulative fall in house prices now represents a more severe fall of 8.2% versus 0.5% in 2018.

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


UK GDP
%
5
4
3
2
1
0
-1
-2
-3
-4
-5
-6
2016
2018
2020
2022
2024
2026
2028
Downside 2
Downside 1
Baseline
Upside 1
Upside 2


UK unemployment rate
%
10
9
8
7
6
5
4
3
2
1
0
2016
2018
2020
2022
2024
2026
2028
Downside 2
Downside 1
Baseline
Upside 1
Upside 2

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

The table below shows the ECL assuming scenarios have been 100% weighted. Model exposures are allocated to a stage based on the individual scenario rather than through a probability-weighted approach as required for Barclays reported impairment allowances. As a result, it is not possible to back solve to the final reported weighted ECL from the individual scenarios as a balance may be assigned to a different stage dependent on the scenario. Model exposure uses Exposure at default (EAD) values and is not directly comparable to gross exposure used in prior disclosures. For Credit cards, unsecured loans and other retail lending, an average EAD measure is used (12 month or lifetime depending on stage allocation in each scenario). Therefore, the model exposure movement into Stage 2 is higher than the corresponding Stage 1 reduction.

All ECL using a model is included, with the exception of Treasury assets (£1.5m of ECL), providing additional coverage as compared to the 2018 year-end disclosure. Non-modelled exposures and management adjustments are excluded. Management adjustments can be found on page 59. The prior year comparative includes key principal portfolios amounting to circa 80% of total impairment allowance.

Model Exposures allocated to Stage 3 do not change in any of the scenarios as the transition criteria relies only on observable evidence of default as at 31 December 2019 and not on macroeconomic scenarios.

The Downside 2 scenario represents a severe global recession with substantial falls in UK GDP. Unemployment rises towards 9% and there are substantial falls in asset prices including housing.

Under the Downside 2 scenario, model exposure moves between stages as the economic environment weakens. This can be seen in the movement of £11bn of model exposure into Stage 2 between the Weighted and Downside 2 scenario. ECL increases in Stage 2 predominantly due to unsecured portfolios as economic conditions deteriorate.

	Scenarios					
As at 31 December 2019	Weighted	Upside 2	Upside 1	Baseline	Downside 1	Downside 2
Stage 1 Model Exposure (£m)						
Home loans	133,042	134,671	134,099	133,363	131,578	127,642
Credit cards, unsecured loans and other retail lending	31,020	31,829	31,478	31,119	30,389	28,601
Wholesale loans	19,271	20,325	19,932	19,305	18,493	16,441
Stage 1 Model ECL (£m)						
Home loans	1	-	-	-	2	14
Credit cards, unsecured loans and other retail lending	155	146	149	153	162	173
Wholesale loans	24	20	22	24	27	29
Stage 1 Coverage (%)						
Home loans	-	-	-	-	-	-
Credit cards, unsecured loans and other retail lending	0.5	0.5	0.5	0.5	0.5	0.6
Wholesale loans	0.1	0.1	0.1	0.1	0.1	0.2
Stage 2 Model Exposure (£m)						
Home loans	16,378	14,749	15,322	16,058	17,842	21,778
Credit cards, unsecured loans and other retail lending	9,177	8,099	8,568	9,050	10,048	12,411
Wholesale loans	2,848	1,794	2,187	2,814	3,626	5,678
Stage 2 Model ECL (£m)						
Home loans	5	-	1	1	6	123
Credit cards, unsecured loans and other retail lending	1,060	828	923	1,032	1,269	1,835
Wholesale loans	62	32	43	60	86	188
Stage 2 Coverage (%)						
Home loans	-	-	-	-	-	0.6
Credit cards, unsecured loans and other retail lending	11.6	10.2	10.8	11.4	12.6	14.8
Wholesale loans	2.2	1.8	2.0	2.1	2.4	3.3
Stage 3 Model Exposure (£m)						
Home loans	959	959	959	959	959	959
Credit cards, unsecured loans and other retail lending	1,312	1,312	1,312	1,312	1,312	1,312
Wholesale loans[a]	1,210	1,210	1,210	1,210	1,210	1,210
Stage 3 Model ECL (£m)						
Home loans	8	4	5	6	11	52
Credit cards, unsecured loans and other retail lending	816	788	800	815	840	874
Wholesale loans[a]	115	108	111	115	123	123
Stage 3 Coverage (%)						
Home loans	0.9	0.5	0.5	0.6	1.2	5.4
Credit cards, unsecured loans and other retail lending	62.2	60.1	61.0	62.1	64.0	66.7
Wholesale loans[a]	9.5	9.0	9.2	9.5	10.2	10.1
Total Model ECL (£m)						
Home loans	14	4	5	7	19	189
Credit cards, unsecured loans and other retail lending	2,031	1,762	1,872	2,000	2,271	2,882
Wholesale loans[a]	202	160	176	199	236	340

Note

a Material wholesale loan defaults are individually assessed across different recovery strategies. As a result, ECL of £21m is reported as non-modelled in the table overleaf.

Reconciliation to total ECL	£m
Total model ECL	2,247
ECL from non-modelled, individually assessed, and other adjustments	57
ECL from management adjustments	377
Total ECL	**2,681**

The total weighted ECL represents a 2% uplift from the Baseline ECL, largely driven by credit card losses which have more linear loss profiles than UK home loans and wholesale loan positions.

Home loans: Total weighted ECL of £14m represents an 81% increase over the Baseline ECL (£8m), mainly due to a significant increase in the Downside 2 scenario to £189m, driven by a significant fall in UK HPI (32.4%) reflecting the non-linearity of the UK portfolio. Coverage ratios remain steady across the Upside scenarios, and Baseline scenario.

Credit cards, unsecured loans and other retail lending: Total weighted ECL of £2,031m represents a 2% increase over the Baseline ECL (£2,000m) reflecting the range of economic scenarios used, mainly impacted by Unemployment. Total ECL increases to £2,882m under the Downside 2 scenario, mainly driven by Stage 2, where coverage rates increase to 14.8% from a weighted scenario approach of 11.6% and a £3bn increase in model exposure that meets the Significant Increase Credit Risk criteria and transitions from Stage 1 to Stage 2.

Wholesale loans: Total weighted ECL of £202m represents a 1% increase over the Baseline ECL (£199m) reflecting the range of economic scenarios used.

	Scenarios					
As at 31 December 2018	Weighted	Upside 2	Upside 1	Baseline	Downside 1	Downside 2
Stage 1 Gross Exposure (£m)						
Home loans	115,573	116,814	116,402	115,924	114,858	109,305
Credit cards, unsecured loans and other retail lending	15,095	15,759	15,453	15,099	14,783	12,759
Stage 1 ECL (£m)						
Home loans	1	-	-	-	1	9
Credit cards, unsecured loans and other retail lending	147	136	141	146	153	157
Stage 1 Coverage (%)						
Home loans	-	-	-	-	-	-
Credit cards, unsecured loans and other retail lending	1.0	0.9	0.9	1.0	1.0	1.2
Stage 2 Gross Exposure (£m)						
Home loans	17,455	16,214	16,627	17,105	18,170	23,724
Credit cards, unsecured loans and other retail lending	6,859	6,196	6,502	6,856	7,171	9,195
Stage 2 ECL (£m)						
Home loans	7	1	1	3	7	172
Credit cards, unsecured loans and other retail lending	1,076	850	949	1,068	1,220	1,952
Stage 2 Coverage (%)						
Home loans	-	-	-	-	-	0.7
Credit cards, unsecured loans and other retail lending	15.7	13.7	14.6	15.6	17.0	21.2
Stage 3 Gross Exposure (£m)						
Home loans	1,104	1,104	1,104	1,104	1,104	1,104
Credit cards, unsecured loans and other retail lending	1,603	1,603	1,603	1,603	1,603	1,603
Stage 3 ECL (£m)						
Home loans	6	3	4	5	7	27
Credit cards, unsecured loans and other retail lending	1,019	986	1,000	1,018	1,045	1,090
Stage 3 Coverage (%)						
Home loans	0.5	0.3	0.4	0.5	0.6	2.4
Credit cards, unsecured loans and other retail lending	63.6	61.5	62.4	63.5	65.2	68.0
Total ECL (£m)						
Home loans	14	4	5	8	15	208
Credit cards, unsecured loans and other retail lending	2,242	1,972	2,090	2,232	2,418	3,199

Staging sensitivity (audited)

An increase of 1% (£2,002m) of total gross exposure into Stage 2 (from Stage 1), would result in an increase in ECL impairment allowance of £100m based purely on applying the difference in Stage 2 and Stage 1 average impairment coverage ratios to the movement in gross exposure (refer to loans and advances at amortised cost by product on page 50).

Analysis of the concentration of credit risk

A concentration of credit risk exists when a number of counterparties are located in a common geographical region or are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Barclays Bank UK Group implements limits on concentrations in order to mitigate the risk. The analyses of credit risk concentrations presented below are based on the location of the counterparty or customer or the industry in which they are engaged.

Geographic concentrations

As at 31 December 2019, the geographic concentration of Barclays Bank UK Group's asset exposure is concentrated in the UK 92% (2018: 93%) Europe 4% (2018: 6%) and in the Americas 2% (2018: 1%).

Credit risk concentrations by geography (audited)

Barclays Bank UK Group As at 31 December 2019	United Kingdom £m	Americas £m	Europe £m	Asia £m	Africa and Middle East £m	Total £m
On-balance sheet:						
Cash and balances at central banks	**21,678**	**-**	**2,627**	**-**	**-**	**24,305**
Cash collateral and settlement balances	**4,242**	**2**	**28**	**59**	**-**	**4,331**
Loans and advances at amortised cost	**195,232**	**529**	**1,122**	**347**	**339**	**197,569**
Reverse repurchase agreements and other similar secured lending	**1,106**	**-**	**655**	**-**	**-**	**1,761**
Trading portfolio assets	**13**	**371**	**476**	**-**	**-**	**860**
Financial assets at fair value through the income statement	**3,571**	**-**	**-**	**-**	**-**	**3,571**
Derivative financial instruments	**185**	**7**	**-**	**-**	**-**	**192**
Financial assets at fair value through other comprehensive income	**1,060**	**6,960**	**6,559**	**4,720**	**23**	**19,322**
Other assets	**886**	**-**	**-**	**-**	**-**	**886**
Total on-balance sheet	**227,973**	**7,869**	**11,467**	**5,126**	**362**	**252,797**
Off-balance sheet:						
Contingent liabilities	**750**	**-**	**-**	**-**	**-**	**750**
Loan commitments	**64,144**	**39**	**76**	**37**	**14**	**64,309**
Total off-balance sheet	**64,894**	**39**	**76**	**37**	**14**	**65,059**
Total	**292,867**	**7,908**	**11,542**	**5,163**	**376**	**317,856**
As at 31 December 2018						
On-balance sheet:						
Cash and balances at central banks	25,192	-	15,477	-	-	40,669
Cash collateral and settlement balances	3,284	-	7	58	-	3,349
Loans and advances at amortised cost	186,887	515	429	358	376	188,565
Reverse repurchase agreements and other similar secured lending	1,649	94	16	-	-	1,759
Trading portfolio assets	150	-	1	-	-	151
Financial assets at fair value through the income statement	3,880	-	-	-	-	3,880
Derivative financial instruments	241	-	-	-	-	241
Financial assets at fair value through other comprehensive income	1,964	2,994	1,752	-	-	6,710
Other assets	493	-	-	-	-	493
Total on-balance sheet	223,740	3,603	17,682	416	376	245,817
Off-balance sheet:						
Contingent liabilities	910	-	-	-	-	910
Loan commitments	66,261	45	77	36	16	66,435
Total off-balance sheet	67,171	45	77	36	16	67,345
Total	290,911	3,648	17,759	452	392	313,162

Credit risk concentrations by geography (audited)

Barclays Bank UK PLC As at 31 December 2019	United Kingdom £m	Americas £m	Europe £m	Asia £m	Africa and Middle East £m	Total £m
On-balance sheet:						
Cash and balances at central banks	**21,678**	**-**	**2,627**	**-**	**-**	**24,305**
Cash collateral and settlement balances	**4,241**	**2**	**28**	**59**	**-**	**4,331**
Loans and advances at amortised cost	**195,623**	**529**	**1,122**	**347**	**339**	**197,960**
Reverse repurchase agreements and other similar secured lending	**1,106**	**-**	**655**	**-**	**-**	**1,761**
Trading portfolio assets	**13**	**371**	**476**	**-**	**-**	**860**
Financial assets at fair value through the income statement	**3,571**	**-**	**-**	**-**	**-**	**3,571**
Derivative financial instruments	**186**	**7**	**-**	**-**	**-**	**193**
Financial assets at fair value through other comprehensive income	**1,060**	**6,960**	**6,559**	**4,720**	**23**	**19,322**
Other assets	**870**	**-**	**-**	**-**	**-**	**870**
Total on-balance sheet	**228,348**	**7,869**	**11,466**	**5,126**	**362**	**253,173**
Off-balance sheet:						
Contingent liabilities	**750**	**-**	**-**	**-**	**-**	**750**
Loan commitments	**64,160**	**39**	**76**	**37**	**14**	**64,326**
Total off-balance sheet	**64,910**	**39**	**76**	**37**	**14**	**65,076**
Total	**293,258**	**7,908**	**11,542**	**5,163**	**376**	**318,249**
As at 31 December 2018						
On-balance sheet:						
Cash and balances at central banks	25,187	-	15,477	-	-	40,664
Cash collateral and settlement balances	3,299	-	7	58	-	3,364
Loans and advances at amortised cost	186,928	515	429	358	376	188,606
Reverse repurchase agreements and other similar secured lending	1,649	94	16	-	-	1,759
Trading portfolio assets	150	-	1	-	-	151
Financial assets at fair value through the income statement	3,880	-	-	-	-	3,880
Derivative financial instruments	241	-	-	-	-	241
Financial assets at fair value through other comprehensive income	1,964	2,994	1,752	-	-	6,710
Other assets	501	-	-	-	-	501
Total on-balance sheet	223,799	3,603	17,682	416	376	245,876
Off-balance sheet:						
Contingent liabilities	910	-	-	-	-	910
Loan commitments	66,261	45	77	36	16	66,435
Total off-balance sheet	67,171	45	77	36	16	67,345
Total	290,970	3,648	17,759	452	392	313,221

Industry concentrations

As at 31 December 2019, total assets concentrated in home loans is 48% (2018: 46%) and cards, unsecured loans and other personal is 23% (2018: 25%). The proportion of the overall balance concentrated towards governments and central banks is 16% (2018: 18%), predominantly within cash and balances at central banks.

Credit risk concentrations by industry (audited)

Barclays Bank UK Group	Banks	Other financial insti-tutions	Manu-facturing	Const-ruction and property	Govern-ment and central bank	Energy and water	Wholesale and retail distribution and leisure	Business and other services	Home loans	Cards, unsecured loans and other personal lending	Other	Total
As at 31 December 2019	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
On-balance sheet:												
Cash and balances at central banks	**820**	**72**	**-**	**-**	**23,413**	**-**	**-**	**-**	**-**	**-**	**-**	**24,305**
Cash collateral and settlement balances	**521**	**681**	**-**	**-**	**3,129**	**-**	**-**	**-**	**-**	**-**	**-**	**4,331**
Loans and advances at amortised cost	**442**	**1,891**	**383**	**10,793**	**10,051**	**68**	**1,805**	**2,537**	**143,492**	**21,669**	**4,438**	**197,569**
Reverse repurchase agreements and other similar secured lending	**114**	**1,647**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,761**
Trading portfolio assets	**67**	**-**	**-**	**-**	**793**	**-**	**-**	**-**	**-**	**-**	**-**	**860**
Financial assets at fair value through the income statement	**-**	**3**	**-**	**3,300**	**13**	**-**	**-**	**251**	**-**	**-**	**4**	**3,571**
Derivative financial instruments	**184**	**8**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**192**
Financial assets at fair value through other comprehensive income	**5,439**	**1,431**	**-**	**78**	**12,273**	**-**	**-**	**15**	**-**	**-**	**86**	**19,322**
Other assets	**835**	**19**	**1**	**4**	**-**	**-**	**2**	**3**	**-**	**16**	**6**	**886**
Total on-balance sheet	**8,422**	**5,752**	**384**	**14,175**	**49,672**	**68**	**1,807**	**2,806**	**143,492**	**21,685**	**4,534**	**252,797**
Off-balance sheet:												
Contingent liabilities	**-**	**-**	**-**	**-**	**750**	**-**	**-**	**-**	**-**	**-**	**-**	**750**
Loan commitments	**100**	**26**	**149**	**999**	**-**	**12**	**391**	**441**	**10,011**	**51,266**	**914**	**64,309**
Total off-balance sheet	**100**	**26**	**149**	**999**	**750**	**12**	**391**	**441**	**10,011**	**51,266**	**914**	**65,059**
Total	**8,522**	**5,778**	**533**	**15,174**	**50,422**	**80**	**2,198**	**3,247**	**153,503**	**72,951**	**5,448**	**317,856**
As at 31 December 2018												
On-balance sheet:												
Cash and balances at central banks	-	-	-	-	40,669	-	-	-	-	-	-	40,669
Cash collateral and settlement balances	525	60	-	-	2,764	-	-	-	-	-	-	3,349
Loans and advances at amortised cost	443	1,661	396	10,433	6,999	71	1,931	2,494	137,124	22,480	4,533	188,565
Reverse repurchase agreements and other similar secured lending	1,063	696	-	-	-	-	-	-	-	-	-	1,759
Trading portfolio assets	-	-	-	-	151	-	-	-	-	-	-	151
Financial assets at fair value through the income statement	-	-	-	3,543	36	-	-	297	-	-	4	3,880
Derivative financial instruments	140	82	-	19	-	-	-	-	-	-	-	241
Financial assets at fair value through other comprehensive income	1,068	370	-	-	5,272	-	-	-	-	-	-	6,710
Other assets	452	41	-	-	-	-	-	-	-	-	-	493
Total on-balance sheet	3,691	2,910	396	13,995	55,891	71	1,931	2,791	137,124	22,480	4,537	245,817
Off-balance sheet:												
Contingent liabilities	-	-	-	-	910	-	-	-	-	-	-	910
Loan commitments	2	26	152	2,083	-	11	439	440	7,490	54,859	933	66,435
Total off-balance sheet	2	26	152	2,083	910	11	439	440	7,490	54,859	933	67,345
Total	3,693	2,936	548	16,078	56,801	82	2,370	3,231	144,614	77,339	5,470	313,162

Credit risk concentrations by industry (audited)

Barclays Bank UK PLC As at 31 December 2019	Banks £m	Other financial institutions £m	Manufacturing £m	Construction and property £m	Government and central bank £m	Energy and water £m	Wholesale and retail distribution and leisure £m	Business and other services £m	Home loans £m	Cards, unsecured loans and other personal lending £m	Other £m	Total £m
On-balance sheet:												
Cash and balances at central banks	**820**	**72**	**-**	**-**	**23,413**	**-**	**-**	**-**	**-**	**-**	**-**	**24,305**
Cash collateral and settlement balances	**521**	**681**	**-**	**-**	**3,129**	**-**	**-**	**-**	**-**	**-**	**-**	**4,331**
Loans and advances at amortised cost	**769**	**1,961**	**383**	**10,794**	**10,051**	**68**	**1,805**	**2,537**	**143,492**	**21,663**	**4,437**	**197,960**
Reverse repurchase agreements and other similar secured lending	**114**	**1,647**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,761**
Trading portfolio assets	**67**	**-**	**-**	**-**	**793**	**-**	**-**	**-**	**-**	**-**	**-**	**860**
Financial assets at fair value through the income statement	**-**	**3**	**-**	**3,300**	**13**	**-**	**-**	**251**	**-**	**-**	**4**	**3,571**
Derivative financial instruments	**67**	**126**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**193**
Financial assets at fair value through other comprehensive income	**5,439**	**1,431**	**-**	**78**	**12,273**	**-**	**-**	**15**	**-**	**-**	**86**	**19,322**
Other assets	**842**	**6**	**1**	**4**	**-**	**-**	**2**	**3**	**-**	**6**	**6**	**870**
Total on-balance sheet	**8,639**	**5,927**	**384**	**14,176**	**49,672**	**68**	**1,807**	**2,806**	**143,492**	**21,669**	**4,533**	**253,173**
Off-balance sheet:												
Contingent liabilities	**-**	**-**	**-**	**-**	**750**	**-**	**-**	**-**	**-**	**-**	**-**	**750**
Loan commitments	**117**	**26**	**149**	**999**	**-**	**12**	**391**	**441**	**10,011**	**51,267**	**913**	**64,326**
Total off-balance sheet	**117**	**26**	**149**	**999**	**750**	**12**	**391**	**441**	**10,011**	**51,267**	**913**	**65,076**
Total	**8,756**	**5,953**	**533**	**15,175**	**50,422**	**80**	**2,198**	**3,247**	**153,503**	**72,936**	**5,446**	**318,249**
As at 31 December 2018												
On-balance sheet:												
Cash and balances at central banks	-	-	-	-	40,664	-	-	-	-	-	-	40,664
Cash collateral and settlement balances	540	60	-	-	2,764	-	-	-	-	-	-	3,364
Loans and advances at amortised cost	408	1,742	396	10,433	6,999	71	1,931	2,494	137,124	22,475	4,533	188,606
Reverse repurchase agreements and other similar secured lending	1,063	696	-	-	-	-	-	-	-	-	-	1,759
Trading portfolio assets	-	-	-	-	151	-	-	-	-	-	-	151
Financial assets at fair value through the income statement	-	-	-	3,543	36	-	-	297	-	-	4	3,880
Derivative financial instruments	22	200	-	19	-	-	-	-	-	-	-	241
Financial assets at fair value through other comprehensive income	1,068	370	-	-	5,272	-	-	-	-	-	-	6,710
Other assets	463	38	-	-	-	-	-	-	-	-	-	501
Total on-balance sheet	3,564	3,106	396	13,995	55,886	71	1,931	2,791	137,124	22,475	4,537	245,876
Off-balance sheet:												
Contingent liabilities	-	-	-	-	910	-	-	-	-	-	-	910
Loan commitments	2	26	152	2,083	-	11	439	440	7,490	54,859	933	66,435
Total off-balance sheet	2	26	152	2,083	910	11	439	440	7,490	54,859	933	67,345
Total	3,566	3,132	548	16,078	56,796	82	2,370	3,231	144,614	77,334	5,470	313,221

Approach to management and representation of credit quality

Asset credit quality

The credit quality distribution is based on the IFRS 9 12 month probability of default (PD) at the reporting date to ensure comparability with other ECL disclosures on pages 50 to 57.

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

Default Grade	Retail and Wholesale lending Probability of default	Credit Quality Description
1-3	0.0 to < 0.05%	Strong
4-5	0.05 to < 0.15%	
6-8	0.15 to < 0.30%	
9-11	0.30 to < 0.60%	
12-14	0.60 to < 2.15%	Satisfactory
15-19	2.15 to < 10%	
19	10 to < 11.35%	
20-21	11.35% to < 100%	Higher Risk
22	100%	Credit Impaired

For retail clients, a range of analytical tools are used to derive the probability of default of clients at inception and on an ongoing basis.

For loans that are not past due, these descriptions can be summarised as follows:

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

Satisfactory: while there is a high likelihood that the asset will be recovered and therefore, of no cause for concern to the Barclays Bank UK Group, the asset may not be collateralised, or may relate to unsecured retail facilities. At the lower end of this grade there are customers that are being more carefully monitored, for example, corporate customers which are indicating some evidence of deterioration, mortgages with a high loan to value, and unsecured retail loans operating outside normal product guidelines.

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

Loans that are past due are monitored closely, with impairment allowances raised as appropriate and in line with the Barclays Bank UK Group's impairment policies.

Debt securities

For assets held at fair value, the carrying value on the balance sheet will include, among other things, the credit risk of the issuer. Most listed and some unlisted securities are rated by external rating agencies. The Barclays Bank UK Group mainly uses external credit ratings provided by Standard & Poor's, Fitch or Moody's. Where such ratings are not available or are not current, the Barclays Bank UK Group will use its own internal ratings for the securities.

Risk performance

Credit risk

Balance sheet credit quality

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

Overview

As at 31 December 2019, the ratio of the Barclays Bank UK Group's on-balance sheet assets classified as strong (0.0 < 0.60%) remained stable at 88% (2018: 87%) of total assets exposed to credit risk.

Balance sheet credit quality (audited)

Barclays Bank UK Group As at 31 December 2019	PD Range	0.0 to <0.60% £m	0.60 to <11.35% £m	11.35% to 100% £m	Total £m	0.0 to <0.60% %	0.60 to <11.35% %	11.35% to 100% %	Total %
Cash and balances at central banks		24,305	-	-	24,305	100	-	-	100
Cash collateral and settlement balances		4,331	-	-	4,331	100	-	-	100
Loans and advances at amortised cost:									
Home loans		138,733	3,148	1,611	143,492	97	2	1	100
Credit cards, unsecured loans and other retail lending		7,120	13,405	1,268	21,793	32	62	6	100
Wholesale loans		22,306	8,435	1,543	32,284	69	26	5	100
Total loans and advances at amortised cost		168,159	24,988	4,422	197,569	85	13	2	100
Reverse repurchase agreements and other similar secured lending		1,761	-	-	1,761	100	-	-	100
Trading portfolio assets:									
Debt securities		860	-	-	860	100	-	-	100
Total trading portfolio assets		860	-	-	860	100	-	-	100
Financial assets at fair value through the income statement:									
Loans and advances		3,440	123	5	3,568	97	3	-	100
Other financial assets		3	-	-	3	100	-	-	100
Total financial assets at fair value through the income statement		3,443	123	5	3,571	97	3	-	100
Derivative financial instruments		192	-	-	192	100	-	-	100
Financial assets at fair value through other comprehensive income- debt securities		19,322	-	-	19,322	100	-	-	100
Other assets		868	18	-	886	98	2	-	100
Total on-balance sheet		223,241	25,129	4,427	252,797	88	10	2	100

Balance sheet credit quality (audited)

Barclays Bank UK Group As at 31 December 2018	PD Range	0.0 to <0.60% £m	0.60 to <11.35% £m	11.35% to 100% £m	Total £m	0.0 to <0.60% %	0.60 to <11.35% %	11.35% to 100% %	Total %
Cash and balances at central banks		40,669	-	-	40,669	100	-	-	100
Cash collateral and settlement balances		3,349	-	-	3,349	100	-	-	100
Loans and advances at amortised cost:									
Home loans		128,455	6,482	2,187	137,124	93	5	2	100
Credit cards, unsecured loans and other retail lending		6,880	14,175	1,571	22,626	30	63	7	100
Wholesale loans		20,323	6,544	1,948	28,815	70	23	7	100
Total loans and advances at amortised cost		155,658	27,201	5,706	188,565	83	14	3	100
Reverse repurchase agreements and other similar secured lending		1,759	-	-	1,759	100	-	-	100
Trading portfolio assets:									
Debt securities		151	-	-	151	100	-	-	100
Total trading portfolio assets		151	-	-	151	100	-	-	100
Financial assets at fair value through the income statement:									
Loans and advances		3,690	186	4	3,880	95	5	-	100
Total financial assets at fair value through the income statement		3,690	186	4	3,880	95	5	-	100
Derivative financial instruments		241	-	-	241	100	-	-	100
Financial assets at fair value through other comprehensive income- debt securities		6,710	-	-	6,710	100	-	-	100
Other assets		482	11	-	493	98	2	-	100
Total on-balance sheet		212,709	27,398	5,710	245,817	87	11	2	100

Balance sheet credit quality (audited)

Barclays Bank UK PLC As at 31 December 2019	PD Range	0.0 to <0.60% £m	0.60 to <11.35% £m	11.35% to 100% £m	Total £m	0.0 to <0.60% %	0.60 to <11.35% %	11.35% to 100% %	Total %
Cash and balances at central banks		**24,305**	**-**	**-**	**24,305**	**100**	**-**	**-**	**100**
Cash collateral and settlement balances		**4,331**	**-**	**-**	**4,331**	**100**	**-**	**-**	**100**
Loans and advances at amortised cost:									
Home loans		**138,733**	**3,148**	**1,611**	**143,492**	**97**	**2**	**1**	**100**
Credit cards, unsecured loans and other retail lending		**7,121**	**13,403**	**1,263**	**21,787**	**32**	**62**	**6**	**100**
Wholesale loans		**22,703**	**8,435**	**1,543**	**32,681**	**69**	**26**	**5**	**100**
Total loans and advances at amortised cost		**168,557**	**24,986**	**4,417**	**197,960**	**85**	**13**	**2**	**100**
Reverse repurchase agreements and other similar secured lending		**1,761**	**-**	**-**	**1,761**	**100**	**-**	**-**	**100**
Trading portfolio assets:									
Debt securities		**860**	**-**	**-**	**860**	**100**	**-**	**-**	**100**
Total trading portfolio assets		**860**	**-**	**-**	**860**	**100**	**-**	**-**	**100**
Financial assets at fair value through the income statement:									
Loans and advances		**3,440**	**123**	**5**	**3,568**	**97**	**3**	**-**	**100**
Other financial assets		**3**	**-**	**-**	**3**	**100**	**-**	**-**	**100**
Total financial assets at fair value through the income statement		**3,443**	**123**	**5**	**3,571**	**97**	**3**	**-**	**100**
Derivative financial instruments		**193**			**193**	**100**	**-**	**-**	**100**
Financial assets at fair value through other comprehensive income- debt securities		**19,322**	**-**	**-**	**19,322**	**100**	**-**	**-**	**100**
Other assets		**870**	**-**	**-**	**870**	**100**	**-**	**-**	**100**
Total on-balance sheet		**223,642**	**25,109**	**4,422**	**253,173**	**88**	**10**	**2**	**100**

Balance sheet credit quality (audited)

Barclays Bank UK PLC As at 31 December 2018	PD Range	0.0 to <0.60% £m	0.60 to <11.35% £m	11.35% to 100% £m	Total £m	0.0 to <0.60% %	0.60 to <11.35% %	11.35% to 100% %	Total %
Cash and balances at central banks		40,664	-	-	40,664	100	-	-	100
Cash collateral and settlement balances		3,364	-	-	3,364	100	-	-	100
Loans and advances at amortised cost:									
Home loans		128,455	6,482	2,187	137,124	93	5	2	100
Credit cards, unsecured loans and other retail lending		6,880	14,174	1,567	22,621	30	63	7	100
Wholesale loans		20,369	6,544	1,948	28,861	70	23	7	100
Total loans and advances at amortised cost		155,704	27,200	5,702	188,606	83	14	3	100
Reverse repurchase agreements and other similar secured lending		1,759			1,759	100	-	-	100
Trading portfolio assets:									
Debt securities		151	-	-	151	100	-	-	100
Total trading portfolio assets		151			151	100	-	-	100
Financial assets at fair value through the income statement:									
Loans and advances		3,690	186	4	3,880	95	5	-	100
Total financial assets at fair value through the income statement		3,690	186	4	3,880	95	5	-	100
Derivative financial instruments		241	-	-	241	100	-	-	100
Financial assets at fair value through other comprehensive income- debt securities		6,710	-	-	6,710	100	-	-	100
Other assets		501	-	-	501	100	-	-	100
Total on-balance sheet		212,784	27,386	5,706	245,876	87	11	2	100

Credit exposures by internal PD grade

The below tables represents credit risk profile by PD grade for loans and advances at amortised cost, contingent liabilities and loan commitments.

Stage 1 higher risk assets, presented gross of associated collateral held, are of weaker credit quality but have not significantly deteriorated since origination.

IFRS 9 Stage 1 and Stage 2 classification is not dependent solely on the absolute probability of default but on elements that determine a Significant Increase in Credit Risk (see Note 7 on page 121), including relative movement in probability of default since initial recognition. There is therefore no direct relationship between credit quality and IFRS 9 stage classification.

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

As at 31 December 2019			Gross carrying amount				Allowance for ECL					
Barclays Bank UK Group	PD range	Credit quality description	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Net exposure	Coverage ratio
Grading	%		£m	£m	£m	£m	£m	£m	£m	£m	£m	%
1-3	0.0 to < 0.05%	Strong	54,630	1,052	-	55,682	1	2	-	3	55,679	-
4-5	0.05 to < 0.15%	Strong	75,569	6,921	-	82,490	6	11	-	17	82,473	-
6-8	0.15 to < 0.30%	Strong	14,167	3,863	-	18,030	7	3	-	10	18,020	0.1
9-11	0.30 to < 0.60%	Strong	10,030	1,987	-	12,017	20	10	-	30	11,987	0.2
12-14	0.60 to < 2.15%	Satisfactory	11,479	2,601	-	14,080	77	84	-	161	13,919	1.1
15-19	2.15 to < 10%	Satisfactory	1,550	3,740	-	5,290	47	642	-	689	4,601	13.0
19	10 to < 11.35%	Satisfactory	3,289	3,290	-	6,579	41	70	-	111	6,468	1.7
20-21	11.35 to < 100%	Higher Risk Credit	296	2,141	-	2,437	14	493	-	507	1,930	20.8
22	100%	Impaired	-	-	3,575	3,575	-	-	1,083	1,083	2,492	30.3
Total			**171,010**	**25,595**	**3,575**	**200,180**	**213**	**1,315**	**1,083**	**2,611**	**197,569**	**1.3**

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

As at 31 December 2018			Gross carrying amount				Allowance for ECL					
Barclays Bank UK Group	PD range	Credit quality description	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Net exposure	Coverage ratio
Grading	%		£m	£m	£m	£m	£m	£m	£m	£m	£m	%
1-3	0.0 to < 0.05%	Strong	40,945	979	-	41,924	5	12	-	17	41,907	-
4-5	0.05 to < 0.15%	Strong	55,076	2,586	-	57,662	3	14	-	17	57,645	-
6-8	0.15 to < 0.30%	Strong	34,641	4,376	-	39,017	18	5	-	23	38,994	0.1
9-11	0.30 to < 0.60%	Strong	13,743	3,392	-	17,135	14	9	-	23	17,112	0.1
12-14	0.60 to < 2.15%	Satisfactory	10,191	6,217	-	16,408	78	205	-	283	16,125	1.7
15-19	2.15 to < 10%	Satisfactory	1,225	3,705	-	4,930	38	588	-	626	4,304	12.7
19	10 to < 11.35%	Satisfactory	1,838	5,094	-	6,932	36	124	-	160	6,772	2.3
20-21	11.35 to < 100%	Higher Risk Credit	94	3,074	-	3,168	7	502	-	509	2,659	16.1
22	100%	Impaired	-	-	4,316	4,316	-	-	1,269	1,269	3,047	29.4
Total			157,753	29,423	4,316	191,492	199	1,459	1,269	2,927	188,565	1.5

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

As at 31 December 2019			Gross carrying amount				Allowance for ECL					
Barclays Bank UK Group Grading	PD range %	Credit quality description	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Net exposure £m	Coverage ratio %
1-3	0.0 to < 0.05%	Strong	750	-	-	750	-	-	-	-	750	-
4-5	0.05 to < 0.15%	Strong	-	-	-	-	-	-	-	-	-	-
6-8	0.15 to < 0.30%	Strong	-	-	-	-	-	-	-	-	-	-
9-11	0.30 to < 0.60%	Strong	-	-	-	-	-	-	-	-	-	-
12-14	0.60 to < 2.15%	Satisfactory	-	-	-	-	-	-	-	-	-	-
15-19	2.15 to < 10%	Satisfactory	-	-	-	-	-	-	-	-	-	-
19	10 to < 11.35%	Satisfactory	-	-	-	-	-	-	-	-	-	-
20-21	11.35 to < 100%	Higher Risk Credit	-	-	-	-	-	-	-	-	-	-
22	100%	Impaired	-	-	-	-	-	-	-	-	-	-
Total			750	-	-	750	-	-	-	-	750	-

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

As at 31 December 2018			Gross carrying amount				Allowance for ECL					
Barclays Bank UK Group Grading	PD range %	Credit quality description	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Net exposure £m	Coverage ratio %
1-3	0.0 to < 0.05%	Strong	910	-	-	910	-	-	-	-	910	-
4-5	0.05 to < 0.15%	Strong	-	-	-	-	-	-	-	-	-	-
6-8	0.15 to < 0.30%	Strong	-	-	-	-	-	-	-	-	-	-
9-11	0.30 to < 0.60%	Strong	-	-	-	-	-	-	-	-	-	-
12-14	0.60 to < 2.15%	Satisfactory	-	-	-	-	-	-	-	-	-	-
15-19	2.15 to < 10%	Satisfactory	-	-	-	-	-	-	-	-	-	-
19	10 to < 11.35%	Satisfactory	-	-	-	-	-	-	-	-	-	-
20-21	11.35 to < 100%	Higher Risk Credit	-	-	-	-	-	-	-	-	-	-
22	100%	Impaired	-	-	-	-	-	-	-	-	-	-
Total			910	-	-	910	-	-	-	-	910	-

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

As at 31 December 2019			Gross carrying amount				Allowance for ECL					
Barclays Bank UK Group Grading	PD range %	Credit quality description	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Net exposure £m	Coverage ratio %
1-3	0.0 to < 0.05%	Strong	8,086	36	-	8,122	-	-	-	-	8,122	-
4-5	0.05 to < 0.15%	Strong	16,202	409	-	16,611	2	-	-	2	16,609	-
6-8	0.15 to < 0.30%	Strong	9,612	207	-	9,819	2	-	-	2	9,817	-
9-11	0.30 to < 0.60%	Strong	15,284	297	-	15,581	2	2	-	4	15,577	-
12-14	0.60 to < 2.15%	Satisfactory	8,997	1,890	-	10,887	4	17	-	21	10,866	0.2
15-19	2.15 to < 10%	Satisfactory	591	1,806	-	2,397	1	34	-	35	2,362	1.5
19	10 to < 11.35%	Satisfactory	207	292	-	499	-	-	-	-	499	-
20-21	11.35 to < 100%	Higher Risk Credit	22	140	-	162	-	6	-	6	156	3.7
22	100%	Impaired	-	-	231	231	-	-	-	-	231	-
Total			59,001	5,077	231	64,309	11	59	-	70	64,239	0.1

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

As at 31 December 2018			Gross carrying amount				Allowance for ECL					
Barclays Bank UK Group Grading	PD range %	Credit quality description	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Net exposure £m	Coverage ratio %
1-3	0.0 to < 0.05%	Strong	9,881	48	-	9,929	-	-	-	-	9,929	-
4-5	0.05 to < 0.15%	Strong	4,018	130	-	4,148	-	-	-	-	4,148	-
6-8	0.15 to < 0.30%	Strong	12,606	242	-	12,848	1	-	-	1	12,847	-
9-11	0.30 to < 0.60%	Strong	7,846	437	-	8,283	5	-	-	5	8,278	0.1
12-14	0.60 to < 2.15%	Satisfactory	21,142	1,377	-	22,519	1	6	-	7	22,512	-
15-19	2.15 to < 10%	Satisfactory	4,735	2,257	-	6,992	3	21	-	24	6,968	0.3
19	10 to < 11.35%	Satisfactory	180	423	-	603	-	12	-	12	591	2.0
20-21	11.35 to < 100%	Higher Risk Credit	79	772	-	851	-	5	-	5	846	0.6
22	100%	Impaired	-	-	262	262	-	-	-	-	262	-
Total			60,487	5,686	262	66,435	10	44	-	54	66,381	0.1

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

As at 31 December 2019			Gross carrying amount				Allowance for ECL					
Barclays Bank UK PLC	PD range	Credit quality description	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Net exposure	Coverage ratio
Grading	%		£m	£m	£m	£m	£m	£m	£m	£m	£m	%
1-3	0.0 to < 0.05%	Strong	55,026	1,052	-	56,078	1	2	-	3	56,075	-
4-5	0.05 to < 0.15%	Strong	75,569	6,921	-	82,490	6	11	-	17	82,473	-
6-8	0.15 to < 0.30%	Strong	14,167	3,863	-	18,030	7	3	-	10	18,020	0.1
9-11	0.30 to < 0.60%	Strong	10,032	1,987	-	12,019	20	10	-	30	11,989	0.2
12-14	0.60 to < 2.15%	Satisfactory	11,477	2,601	-	14,078	77	84	-	161	13,917	1.1
15-19	2.15 to < 10%	Satisfactory	1,550	3,740	-	5,290	47	642	-	689	4,601	13.0
19	10 to < 11.35%	Satisfactory	3,289	3,290	-	6,579	41	70	-	111	6,468	1.7
20-21	11.35 to < 100%	Higher Risk Credit	296	2,141	-	2,437	14	493	-	507	1,930	20.8
22	100%	Impaired	-	-	3,570	3,570	-	-	1,083	1,083	2,487	30.3
Total			171,406	25,595	3,570	200,571	213	1,315	1,083	2,611	197,960	1.3

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

As at 31 December 2018			Gross carrying amount				Allowance for ECL					
Barclays Bank UK PLC	PD range	Credit quality description	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Net exposure	Coverage ratio
Grading	%		£m	£m	£m	£m	£m	£m	£m	£m	£m	%
1-3	0.0 to < 0.05%	Strong	40,991	979	-	41,970	5	12	-	17	41,953	-
4-5	0.05 to < 0.15%	Strong	55,076	2,586	-	57,662	3	14	-	17	57,645	-
6-8	0.15 to < 0.30%	Strong	34,641	4,376	-	39,017	18	5	-	23	38,994	0.1
9-11	0.30 to < 0.60%	Strong	13,743	3,392	-	17,135	14	9	-	23	17,112	0.1
12-14	0.60 to < 2.15%	Satisfactory	10,190	6,217	-	16,407	78	205	-	283	16,124	1.7
15-19	2.15 to < 10%	Satisfactory	1,225	3,705	-	4,930	38	588	-	626	4,304	12.7
19	10 to < 11.35%	Satisfactory	1,838	5,094	-	6,932	36	124	-	160	6,772	2.3
20-21	11.35 to < 100%	Higher Risk Credit	94	3,074	-	3,168	7	502	-	509	2,659	16.1
22	100%	Impaired	-	-	4,312	4,312	-	-	1,269	1,269	3,043	29.4
Total			157,798	29,423	4,312	191,533	199	1,459	1,269	2,927	188,606	1.5

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

As at 31 December 2019			Gross carrying amount				Allowance for ECL					
Barclays Bank UK PLC Grading	PD range %	Credit quality description	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Net exposure £m	Coverage ratio %
1-3	0.0 to < 0.05%	Strong	750	-	-	750	-	-	-	-	750	-
4-5	0.05 to < 0.15%	Strong	-	-	-	-	-	-	-	-	-	-
6-8	0.15 to < 0.30%	Strong	-	-	-	-	-	-	-	-	-	-
9-11	0.30 to < 0.60%	Strong	-	-	-	-	-	-	-	-	-	-
12-14	0.60 to < 2.15%	Satisfactory	-	-	-	-	-	-	-	-	-	-
15-19	2.15 to < 10%	Satisfactory	-	-	-	-	-	-	-	-	-	-
19	10 to < 11.35%	Satisfactory	-	-	-	-	-	-	-	-	-	-
20-21	11.35 to < 100%	Higher Risk Credit	-	-	-	-	-	-	-	-	-	-
22	100%	Impaired	-	-	-	-	-	-	-	-	-	-
Total			750	-	-	750	-	-	-	-	750	-

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

As at 31 December 2018			Gross carrying amount				Allowance for ECL					
Barclays Bank UK PLC Grading	PD range %	Credit quality description	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Net exposure £m	Coverage ratio %
1-3	0.0 to < 0.05%	Strong	910	-	-	910	-	-	-	-	910	-
4-5	0.05 to < 0.15%	Strong	-	-	-	-	-	-	-	-	-	-
6-8	0.15 to < 0.30%	Strong	-	-	-	-	-	-	-	-	-	-
9-11	0.30 to < 0.60%	Strong	-	-	-	-	-	-	-	-	-	-
12-14	0.60 to < 2.15%	Satisfactory	-	-	-	-	-	-	-	-	-	-
15-19	2.15 to < 10%	Satisfactory	-	-	-	-	-	-	-	-	-	-
19	10 to < 11.35%	Satisfactory	-	-	-	-	-	-	-	-	-	-
20-21	11.35 to < 100%	Higher Risk Credit	-	-	-	-	-	-	-	-	-	-
22	100%	Impaired	-	-	-	-	-	-	-	-	-	-
Total			910	-	-	910	-	-	-	-	910	-

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

As at 31 December 2019			Gross carrying amount				Allowance for ECL					
Barclays Bank UK PLC Grading	PD range %	Credit quality description	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Net exposure £m	Coverage ratio %
1-3	0.0 to < 0.05%	Strong	8,103	36	-	8,139	-	-	-	-	8,139	-
4-5	0.05 to < 0.15%	Strong	16,202	409	-	16,611	2	-	-	2	16,609	-
6-8	0.15 to < 0.30%	Strong	9,612	207	-	9,819	2	-	-	2	9,817	-
9-11	0.30 to < 0.60%	Strong	15,284	297	-	15,581	2	2	-	4	15,577	-
12-14	0.60 to < 2.15%	Satisfactory	8,997	1,890	-	10,887	4	17	-	21	10,866	0.2
15-19	2.15 to < 10%	Satisfactory	591	1,806	-	2,397	1	34	-	35	2,362	1.5
19	10 to < 11.35%	Satisfactory	207	292	-	499	-	-	-	-	499	-
20-21	11.35 to < 100%	Higher Risk Credit	22	140	-	162	-	6	-	6	156	3.7
22	100%	Impaired	-	-	231	231	-	-	-	-	231	-
Total			59,018	5,077	231	64,326	11	59	-	70	64,256	0.1

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

As at 31 December 2018			Gross carrying amount				Allowance for ECL					
Barclays Bank UK PLC Grading	PD range %	Credit quality description	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Net exposure £m	Coverage ratio %
1-3	0.0 to < 0.05%	Strong	9,881	48	-	9,929	-	-	-	-	9,929	-
4-5	0.05 to < 0.15%	Strong	4,018	130	-	4,148	-	-	-	-	4,148	-
6-8	0.15 to < 0.30%	Strong	12,606	242	-	12,848	1	-	-	1	12,847	-
9-11	0.30 to < 0.60%	Strong	7,846	437	-	8,283	5	-	-	5	8,278	0.1
12-14	0.60 to < 2.15%	Satisfactory	21,142	1,377	-	22,519	1	6	-	7	22,512	-
15-19	2.15 to < 10%	Satisfactory	4,735	2,257	-	6,992	3	21	-	24	6,968	0.3
19	10 to < 11.35%	Satisfactory	180	423	-	603	-	12	-	12	591	2.0
20-21	11.35 to <100%	Higher Risk Credit	79	772	-	851	-	5	-	5	846	0.6
22	100%	Impaired	-	-	262	262	-	-	-	-	262	-
Total			60,487	5,686	262	66,435	10	44	-	54	66,381	0.1

Analysis of specific portfolios and asset types

Secured home loans

The UK home loan portfolio primarily comprises first lien mortgages and accounts for over 99% of the Barclays Bank UK Group's total home loans balance.

Home loans principal portfolios[a]

As at 31 December	2019	2018
Gross loans and advances (£m)	143,259	136,517
90 day arrears rate, excluding recovery book (%)	0.2	0.2
Annualised gross charge-off rates - 180 days past due (%)	0.6	0.7
Recovery book proportion of outstanding balances (%)	0.5	0.6
Recovery book impairment coverage ratio (%)	5.3	2.9

Note
a 2018 metrics have been restated to align with the current methodology for the classification of delinquent balances and the inclusion of past maturity balances.

Within the UK home loans portfolio:

- Gross loans and advances increased by £6.7bn (4.9%) following increases across both Residential (3.0%) and Buy to Let (BTL) (17.6%).
- Owner-occupied interest-only home loans comprised 23.4% (2018: 26.3%) of total balances.
- The average balance weighted LTV on owner occupied loans increased to 50.2% (2018: 47.9%) with average completion LTVs remaining higher than for the existing portfolio.
- BTL home loans comprised 13.6% (2018: 12.1%) of total balances. The average balance weighted LTV increased to 56.5% (2018: 55.4%) driven by average completion LTVs remaining higher than for the existing book.

Home loans principal portfolios - distribution of balances by LTV[a]

	Distribution of balances				Distribution of impairment allowance				Coverage ratio			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	%	%	%	%	%	%	%	%	%	%	%	%
As at 31 December 2019												
<=75%	76.0	10.7	0.7	87.4	4.2	15.4	28.5	48.1	-	0.1	2.2	-
>75% and <=90%	10.4	0.7	-	11.1	2.7	11.5	12.6	26.8	-	0.9	19.7	0.1
>90% and <=100%	1.3	0.1	-	1.4	0.8	2.5	4.9	8.2	-	1.8	54.4	0.3
>100%	0.1	-	-	0.1	0.2	4.1	12.6	16.9	0.2	8.7	107.4	9.0
As at 31 December 2018												
<=75%	77.9	11.9	0.8	90.6	3.3	26.7	20.9	50.9	-	0.1	1.3	-
>75% and <=90%	8.0	0.6	-	8.6	1.6	11.8	8.7	22.1	-	1.0	12.7	0.1
>90% and <=100%	0.6	0.1	-	0.7	0.3	3.0	4.4	7.7	-	1.7	44.5	0.5
>100%	-	0.1	-	0.1	-	10.0	9.3	19.3	-	5.9	88.5	10.8

Note
a Portfolio marked to market based on the most updated valuation including recovery book balances. Updated valuations reflect the application of the latest HPI available as at 31 December 2019.

Home loans principal portfolios - average LTV[a]

As at 31 December	2019	2018
Overall portfolio LTV(%):		
Balance weighted	51.1	48.8
Valuation weighted	37.3	35.8
For >100% LTVs:		
Balances (£m)	160	150
Marked to market collateral (£m)	140	132
Average LTV: balance weighted (%)	133.5	136.3
Average LTV: valuation weighted (%)	119.7	119.5
Balances in recovery book (%)	10.0	7.7

Note
a 2018 metrics have been restated to align with the current methodology for the classification of delinquent balances and the inclusion of past maturity balances.

Home loans principal portfolios - new lending		
As at 31 December	2019	2018
New bookings (£m)	**25,530**	23,473
New home loan proportion above >90% LTV (%)	**4.2**	1.8
Average LTV on new home loans: balance weighted (%)	**67.9**	65.4
Average LTV on new home loans: valuation weighted (%)	**60.0**	57.4

The value of new bookings increased across both the owner-occupied and BTL portfolios, 9.2% and 6.5% respectively. High LTV lending booked in 2019 increased driven by market conditions.

Credit cards, unsecured loans and other retail lending

The principal portfolios listed below accounted for 94% (2018: 94%) of Barclays Bank UK Group's total credit cards, unsecured loans and other retail lending.

Credit cards, unsecured loans and other retail lending principal portfolios	Gross loans and advances	30 day arrears, excluding recovery book	90 day arrears, excluding recovery book	Annualised gross write-off rate	Annualised net write-off rate
	£m	%	%	%	%
As at 31 December 2019					
UK cards	**16,457**	**1.7**	**0.8**	**1.6**	**1.6**
UK personal loans	**6,139**	**2.1**	**1.0**	**3.2**	**2.9**
As at 31 December 2018					
UK cards	17,285	1.8	0.9	1.9	1.5
UK personal loans	6,335	2.3	1.1	1.9	1.5

UK cards: Following the introduction of payment reminders both 30 and 90 day arrears rates reduced by 0.1%. The annualised gross write-off rate reduced to 1.6% (2018: 1.9%), reflecting lower levels of delinquency and contractual charge-offs through 2019, albeit with increased debt sales from the recovery book.

UK personal loans: 30 and 90 day arrears rates reduced by 0.2% and 0.1% respectively, reflecting a continued improvement in lending quality over the past 2 years, coupled with improvements in collections effectiveness. Write-off rates increased significantly reflecting higher charge-offs in 2018.

Risk performance

Treasury and Capital risk

Summary of Contents

Liquidity risk

All disclosures in this section (pages 78 to 84) are unaudited unless otherwise stated.

Overview

The liquidity pool decreased to £42bn (31 December 2018: £45bn). The liquidity pool, LCR and surplus has been managed down through the course of the year, supporting increased business funding requirements while maintaining a prudent liquidity position.

Liquidity risk stress testing

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

The CRR (as amended by CRR II) Liquidity Coverage Ratio (LCR) requirement takes into account the relative stability of different sources of funding and potential incremental funding requirements in a stress. The LCR is designed to promote short-term resilience of a bank's liquidity risk profile by holding sufficient high quality liquid assets to survive an acute stress scenario lasting for 30 days.

As at 31 December 2019, Barclays Bank UK Group held eligible liquidity assets in excess of 100% of the net stress outflows to its internal and external regulatory requirements. A significant portion of the liquidity pool was held in cash and deposits with central banks. The liquidity pool was held entirely within Barclays Bank UK PLC.

	As at 31.12.19	As at 31.12.18
	£bn	£bn
Barclays Bank UK Group liquidity pool	42	45
	%	%
Barclays Bank UK Group liquidity coverage ratio	144	164

Contractual maturity of financial assets and liabilities

The table below provides detail on the contractual maturity of all financial instruments and other assets and liabilities. Derivatives (other than those designated in a hedging relationship) and trading portfolio assets and liabilities are included in the 'on demand' column at their fair value. Liquidity risk on these items is not managed on the basis of contractual maturity since they are not held for settlement according to such maturity and will frequently be settled before contractual maturity at fair value. Derivatives designated in a hedging relationship are included according to their contractual maturity.

Contractual maturity of financial assets and liabilities (audited)

Barclays Bank UK Group As at 31 December 2019	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than nine months £m	Over nine months but not more than one year £m	Over one year but not more than two years £m	Over two years but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
Assets											
Cash and balances at central banks	24,305	-	-	-	-	-	-	-	-	-	24,305
Cash collateral and settlement balances	35	4,296	-	-	-	-	-	-	-	-	4,331
Loans and advances at amortised cost	3,469	990	3,395	831	1,032	4,255	5,121	11,490	26,137	140,849	197,569
Reverse repurchase agreements and other similar secured lending	-	1,761	-	-	-	-	-	-	-	-	1,761
Trading portfolio assets	860	-	-	-	-	-	-	-	-	-	860
Financial assets at fair value through the income statement	3	10	11	12	-	19	15	65	449	2,987	3,571
Derivative financial instruments	180	-	-	-	-	-	4	8	-	-	192
Financial assets at fair value through other comprehensive income	-	3,518	1,569	347	704	4,196	2,216	2,159	3,650	963	19,322
Other financial assets	588	271	27	-	-	-	-	-	-	-	886
Total financial assets	**29,440**	**10,846**	**5,002**	**1,190**	**1,736**	**8,470**	**7,356**	**13,722**	**30,236**	**144,799**	**252,797**
Other assets											**5,601**
Total assets											**258,398**
Liabilities											
Deposits at amortised cost	192,080	3,937	3,543	1,570	1,123	2,838	605	-	-	-	205,696
Cash collateral and settlement balances	111	103	-	-	-	-	-	-	-	-	214
Repurchase agreements and other similar secured borrowing	-	2,202	10	-	-	10,007	1,201	-	-	-	13,420
Debt securities in issue	-	376	1,202	563	87	917	2,262	1,751	294	819	8,271
Subordinated liabilities	-	-	-	-	-	1,457	429	1,882	3,469	451	7,688
Trading portfolio liabilities	1,704	-	-	-	-	-	-	-	-	-	1,704
Derivative financial instruments	739	-	-	-	-	-	1	-	-	-	740
Other financial liabilities	34	1,124	17	17	17	182	65	108	101	21	1,686
Total financial liabilities	**194,668**	**7,742**	**4,772**	**2,150**	**1,227**	**15,401**	**4,563**	**3,741**	**3,864**	**1,291**	**239,419**
Other liabilities											**2,466**
Total liabilities											**241,885**
Cumulative liquidity gap	**(165,228)**	**(162,124)**	**(161,894)**	**(162,854)**	**(162,345)**	**(169,276)**	**(166,483)**	**(156,502)**	**(130,130)**	**13,378**	**16,513**

Contractual maturity of financial assets and liabilities (audited)

Barclays Bank UK Group As at 31 December 2018	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than nine months £m	Over nine months but not more than one year £m	Over one year but not more than two years £m	Over two years but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
Assets											
Cash and balances at central banks	40,669	-	-	-	-	-	-	-	-	-	40,669
Cash collateral and settlement balances	116	3,233	-	-	-	-	-	-	-	-	3,349
Loans and advances at amortised cost	3,622	1,830	2,235	1,631	1,663	6,734	6,658	14,274	31,299	118,619	188,565
Reverse repurchase agreements and other similar secured lending	-	1,759	-	-	-	-	-	-	-	-	1,759
Trading portfolio assets	151	-	-	-	-	-	-	-	-	-	151
Financial assets at fair value through the income statement	-	-	-	-	-	4	10	25	294	3,547	3,880
Derivative financial instruments	241	-	-	-	-	-	-	-	-	-	241
Financial assets at fair value through other comprehensive income	-	646	1,422	577	679	545	363	528	1,271	679	6,710
Other financial assets	428	65	-	-	-	-	-	-	-	-	493
Total financial assets	45,227	7,533	3,657	2,208	2,342	7,283	7,031	14,827	32,864	122,845	245,817
Other assets											5,488
Total assets											251,305
Liabilities											
Deposits at amortised cost	188,767	974	1,370	1,270	923	2,823	1,358	-	-	-	197,485
Cash collateral and settlement balances	213	26	-	-	-	-	-	-	-	-	239
Repurchase agreements and other similar secured borrowing	-	760	-	-	-	-	10,017	1,201	-	-	11,978
Debt securities in issue	-	1,060	197	798	1,891	1,509	998	3,611	185	923	11,172
Subordinated liabilities	-	-	-	-	-	1,129	1,480	1,350	3,320	269	7,548
Trading portfolio liabilities	1,269	-	-	-	-	-	-	-	-	-	1,269
Derivative financial instruments	419	-	-	-	-	-	-	-	-	-	419
Other financial liabilities	129	1,168	-	-	-	90	-	-	-	-	1,387
Total financial liabilities	190,797	3,988	1,567	2,068	2,814	5,551	13,853	6,162	3,505	1,192	231,497
Other liabilities											2,865
Total liabilities											234,362
Cumulative liquidity gap	(145,570)	(142,025)	(139,935)	(139,795)	(140,267)	(138,535)	(145,357)	(136,692)	(107,333)	14,320	16,943

Contractual maturity of financial assets and liabilities (audited)

Barclays Bank UK PLC As at 31 December 2019	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than nine months £m	Over nine months but not more than one year £m	Over one year but not more than two years £m	Over two years but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
Assets											
Cash and balances at central banks	24,305	-	-	-	-	-	-	-	-	-	24,305
Cash collateral and settlement balances	35	4,296	-	-	-	-	-	-	-	-	4,331
Loans and advances at amortised cost	3,462	1,319	3,395	832	1,075	4,257	5,122	11,493	26,142	140,863	197,960
Reverse repurchase agreements and other similar secured lending	-	1,761	-	-	-	-	-	-	-	-	1,761
Trading portfolio assets	860	-	-	-	-	-	-	-	-	-	860
Financial assets at fair value through the income statement	3	10	11	12	–	19	15	65	449	2,987	3,571
Derivative financial instruments	181	-	-	-	-	-	4	8	-	-	193
Financial assets at fair value through other comprehensive income	-	3,518	1,569	347	704	4,196	2,216	2,159	3,650	963	19,322
Other financial assets	581	249	40	-	-	-	-	-	-	-	870
Total financial assets	29,427	11,153	5,015	1,191	1,779	8,472	7,357	13,725	30,241	144,813	253,173
Other assets											5,748
Total assets											258,921
Liabilities											
Deposits at amortised cost	192,634	3,957	3,543	2,064	1,123	2,838	605	-	-	-	206,764
Cash collateral and settlement balances	111	103	-	-	-	-	-	-	-	-	214
Repurchase agreements and other similar secured borrowing	-	2,202	10	-	-	10,007	1,201	-	-	-	13,420
Debt securities in issue	-	376	1,202	71	87	917	2,262	1,751	294	818	7,778
Subordinated liabilities	-	-	-	-	-	1,457	429	1,882	3,469	451	7,688
Trading portfolio liabilities	1,704	-	-	-	-	-	-	-	-	-	1,704
Derivative financial instruments	739	-	-	-	-	-	1	-	-	-	740
Other financial liabilities	34	1,009	17	17	17	182	65	108	101	21	1,571
Total financial liabilities	195,222	7,647	4,772	2,152	1,227	15,401	4,563	3,741	3,864	1,290	239,879
Other liabilities											2,396
Total liabilities											242,275
Cumulative liquidity gap	(165,795)	(162,289)	(162,046)	(163,007)	(162,455)	(169,384)	(166,590)	(156,606)	(130,229)	13,294	16,646

Contractual maturity of financial assets and liabilities (audited)

Barclays Bank UK PLC As at 31 December 2018	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than nine months £m	Over nine months but not more than one year £m	Over one year but not more than two years £m	Over two years but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
Assets											
Cash and balances at central banks	40,664	-	-	-	-	-	-	-	-	-	40,664
Cash collateral and settlement balances	131	3,233	-	-	-	-	-	-	-	-	3,364
Loans and advances at amortised cost	3,302	2,146	2,235	1,630	1,706	6,733	6,657	14,273	31,298	118,626	188,606
Reverse repurchase agreements and other similar secured lending	-	1,759	-	-	-	-	-	-	-	-	1,759
Trading portfolio assets	151	-	-	-	-	-	-	-	-	-	151
Financial assets at fair value through the income statement	-	-	-	-	-	4	10	25	294	3,547	3,880
Derivative financial instruments	241	-	-	-	-	-	-	-	-	-	241
Financial assets at fair value through other comprehensive income	-	646	1,423	577	679	545	363	528	1,271	678	6,710
Other financial assets	428	73	–	–	–	–	–	–	–	–	501
Total financial assets	44,917	7,857	3,658	2,207	2,385	7,282	7,030	14,826	32,863	122,851	245,876
Other assets											5,575
Total assets											251,451
Liabilities											
Deposits at amortised cost	189,037	1,006	1,370	2,020	923	3,317	1,358	-	-	-	199,031
Cash collateral and settlement balances	213	26	-	-	-	-	-	-	-	-	239
Repurchase agreements and other similar secured borrowing	-	760	-	-	-	-	10,017	1,201	–	–	11,978
Debt securities in issue	-	1,059	197	48	1,891	1,000	998	3,611	185	923	9,912
Subordinated liabilities	-	-	-	-	-	1,129	1,481	1,350	3,319	269	7,548
Trading portfolio liabilities	1,269	-	-	-	-	-	-	-	-	-	1,269
Derivative financial instruments	436	-	-	-	-	-	-	-	-	-	436
Other financial liabilities	129	977	-	-	-	90	-	-	-	-	1,196
Total financial liabilities	191,084	3,828	1,567	2,068	2,814	5,536	13,854	6,162	3,504	1,192	231,609
Other liabilities											2,818
Total liabilities											234,427
Cumulative liquidity gap	(146,167)	(142,138)	(140,047)	(139,908)	(140,337)	(138,591)	(145,415)	(136,751)	(107,392)	14,267	17,024

Risk performance

Treasury and Capital risk

Expected maturity date may differ from the contractual dates, to account for:
- Trading portfolio assets and liabilities and derivative financial instruments, which may not be held to maturity as part of Barclays Bank UK Group's trading strategies
- Retail and business bank deposits, which are included within deposits at amortised cost, are repayable on demand or at short notice on a contractual basis. In practice, these instruments form a stable base for Barclays Bank UK Group's operations and liquidity needs because of the broad base of customers, both numerically and by depositor type
- Loans to retail and business bank customers, which are included within loans and advances at amortised cost and financial assets at fair value, may be repaid earlier in line with terms and conditions of the contract
- Debt securities in issue and subordinated liabilities may include early redemption features.

Contractual maturity of financial liabilities on an undiscounted basis

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

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

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

Contractual maturity of financial liabilities - undiscounted (audited)

Barclays Bank UK Group	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than one year £m	Over one year but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
As at 31 December 2019									
Deposits at amortised cost	192,080	3,937	3,543	2,693	3,443	-	-	-	205,696
Cash collateral and settlement balances	111	103	-	-	-	-	-	-	214
Repurchase agreements and other similar secured borrowing	-	2,203	10	-	11,300	-	-	-	13,513
Debt securities in issue	-	377	1,207	651	3,582	1,848	363	1,039	9,067
Subordinated liabilities	-	-	-	-	1,960	2,182	4,146	859	9,147
Trading portfolio liabilities	1,704	-	-	-	-	-	-	-	1,704
Derivative financial instruments	739	-	-	-	1	-	-	-	740
Other financial liabilities	34	1,128	22	42	272	124	113	40	1,775
Total financial liabilities	**194,668**	**7,748**	**4,782**	**3,386**	**20,558**	**4,154**	**4,622**	**1,938**	**241,856**
As at 31 December 2018									
Deposits at amortised cost	188,767	974	1,370	2,193	4,182	-	-	-	197,486
Cash collateral and settlement balances	213	26	-	-	-	-	-	-	239
Repurchase agreements and other similar secured borrowing	-	762	–	–	10,235	1,243	-	-	12,240
Debt securities in issue	-	1,061	197	2,689	2,508	3,705	199	1,025	11,384
Subordinated liabilities	-	-	-	-	2,686	1,423	3,959	474	8,542
Trading portfolio liabilities	1,269	-	-	-	-	-	-	-	1,269
Financial liabilities designated at fair value	-	-	-	-	-	-	-	-	-
Derivative financial instruments	419	-	-	-	-	-	-	-	419
Other financial liabilities	129	1,168	-	-	90	-	-	-	1,387
Total financial liabilities	190,797	3,991	1,567	4,882	19,701	6,371	4,158	1,499	232,966

Contractual maturity of financial liabilities - undiscounted (audited)

Barclays Bank UK PLC	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than one year £m	Over one year but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
As at 31 December 2019									
Deposits at amortised cost	192,634	3,958	3,543	3,187	3,443	-	-	-	206,765
Cash collateral and settlement balances	111	103	-	-	-	-	-	-	214
Repurchase agreements and other similar secured borrowing	-	2,203	10	-	11,300	-	-	-	13,513
Debt securities in issue	-	377	1,207	158	3,582	1,848	363	1,039	8,574
Subordinated liabilities	-	-	-	-	1,960	2,182	4,146	859	9,147
Trading portfolio liabilities	1,704	-	-	-	-	-	-	-	1,704
Derivative financial instruments	739	-	-	-	1	-	-	-	740
Other financial liabilities	34	1,013	22	42	272	124	113	40	1,660
Total financial liabilities	195,222	7,654	4,782	3,387	20,558	4,154	4,622	1,938	242,317
As at 31 December 2018									
Deposits at amortised cost	189,037	1,006	1,370	2,943	4,676	-	-	-	199,032
Cash collateral and settlement balances	213	26	-	-	-	-	-	-	239
Repurchase agreements and other similar secured borrowing	-	762	-	-	10,235	1,243	-	-	12,240
Debt securities in issue	-	1,060	197	1,940	1,998	3,705	199	1,025	10,124
Subordinated liabilities	-	-	-	-	2,686	1,423	3,959	474	8,542
Trading portfolio liabilities	1,269	-	-	-	-	-	-	-	1,269
Financial liabilities designated at fair value	-	-	-	-	-	-	-	-	-
Derivative financial instruments	436	-	-	-	-	-	-	-	436
Other financial liabilities	129	977	-	-	90	-	-	-	1,196
Total financial liabilities	191,084	3,831	1,567	4,883	19,685	6,371	4,158	1,499	233,078

Maturity of off-balance sheet commitments received and given (audited)

The maturity split of off-balance sheet commitments received (Guarantees, letters of credit and credit insurance Barclays Bank UK Group and PLC Dec 2019: £7,886m, Dec 2018: £706m) and given (see Note 23 on page 151) represents the undiscounted cash flows (i.e. nominal values) on the basis of the earliest opportunity at which they are available. All off-balance sheet commitments received and given for both Barclays Bank UK Group and Barclays Bank UK PLC are on demand.

Capital risk

All disclosures in this section are unaudited unless otherwise stated.

Overview

Throughout 2018, Barclays Bank UK PLC was regulated by the Prudential Regulation Authority (PRA) on an individual basis only. From 1 January 2019, as part of structural reform, Barclays Bank UK Group became regulated by the PRA as a ring-fenced bank. This results in additional entities being included to reflect the new regulatory scope of consolidation. Due to the change in scope, there are no comparatives.

The disclosures below provide key capital metrics for Barclays Bank UK Group with further information on its risk profile included in the Barclays Bank UK PLC Pillar 3 Report 2019, available at home.barclays/investor-relations/reports-and-events/annual-reports.

On 27 June 2019, CRR II came into force amending CRR. As an amending regulation, the existing provisions of CRR apply unless they are amended by CRR II. Certain provisions took immediate effect and other CRR II amendments are expected to take effect from 28 June 2021.

Certain aspects of CRR II are dependent on final technical standards to be issued by the EBA and adopted by the European Commission as well as UK implementation of the rules. The disclosures in the following section reflect Barclays' interpretation of the current rules and guidance.

As at 31 December 2019, Barclays Bank UK Group's transitional CET1 ratio was 13.5% which exceeded the 2019 minimum requirement.

Capital ratios[a,b]	As at 31 December 2019
CET1	13.5%
Tier 1 (T1)	16.9%
Total regulatory capital	21.3%
Capital resources (audited)	**£bn**
CET1 capital	10.1
T1 capital	12.7
Total regulatory capital	16.0
Total risk weighted assets (RWAs) (unaudited)	**75.0**

Notes
a Capital and RWAs are calculated applying the IFRS 9 transitional arrangements of the CRR as amended by CRR II applicable as at the reporting date.
b The fully loaded CET1 ratio was 13.2%, with £9.9bn of CET1 capital and £75.1bn of RWAs, calculated without applying the transitional arrangements of the CRR as amended by CRR II applicable as at the reporting date.

Barclays Bank UK Group is required to disclose an average UK leverage ratio which is based on capital on the last day of each month in the quarter and an exposure measure for each day in the quarter. Barclays Bank UK Group is also required to disclose a UK leverage ratio based on capital and exposure on the last day of the quarter. Both approaches exclude qualifying claims on central banks from the leverage exposure.

As at 31 December 2019, Barclays Bank UK Group average UK leverage ratio was 5.2% which exceeded the 2019 minimum requirement.

Leverage ratios[a]	As at 31 December 2019 £bn
Average UK leverage ratio[b]	5.2%
Average T1 Capital	12.6
Average UK leverage exposure	240.1
UK leverage ratio	5.4%
T1 capital	12.7
UK leverage exposure	236.0

Notes
a Capital and leverage are calculated applying the IFRS 9 transitional arrangements of the CRR as amended by CRR II applicable as at the reporting date.
b The CET1 capital held against the 0.35% SRB ALRB was £0.8bn and against the 0.30% CCLB was £0.7bn.

Interest rate risk in the banking book

All disclosures in this section (pages 86 to 87) are unaudited.

Overview

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

Summary of performance in the period

- Annual Earnings at Risk (AEaR), is a key measure of interest rate risk in the banking book (IRRBB).

Key metric

+£16m

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

Analysis of net interest income and equity sensitivity

Equity sensitivity measures the overall impact of a +/- 25bps movement in interest rates on retained earnings, FVOCI, and cash flow hedge reserves. For non-net interest income items a DV01 metric is used which is an indicator of the shift in value for a 1 basis point in the yield curve.

Net interest income sensitivity is calculated for non-trading financial assets and liabilities, including the effect of any hedging. The sensitivity has been measured using the Annual Earnings at Risk (AEaR) metric. Note that this metric assumes an instantaneous parallel change to forward interest rate curves. The model does not apply floors to shocked market rates, but does recognize contractual product specific interest rate floors where relevant. The main model assumptions are: (i) one-year ahead time horizon; (ii) balance sheet is held constant; (iii) balances are adjusted for assumed behavioural profiles (i.e. considers that customers may prepay the mortgages before the contractual maturity); and (iv) behavioural assumptions are kept unchanged in all rate scenarios.

Analysis of equity sensitivity (audited)	31 December 2019		31 December 2018[a]	
	+25 basis points	-25 basis points	+25 basis points	-25 basis points
Barclays Bank UK Group and PLC	£m	£m	£m	£m
Net interest income	16	(57)	28	(71)
Taxation effects on the above	(4)	15	(8)	19
Effect on profit for the year	12	(42)	20	(52)
Fair value through other comprehensive income reserve	(27)	27	(14)	15
Cash flow hedge reserve	(177)	177	(184)	184
Taxation effects on the above	51	(51)	50	(50)
Effect on equity	(141)	111	(128)	97
Barclays Bank UK Group[b]				
As percentage of net profit after tax	7.7%	(26.9%)	1.7%	(4.5%)
As percentage of equity	(0.9%)	0.7%	(0.8%)	0.6%
Barclays Bank UK PLC[b]				
As percentage of net profit after tax	5.8%	(20.2%)	1.8%	(4.6%)
As percentage of equity	(0.8%)	0.7%	(0.8%)	0.6%

Notes
a The December 2018 sensitivities have been restated due to the inclusion of the Treasury portfolio.
b The increased impact as a percentage of net profit after tax and equity is predominantly as a result of increased PPI charges (2019: £1,400m, 2018: £nil).

Net interest income asymmetry arises due to the current low interest rate levels as some customer deposits have embedded floors. Net interest income sensitivity to a +25bp shock to rates has decreased year on year as a result of actions taken to reduce the exposure to falling interest rates. Movements in the FVOCI reserve impact CET1 capital, however the movement in the cash flow hedge reserve does not affect CET1 capital.

Volatility of the FVOCI portfolio in the liquidity pool

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

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

Analysis of volatility of the FVOCI portfolio in the liquidity pool	2019			2018		
	Average	High	Low	Average	High	Low
For the year ended 31 December	£m	£m	£m	£m	£m	£m
Non-traded market value at risk (daily, 95%)	4	7	2	6	8	4

The volatility in the FVOCI portfolio is primarily driven by changes in interest rate risk exposure taken in the liquidity pool.

Risk performance

Market risk

All disclosures in this section are unaudited unless otherwise stated.

Overview

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

Management VaR (audited)

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

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

Average management VaR in the Barclays Bank UK Group in 2019 was £0.4m (2018: £0.5m) and remained broadly stable throughout the period. Management VaR in the Barclays Bank UK Group in 2019 was driven by interest rate risk in Barclays Bank UK Group Treasury.

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

All disclosures in this section are unaudited unless otherwise stated.

Overview

Operational risks are inherent in the Barclays Bank UK Group's business activities and it is not cost effective or possible to attempt to eliminate all operational risks. The Operational Risk Framework is therefore focused on identifying operational risks, assessing them and managing them within the Barclays Bank UK Group's approved risk appetite.

The Operational Risk principal risk comprises the following risks: Data Management & Information Risk; Financial Reporting Risk; Fraud Risk; Payments Process Risk; People Risk; Premises Risk; Physical Security Risk; Supplier Risk; Tax Risk; Technology Risk; Transaction Operations Risk and Execution Risk. The operational risk profile is also informed by a number of risk themes: Cyber, Data, Execution and Resilience. These represent threats to the Barclays Bank UK Group that extend across multiple risk types, and therefore require an integrated risk management approach.

For definitions of these risks refer to page 100 of the Barclays Bank UK PLC Pillar 3 Report 2019. In order to provide complete coverage of the potential adverse impacts on the Barclays Bank UK Group arising from operational risk, the operational risk taxonomy extends beyond the risks listed above to cover operational risks associated with other principal risks too.

This section provides an analysis of the Barclays Bank UK Group operational risk profile, including events above the Barclays Bank UK Group's reportable threshold, which have had a financial impact in 2019. The Barclays Bank UK Group's operational risk profile is informed by bottom-up risk assessments undertaken by each business unit and top-down qualitative review by the Operational Risk specialists for each risk type. Fraud, Transaction Operations and Technology continue to be highlighted as key operational risk exposures.

For information on conduct risk events please see page 92.

Summary of performance in the period

During 2019, total operational risk losses[a] decreased to £47m (2018[b]: £68m) while the number of recorded events for 2019 increased to 1,030 from 688 events recorded during the prior year. The total operational risk losses for the year were mainly driven by events within the Execution, Delivery and Process Management and External Fraud categories, which tend to be high volume but low impact events.

Notes
a The data disclosed includes operational risk losses for reportable events impacting the Barclays Bank UK Group business areas, having impact of ≥ £10,000 and excludes events that are conduct or legal risk, aggregate and boundary events. A boundary event is an operational risk event that results in a credit risk impact. Due to the nature of risk events that keep evolving, prior year losses are updated.
b Reporting against the Barclays Bank UK Group is from 1 April 2018, the date from which the UK banking business was transferred, which will impact comparison.

Key metrics

89%

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

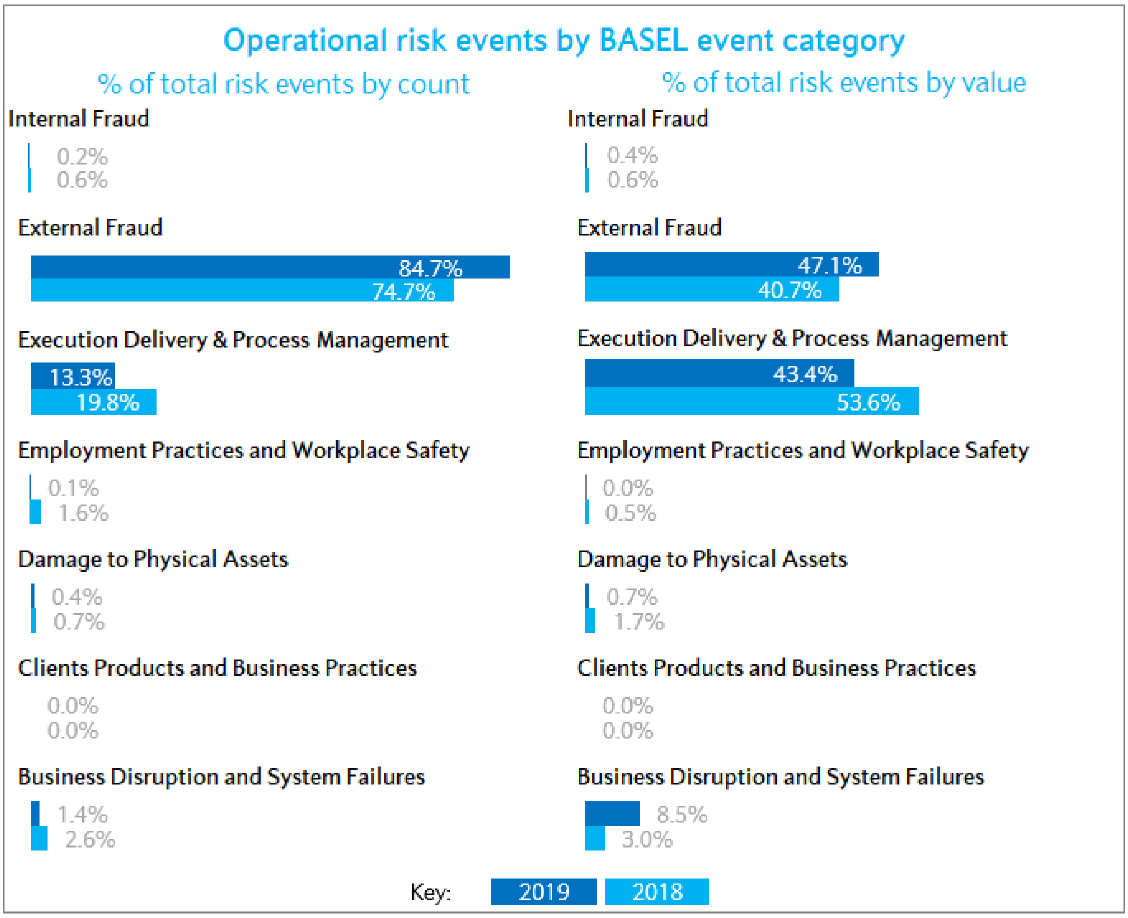
85%

of events by number are due to External Fraud

Operational risk profile

Within operational risk, there are a large number of small risk events. In 2019, 89% (2018: 91%) of the Barclays Bank UK Group's reportable operational risk events by volume had a value of less than £50,000 each. Cumulatively, events under this £50,000 threshold accounted for only 36% (2018: 16%) of the Barclays Bank UK Group's total net operational risk losses. A small proportion of operational risk events have a material impact on the financial results of the Barclays Bank UK Group.

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



- Execution, Delivery and Process Management impacts totalled £20m, down from previous year (2018: £37m) and accounted for 43% of overall operational risk losses (2018: 54%). The events in this category are typical of the banking industry as a whole where high volumes of transactions are processed on a daily basis, mapping mainly to Barclays Transaction Operations risk type. The volume of events in this category was stable year-on-year at 137 (2018: 136), accounting for 13% of total events (2018: 20%).
- External Fraud remains the category with the highest frequency of events at 85% of total events in 2019 (2018: 75%) and losses of £22m accounted for 47% of total losses (2018: £28m / 41%). In this category, high volume, low value events are driven by transactional fraud often related to debit and credit card usage.

Investment continues to be made in improving the control environment across the Barclays Bank UK Group. Particular areas of focus include new and enhanced fraud prevention systems and tools to combat the increasing level of fraud attempts being made and to minimise any disruption to genuine transactions. Fraud remains an industry wide threat and the Barclays Bank UK Group continues to work closely with external partners on various prevention initiatives.

Operational Resilience is a key area of focus for the Barclays Bank UK Group. Disruption to our business activities is a material inherent risk within the Barclays Bank UK Group and across the financial services industry, whether arising through impacts on our technology systems, our real estate services, availability of personnel or services supplied by third parties. Failure to build resilience and recovery capabilities into our business activities may result in significant customer detriment, costs to reimburse losses incurred by the Barclays Bank UK Group's customers, market impact and reputational damage. In common with the rest of the Financial Services industry, the Barclays Bank UK Group expects continued regulatory scrutiny in relation to resilience. Technology, resilience and cyber security risks evolve rapidly so the Barclays Bank UK Group maintains continued focus and investment in our control environment to manage these risks, and actively partners with peers and relevant organisations to understand and disrupt threats originating outside the Barclays Bank UK Group.

Cyber-attacks are a global threat that are inherent across all industries. The financial sector remains a primary target for cyber criminals, hostile nation states, opportunists and hacktivists. There are high levels of sophistication in criminal hacking for the purpose of stealing money, stealing, destroying or manipulating data (including customer data) and/or disrupting operations, where multiple threats exist including threats arising from malicious emails, distributed denial of service (DDoS) attacks, payment system compromises, insider attackers, supply chain and vulnerability exploitation. Cyber events can have a compounding impact on services and customers, e.g. data breaches in social networking sites, retail companies and payments networks.

The threat of cyber-attack is recognised by the Barclays Bank UK Group along with the significant potential impact on all areas of its business ranging from operational matters to its scrutiny of its relationships with its suppliers, customers and other external stakeholders. Regulators in the UK, US and Europe continue to focus on cyber-security risk management in the financial sector and have highlighted the need for financial institutions to improve their monitoring and control of, and resilience (particularly of critical services) to cyber-attacks, and to provide timely notification of them, as appropriate. This has resulted in a number of proposed laws, regulations and other requirements that necessitate implementation of a variety of increased controls and enhancement activities for regulated Barclays Bank UK Group entities. These include, among others, the adoption of cyber security policies and procedures meeting specified criteria, minimum required security measures, controls and procedures for enhanced reporting and public disclosures, compliance certification requirements, and other cyber and information risk governance measures. The Barclays Bank UK Group continues to use an intelligence-driven defence approach, analysing external events for current and emerging cyber threats which allows the delivery of proactive counter measures; the Barclays Bank UK Group also completes cyber threat scenarios and incident playbooks to assess our security posture and business impacts and runs an internal adversarial capability which simulates hackers to proactively test controls and responses. The increased control environment will continue to enhance our security posture and our ability to better protect the organisation and our customers. Cyber-attacks however are increasingly sophisticated and there can be no assurance that the measures implemented will be fully effective to prevent or mitigate future attacks, the consequences of which could be significant to the Barclays Bank UK Group. Furthermore, such measures have resulted and will result in increased technology and other costs in connection with cyber security mitigation and compliance for the Barclays Bank UK Group.

For further information, see operational risk management section (pages 33 to 34).

Risk performance

Model risk, Conduct risk, Reputation risk and Legal risk

All disclosures in this section are unaudited unless otherwise stated.

Model risk

Since the inception of model risk as a principal risk, key achievements to date include creating a complete model inventory across the firm, roll out of a robust Model Risk Management (MRM) framework and the validation of all high material models. In 2019 the framework and governance of model risk was further improved by:

- enhancing the Barclays Bank UK PLC Board's oversight of model risk, through the reporting of the model risk tolerance framework and periodic updates to the Barclays Bank UK PLC Board on the progress of the MRM implementation;
- validating a third of the population of low material models;
- strengthening the model inventory identification process, including enhancing the model lifecycle technology platform; and
- better alignment of documentation requirements to model materiality

Conduct risk

The Barclays Bank UK Group is committed to continuing to drive the right culture throughout all levels of the organisation. The Barclays Bank UK Group will continue to enhance effective management of conduct risk and appropriately consider the relevant tools, governance and management information in decision-making processes. Focus on the management of conduct risk is ongoing and the Barclays Bank UK Group Conduct Dashboards are a key component of this.

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

Businesses have continued to assess the potential customer, client and market impacts of strategic change. As part of the 2019 Medium-Term Planning Process, associated Strategic Risk Assessment and Strategic Elements of the Business Plan, material conduct risks associated with strategic and financial plans were assessed.

Throughout 2019, conduct risks were raised by each business area for consideration by the Barclays PLC BRC and the Barclays Bank UK PLC BRC. The Barclays Bank UK PLC BRC reviewed the risks raised and whether management's proposed actions were appropriate to mitigate the risks effectively. The Barclays PLC BRC Barclays Bank UK PLC BRC received regular updates with regards to key risks and issues including those relating to regulatory change and the effectiveness of the control environment.

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

The Barclays Bank UK Group has operated at the overall set tolerance for conduct risk throughout 2019. The tolerance adherence is assessed by the business areas through Key Indicators which are aggregated and provide an overall rating which is reported to the Barclays PLC BRC and the Barclays Bank UK PLC BRC as part of the Conduct Dashboard. This is supported by additional tools such as the Risk and Control Self-Assessment.

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

Reputation risk

The Barclays Bank UK Group is committed to continuing to drive the right culture throughout all levels of the organisation. The Barclays Bank UK Group will continue to enhance effective management of reputation risk and appropriately consider the relevant tools, governance and management information in decision-making processes.

The Barclays Bank UK PLC Board considers reputation risks raised by businesses. The Board has also considered whether management's proposed actions have been appropriate to mitigate the risks effectively.

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

The Barclays Bank UK Group remains focused on the continuous improvements being made to manage risk effectively, with an emphasis on enhancing governance and management information to help identify risks at earlier stages.

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

Legal risk

The Barclays Bank UK Group remains committed to continuous improvements to manage legal risk effectively. A number of enhancements have been implemented during 2019, including updating the Barclays Group framework for managing legal risk and associated policies as well as reviewing legal risk tolerances and risk appetite. Updated legal risk mandatory training was also implemented across the Barclays Group, reinforced by ongoing engagement and education of the Barclays Group's businesses and functions.

Throughout 2019, the Barclays Bank UK Group operated within set tolerances for legal risk. Tolerance adherence is assessed through key indicators, which are reviewed through the relevant risk and control committees. In addition to ongoing monitoring, legal risk controls are reviewed and assessed annually as part of the Risk and Control Self-Assessment process.

Supervision and regulation

The Barclays Bank UK Group's operations are subject to a large number of rules and regulations that are a condition for authorisation to conduct banking and financial services business. These apply to business operations, impact financial returns and include capital, leverage and liquidity requirements, authorisation, registration and reporting requirements, restrictions on certain activities, conduct of business regulations and many others.

The day-to-day regulation and supervision of the Barclays Bank UK Group is divided between the Prudential Regulation Authority (PRA) (a division of the Bank of England (BoE)) and the Financial Conduct Authority (FCA). In addition, the Financial Policy Committee (FPC) of the BoE has influence on the prudential requirements that may be imposed on the banking system through its powers of direction and recommendation.

Barclays Bank UK PLC is an authorised credit institution and subject to solo prudential supervision by the PRA and subject to conduct regulation and supervision by the FCA. From 1 January 2019, the Barclays Bank UK Group became regulated by the PRA. The Barclays Group is subject to prudential supervision by the PRA on a group consolidated basis. The Barclays Group is also subject to regulatory initiatives undertaken by the UK Payment Systems Regulator (PSR), as a participant in payment systems regulated by the PSR.

The PRA's continuing supervision of the Barclays Bank UK Group is conducted through a variety of regulatory tools, including the collection of information by way of prudential returns or cross-firm reviews, reports obtained from skilled persons, regular supervisory visits to firms and regular meetings with management and directors to discuss issues such as strategy, governance, financial resilience, operational resilience, risk management, and recovery and resolution.

Parliament gave the FCA a single strategic objective – to ensure that relevant markets function well – and three operational objectives: to protect consumers, enhance market integrity and promote competition. The FCA's supervision of the Barclays Bank UK PLC is carried out through a combination of proactive engagement, regular thematic work and project work based on the FCA's sector assessments, which analyse the different areas of the market and the risks that may lie ahead.

Both the PRA and the FCA apply standards that either anticipate or go beyond requirements established by global or EU standards, whether in relation to capital, leverage and liquidity, resolvability and resolution or matters of conduct.

The FCA has focused on conduct risk and on customer outcomes and will continue to do so. This has included a focus on the design and operation of products, the behaviour of customers and the operation of markets. The FCA is conducting on-going work on fair pricing in financial services, affordability and fair treatment of vulnerable customers. These initiatives may impact future revenues and increase conduct costs and costs of remediation.

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

Brexit

There remains much uncertainty regarding the state of the future relationship between the UK and the EU and therefore the potential impact of the UK's withdrawal from the EU on the financial regulatory framework in the UK. Following the UK's withdrawal from the EU on 31 January 2020, pursuant to the withdrawal agreement negotiated between the UK and the EU in October 2019, firms incorporated and authorised in the UK are able to continue to provide services into the EU27 in accordance with the terms of the withdrawal agreement for the duration of the transition period set out in the agreement. Following the expiry of that transitional period in December 2020, the ability of UK firms to access the EU market and vice versa would depend upon the terms of any future trade deal between the UK and the EU, including whether such deal provides for any access rights in respect of financial services. If, after the expiry of the transitional period in December 2020, there is no deal or arrangement covering retail financial services in place, Barclays Bank UK PLC would no longer be able to provide services from the UK into the EU27 in the way in which these services are currently provided. As a result of the onshoring of EU legislation in the UK, UK firms would (at least initially) be subject to substantially the same rules and regulations as before Brexit. The UK may seek to make changes to these rules going forward, particularly in the event of no deal or arrangement covering financial services, where they are not subject to any requirements to maintain particular rules or standards for equivalence purposes.

Financial regulatory framework

(a) Prudential regulation

Certain Basel III standards were implemented in EU law through the Capital Requirements Regulation (CRR) and the Capital Requirements Directive IV (CRD IV). Beyond the minimum standards required by CRD IV, the PRA has expected the Barclays Group, in common with other major UK banks and building societies, to meet a 7% Common Equity Tier 1 (CET1) ratio at the level of the consolidated group since 1 January 2016.

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

In November 2019, the FSB published an update to its list of G-SIBs, maintaining the 1.5% G-SIB buffer that applies to the Barclays Group. The Barclays Group is also subject to a 'combined buffer requirement' consisting of (i) a capital conservation buffer, and (ii) a countercyclical capital buffer (CCyB). The CCyB is based on rates determined by the regulatory authorities in each jurisdiction in which the Barclays Group maintains exposures. These rates may vary in either direction. In December 2019, the FPC raised the UK CCyB rate from 1% to 2% with binding effect from December 2020.

The PRA requires UK firms to hold additional capital to cover risks which the PRA assesses are not fully captured by the Pillar 1 capital requirement. The PRA sets this additional capital requirement (Pillar 2A) at least annually, derived from each firm's individual capital guidance. Under current PRA rules, the Pillar 2A must be met with at least 56% CET1 capital and no more than 25% tier 2 capital. In addition, the capital that firms use to meet their minimum requirements (Pillar 1 and Pillar 2A) cannot be counted towards meeting the combined buffer requirement.

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

The systemic risk buffer (which can be set between 0% and 3% of RWAs) is a firm-specific buffer, that is designed to increase the capacity of ring-fenced bodies, such as Barclays Bank UK PLC, to absorb stress, and which must be met solely with CET1 capital. The buffer rate applicable to the Barclays Group's ring-fenced sub-group is 1% of RWAs. The systemic risk buffer is now incorporated in the calculation of banks' stress test hurdle rates, which are the target capital ratios set by the PRA, with a view to capturing domestic as well as global systemic importance.

Final BCBS standards on counterparty credit risk, leverage, large exposures and a Net Stable Funding Ratio (NSFR) are being implemented under EU law via the Risk Reduction Measures package, which was published in the Official Journal in June 2019 and includes the CRR II regulation, the CRD V directive and the BRRD II directive.

The BCBS's finalisation of 'Basel III – post-crisis regulatory reforms' in December 2017, among other things, eliminated model-based approaches for certain categories of RWAs, revised the standardised approach's risk weights for a variety of exposure categories, replaced the four current approaches for operational risk (including the advanced measurement approach) with a single standardised measurement approach, established 72.5% of standardised approach RWAs for exposure categories as a floor for RWAs calculated under advanced approaches (referred to as the 'output floor'), and for G-SIBs introduced a leverage ratio buffer in an amount equal to 50% of the applicable G-SIB buffer used for RWA purposes (meaning, for the Barclays Group, a leverage ratio buffer of 0.75%). The majority of the final Basel III changes are due to be implemented commencing 1 January 2022, with a five-year phase-in period for the output floor, although the precise timing as it applies to the Barclays Group depends on national and EU legislative processes.

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

(b) Recovery and Resolution

Stabilisation and resolution framework
The 2014 Bank Recovery and Resolution Directive (BRRD) established a framework for the recovery and resolution of EU credit institutions and investment firms. Amendments to BRRD (referred to as BRRD II) were made via the finalisation of the EU Risk Reduction Measures. Member states are required to transpose BRRD II into national law by 28 December 2020 (subject to certain exceptions).

On 28 December 2017, a related EU directive came into force harmonising the priority ranking of unsecured debt instruments under national insolvency laws. The directive has been transposed into national law in the UK, dividing a financial institution's non-preferred debts into three classes in a descending ranking order (ordinary, secondary and tertiary non-preferential debts).

UK resolution authorities are empowered by law to intervene in and resolve a UK financial institution that is failing or likely to fail. The BoE (in consultation with the PRA and HM Treasury as appropriate) has several stabilisation options where a banking institution is failing or likely to fail, including, for example, to transfer some or all of the securities or business of the bank to a commercial purchaser or a 'bridge bank' owned by the BoE or to transfer the banking institution into temporary public ownership. When exercising any of its stabilisation powers, the BoE must generally provide that shareholders bear first losses, followed by creditors in accordance with the priority of their claims in insolvency.

In order to enable the exercise of its stabilisation powers, the BoE may impose a temporary stay on the rights of creditors to terminate, accelerate or close out contracts, or override events of default or termination rights that might otherwise be invoked as a result of a resolution action and modify contractual arrangements in certain circumstances (including a variation of the terms of any securities). In addition, the BoE has the power to override, vary, or impose conditions or contractual obligations between a UK bank, its holding company and its group undertakings, in order to enable any transferee or successor bank to operate effectively after any of the resolution tools have been applied. HM Treasury may also amend the law for the purpose of enabling it to use its powers under this regime effectively, potentially with retrospective effect. These powers apply regardless of any contractual restrictions and compensation that may be payable.

In addition, the BoE is required by law to permanently write-down, or convert into equity, tier 1 capital instruments and tier 2 capital instruments at the point of non-viability of the bank. This power will be extended to include eligible liabilities (such as liabilities under MREL instruments (see TLAC and MREL below)) once BRRD II is implemented.

The BoE's preferred approach for the resolution of the Barclays Group is a bail-in strategy with a single point of entry at Barclays PLC. Under such a strategy, Barclays PLC's subsidiaries (including entities within Barclays Bank UK Group) would remain operational while Barclays PLC's eligible liabilities would be written down or converted to equity in order to recapitalise the Barclays Group and allow for the continued provision of services and operations throughout the resolution. The order in which the bail-in tool is applied reflects the hierarchy of capital instruments. Accordingly, the more subordinated the claim, the more likely losses will be suffered.

The PRA has made rules that require authorised firms to draw up recovery plans and resolution packs, as required by the BRRD. Recovery plans are designed to outline credible actions that authorised firms could implement in the event of severe stress in order to restore their business to a stable and sustainable condition. Removal of potential impediments to an orderly resolution of a banking group or one or more of its subsidiaries is considered as part of the BoE's and PRA's supervisory strategy for each firm, and the PRA can require firms to make significant changes in order to enhance resolvability. The Barclays Group currently provides the PRA with a recovery plan annually and with a resolution pack as requested.

In July 2019, the BoE and PRA published final policies on the Resolvability Assessment Framework (RAF), designed to increase transparency and accountability and clarify the responsibilities on firms with respect to resolution. The RAF consists of three components: (i) how the BoE will assess resolvability; (ii) the requirement for certain firms to perform an assessment of their preparations for resolution, submit a report to the PRA and publish a summary of their most recent report; and (iii) the BoE's publication of a statement concerning the resolvability of each in-scope firm. The BoE will assess firms against three resolvability outcomes they must meet by 2022: (i) adequate financial resources; (ii) being able to continue to do business through resolution and restructuring; and (iii) being able to communicate and coordinate within the firm and with authorities.

TLAC and MREL
The BRRD requires competent authorities to impose a Minimum Requirement for own funds and Eligible Liabilities (MREL) on financial institutions to facilitate their orderly resolution without broader financial disruption or recourse to public funds. In November 2015, the FSB finalised its proposals to enhance the loss-absorbing capacity of G-SIBs and set a new minimum requirement for 'total loss-absorbing capacity' (TLAC). The FSB also published guiding principles on internal TLAC in July 2017.

The EU is implementing the TLAC standard (including internal TLAC) via the MREL requirement for G-SIBs and the relevant amendments are contained in the Risk Reduction Measures package. Under the BoE's 2018 statement of policy on MREL, the BoE will set MREL for UK G-SIBs as necessary to implement the TLAC standard and institution or group-specific MREL requirements will depend on the preferred resolution strategy for that institution or group. Internal MREL for operating subsidiaries will be scaled within a 75-90% range of the external requirement that would apply to the subsidiary if it were a resolution entity. The starting point for the scalar will be 90% for ring-fenced bank sub-groups.

The MREL requirements are being phased in as from 1 January 2019. From 1 January 2020, G-SIBs with resolution entities incorporated in the UK, including the Barclays Group, will be subject to an MREL requirement equivalent to the higher of: (i) the sum of two times the Pillar 1 requirement and one times the Pillar 2A requirement; or (ii) the higher of two times the leverage ratio or 6% of leverage exposures. The MREL requirements will be fully implemented by 1 January 2022, at which time such G-SIBs will be required to meet an MREL equivalent to the higher of: (i) two times the sum of their Pillar 1 and Pillar 2A requirements; or (ii) the higher of two times their leverage ratio or 6.75% of leverage exposures.

Bank Levy and FSCS
The BRRD requires EU member states to establish a pre-funded resolution financing arrangement with funding equal to 1% of covered deposits by 31 December 2024 to cover the costs of bank resolutions. The UK has implemented this requirement by way of a tax on the balance sheets of banks known as the 'Bank Levy'.

In addition, the UK has a statutory compensation fund called the Financial Services Compensation Scheme (FSCS), which is funded by way of annual levies on most financial services firms authorised under FSMA.

(c) Structural reform
In the UK, the Financial Services (Banking Reform) Act 2013 put in place a framework for ring-fencing certain operations of large banks and secondary legislation passed in 2014 elaborated on the operation and application of the ring-fence. Ring-fencing requires, among other things, the separation of the retail and smaller deposit-taking business activities of UK banks into a legally distinct, operationally separate and economically independent entity, which is not permitted to undertake a range of activities.

(d) Market infrastructure regulation
In recent years, regulators as well as global-standard setting bodies such as the International Organisation of Securities Commissions (IOSCO) have focused on improving transparency and reducing risk in markets, particularly risks related to over-the-counter (OTC) transactions. This focus has resulted in a variety of new regulations across the G20 countries and beyond that require or encourage on-venue trading, clearing, posting of margin and disclosure of information related to many derivatives transactions, which have impacts on the Wealth business. Both domestically and within the EU, focus is deepening and becoming increasingly transparent on the environmental and social disclosure requirements of financial products, in order to enable consumers to make more informed decisions as to the products they invest in. These new requirements may have an impact on Barclays Bank UK PLC both as an intermediary of financial products and as a product manufacturer.

The EU Benchmarks Regulation applies to the administration, contribution and use of benchmarks within the EU. Financial institutions within the EU are prohibited from using benchmarks unless their administrators are authorised, registered or otherwise recognised in the EU, subject to transitional provisions expiring on 1 January 2022. The FCA has stated that it does not intend to support LIBOR after the end of 2021. International initiatives are therefore underway to develop alternative benchmarks and backstop arrangements.

e) Conduct, culture and other regulation

Conduct and culture
The PRA and FCA measures to increase the individual accountability of senior managers and other covered individuals in the banking sector include: the 'Senior Managers Regime', which applies to a limited number of individuals with senior management responsibilities within a firm; the 'Certification Regime', which is intended to assess and monitor the fitness and propriety of a wider range of employees who could pose a risk of significant harm to the firm or its customers; and conduct rules that individuals subject to either regime must comply with. From March 2017, the conduct rules have applied more widely to other staff of firms within the scope of the regime, including the Barclays Bank UK Group.

Our regulators have also enhanced their focus on the promotion of cultural values as a key area for banks, although they generally view the responsibility for reforming culture as primarily sitting with the industry.

Data protection and PSD2

Most countries in which the Barclays Group operates have comprehensive laws governing the collection and use of personal information. Prominent media reporting of recent cyber-security breaches or data losses, and of the significant penalties handed down by European privacy regulators have heightened interest in data privacy worldwide. The introduction of the EU's General Data Protection Regulation (GDPR) sets out the key principles, individuals' rights, and obligations for most processing of personal data. It does not significantly alter the core principles established under the earlier Data Protection Directive, but sets out to create a single harmonised privacy regime across European member states with penalties up to the higher of 4% of global turnover or €20 million. The GDPR also institutes new mandatory breach notification requirements, enhances the rights of individual data subjects and introduces an accountability principle concerned with openly demonstrating compliance. The GDPR has extra-territorial effect where a business established outside the EU is processing personal data of individuals located in the EU (e.g. European based customers or clients) and such processing relates to the offering of goods or services to such individuals, or the monitoring of their behaviour in the EU.

Although the GDPR establishes the EU's data protection regime, most member states needed to pass local implementing legislation. For the United Kingdom, the Data Protection Act 2018, which replaces the earlier Data Protection Act 1998, provides the framework for the operation of the GDPR in the UK, giving effect to local exemptions agreed with the European Commission. It also sets out the functions and powers for the Information Commissioner's Office, the UK's data protection supervisory authority. The UK Government has stated the GDPR will remain the primary source of data protection and privacy law following the UK's departure from the European Union.

The revised Payment Services Directive (PSD2) introduces additional security requirements when customers and clients are accessing accounts or making payments online. In August 2019, the FCA agreed an 18-month plan for firms to implement these requirements, referred to as Strong Customer Authentication (SCA).

Cyber security and operational resilience

Our regulators continue to focus on cyber security risk management and organisational operational resilience and overall soundness across all financial services firms, with customer and market expectations of continuous access to financial services at an all-time high.

This has a led to a number of proposed laws and changes to regulatory frameworks being published, such as the UK regulators' proposals for a new operational resilience regime, that necessitate the implementation of a variety of increased controls and enhancement activities for regulated Barclays Bank UK Group entities.

To comply with these new requirements, firms such as the Barclays Bank UK Group have adopted or will adopt a variety of increased controls and processes, including, among others, the amendment of cyber security policies and procedures to include specified criteria, additional security measures for enhanced reporting and public disclosures, compliance certification requirements, operational resilience and more advanced recovery solutions, as well as other cyber and information risk governance measures. These increased controls will enhance industry standardisation, expand and enhance our resilience capabilities as well as increase our ability to protect and maintain customer service during potential disruptions. Such measures are likely to result in increased technology and compliance costs for the Barclays Bank UK Group.

Sanctions and financial crime

The UK Bribery Act 2010 introduced a new form of corporate criminal liability focused broadly on a company's failure to prevent bribery on its behalf. In practice, the legislation requires the Barclays Bank UK Group to have adequate procedures to prevent bribery which, due to the extra-territorial nature of the status, makes this both complex and costly.

The Criminal Finances Act 2017 introduced new corporate criminal offences of failing to prevent the facilitation of UK and overseas tax evasion. It requires the Barclays Bank UK Group to have reasonable prevention procedures in place to prevent the criminal facilitation of tax evasion by persons acting for, or on behalf of, any entity in the Barclays Bank UK Group.

In May 2018, the Sanctions and Anti-Money Laundering Act became law in the UK. The Act allows for the adoption of an autonomous UK Sanctions regime, as well as a more flexible licensing regime post-Brexit.

In July 2018, the 5th EU Anti-Money Laundering Directive entered into force. Amongst other things, the Directive introduces changes to the Enhanced Due Diligence measures that are required in respect of customer relationships or transactions involving high risk non-EU countries. EU Member States are required to implement the requirements of the Directive by January 2020. The UK Government has confirmed that it will implement the requirements of the Directive, regardless of the outcome of Brexit, and on 10 January 2020 changes to the UK Money Laundering Regulations came into force.

In some cases, US state and federal regulations addressing sanctions, money laundering and other financial crimes may impact entities, persons or activities located outside the US, including Barclays PLC and its subsidiaries. The enforcement of these regulations has been a major focus of US state and federal government policy relating to financial institutions to ensure compliance could have serious legal, financial and reputational consequences for the institution.

Financial statements
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Detailed analysis of our statutory accounts, independently audited and providing in-depth disclosure on the financial performance of the Barclays Bank UK Group.

Independent Auditor's report to the members of Barclays Bank UK PLC

1 Our opinion is unmodified

We have audited the financial statements of Barclays Bank UK PLC ("the Parent company") for the year ended 31 December 2019 which comprise the consolidated and Parent company balance sheets as at 31 December 2019 and the consolidated income statement and statement of comprehensive income, the consolidated and Parent company statements of changes in equity and cash flow statements for the year then ended, and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the Parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were first appointed as auditor by the Directors on 21 March 2018 for the audit of the financial year ended 31 December 2017. The period of total uninterrupted engagement is for the three financial years ended 31 December 2019. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures.

In the prior year, we reported a key audit matter in respect of the impact of uncertainties due to the UK exiting the European Union. As a result of developments since the prior year report, including the Group and Parent company's own preparation, the relative significance of this matter on our audit work, including in relation to the impairment allowance which remains a key audit matter, has reduced. Accordingly, we no longer consider this a key audit matter.

These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Impairment allowances on loans and advances at amortised cost, including off-balance sheet elements

31 December 2019 £2.7bn, 31 December 2018 £3.0bn

Refer to page 121 (accounting policy on accounting for the impairment of financial assets), page 43 (credit risk disclosures), and page 121 (financial disclosure note 7 Credit impairment charges)</td><td>Subjective estimate
The estimation of expected credit losses ("ECL") on financial instruments involves significant judgement and estimates. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Group and Parent company estimation of ECLs are:

▪ Model estimations – Inherently judgemental modelling is used to estimate ECLs which involves determining Probabilities of Default ("PD"), Loss Given Default ("LGD"), and Exposures at Default ("EAD"). The PD models are the key drivers of the ECLs and also impact the staging of assets and as a result are considered the most significant judgemental aspect of the Group's and Parent company's ECL modelling approach especially for the credit card and consumer loans portfolios.

▪ Economic scenarios – IFRS 9 requires the Group and Parent company to measure ECLs on an unbiased forward-looking basis reflecting a range of future economic conditions. Significant management</td><td>Our procedures included:

Controls testing: We performed end to end process walkthroughs to identify the key systems, applications and controls used in the ECL processes. We tested the relevant general IT and applications controls over key systems used in the ECL process.

Key aspects of our controls testing involved the following:

- For the relevant portfolios, testing the design and operating effectiveness of the key controls over the completeness and accuracy of the key inputs and assumptions into the IFRS 9 impairment models;

- Testing the design and operating effectiveness of the key controls over the application of the staging criteria;</td></tr>
</table>

	judgement is applied in determining the economic scenarios used and the probability weightings applied to them especially when considering the current uncertain economic environment in the UK, including the manner in which the UK withdraws from the European Union. This especially impacts the credit cards, mortgages, and consumer loans portfolios. ▪ Qualitative adjustments – Adjustments to the model-driven ECL results are raised by management to address known impairment model limitations or emerging trends. They represent approximately 14% net of the ECL. Such adjustments are inherently uncertain and significant management judgement is involved in estimating these amounts especially in relation to the credit cards portfolio. The effect of these matters is that, as part of our risk assessment, we determined that the impairment of loans and advances to customers including off balance sheet elements has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The credit risk sections of the financial statements disclose the sensitivities estimated by the Group and Parent company. **Disclosure quality** The disclosures regarding the Group and Company's application of IFRS 9 are key to explaining the key judgements and material inputs to the IFRS 9 ECL results.	- Evaluating controls over validation, implementation and model monitoring; - Evaluating controls over authorisation and calculation of post model adjustments and management overlays; and - Testing key controls relating to the selection and implementation of material macro-economic variables and the controls over the scenario selection and probabilities. **Our financial risk modelling expertise:** For the credit cards and consumer loans portfolios we involved our own financial risk modelling specialists in the following; - Evaluating the appropriateness of the Group's and Parent company's IFRS 9 impairment methodologies (including the staging criteria used); - Re-performing the calculation of certain components of the ECL model calculation (including the staging criteria); - For a sample of models which were changed or updated during the year, evaluating whether the changes (including the updated model code) were consistent with Barclays' approved IFRS 9 impairment methodologies by re-performing key model validation procedures; and - For a sample of material models, assessing the reasonableness of the model predictions by comparing them against actual results and evaluating the resulting differences. **Our economic scenario expertise:** We involved our own economic specialists to assist us in evaluating the appropriateness of the Group's and Parent company's methodology for determining the economic scenarios used and the probability weightings applied to them. We assessed key economic variables such as GDP, unemployment and house prices indices, which included agreeing samples of economic variables to external sources. We also challenged the overall reasonableness of the economic forecasts by comparing the Group's and Parent company's forecasts to our own modelled forecasts, with a focus on the credit cards, mortgages, and consumer loans portfolios. We also assessed the reasonableness of the Group's and Parent company's considerations of the ECL impact of anticipated economic uncertainty in the UK. **Test of details:** Key aspects of our testing involved: - Sample testing over key inputs and assumptions impacting ECL calculations to assess the reasonableness of economic forecasts, weights, and PD assumptions applied; and - Selecting a sample of post model adjustments, considering the size and complexity of management overlays, in order to assess the reasonableness of the adjustments by

Independent Auditor's report to the members of Barclays Bank UK PLC

		challenging key assumptions, inspecting the calculation methodology and tracing a sample of the data used back to source data. **Assessing transparency:** We assessed whether the disclosures appropriately disclose and address the uncertainty which exists when determining the expected credit losses. As a part of this, we assessed the sensitivity analysis that is disclosed. In addition, we assessed whether the disclosure of the key judgements and assumptions made was sufficiently clear. **Our results:** The results of our testing were satisfactory and we considered the ECL charge, provision recognised and the related disclosures to be acceptable (2018 result: acceptable).
Provision for conduct redress costs (PPI) **31 December 2019 £1.2bn, 31 December 2018 £0.9bn** Refer to page 149 (accounting policy on accounting for provisions) and page 149 (financial disclosure note 22 Provisions)	**Subjective estimate** The calculation of the provision for Payment Protection Insurance ("PPI") redress costs for the Group and Parent company requires the Directors to make a number of key assumptions regarding the redress still to be paid. The determination of these is judgmental and requires the Directors to consider a range of information. The Group and Parent company received a higher than expected volume of complaints, enquiries and requests for information in the run up to the FCA timebar in August 2019, including a volume related to enquiries received from the Official Receiver. The most significant assumptions in the PPI provision calculation are the proportion of complaints and other claims for which redress will be payable and judgements around the legal position of enquiries from the Official Receiver and these areas are where we have focused our procedures. The Directors have developed a model which estimates the proportion of complaints, enquiries and requests for information ("RFIs") for which redress will be payable and the associated redress cost. The Directors have assessed the appropriateness of the provision with reference to historical observed complaints data, and more recent experience observed in complaints and other claims received in the period shortly before the timebar. The effect of these matters is that, as part of our risk assessment, we determined that PPI provision costs have significant estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. **Disclosure quality** The related PPI disclosures provide the key assumptions underpinning the calculation of the provision and sensitivity of the provision to the changes in those assumptions and are therefore key to understanding the judgement which has been applied.	Our procedures included: **Historical comparison:** We evaluated the assumptions and data used, particularly those in relation to complaint volumes and validity which led to an adjustment to provision estimates in 2019. **Enquiry of regulators:** We inspected correspondence with the FCA and other regulators to identify any regulatory observations on the PPI redress provision. We also made enquiries of the FCA discussing the nature of the matters contained in regulatory correspondence that could materially affect the level of provisions held. **Controls testing:** We tested the design and operating effectiveness of the key controls over capturing of complaints data and assumptions applied in the estimation of redress payments to be made. **Sensitivity analysis:** We considered the appropriateness of the scenarios used to model the potential range of outcomes. We also considered the sensitivity of the model to variations in redress assumptions by inspecting the calculation methodology and challenging the key assumptions using our industry knowledge. **Enquiry of lawyers:** For Official Receiver enquiries we enquired of the Group's and Parent company's external legal counsel and inspected legal reports and correspondence from the Official Receiver to challenge whether the provision reflects most recent developments. **Independent re-performance:** We built our own model to allow us to determine a range of potential future outcomes under multiple independently selected scenarios and used these to assess the appropriateness of the Group's and Parent company's point estimate. We developed a number of these scenarios using analysis of Barclays' historical complaint data. Where there were differences in the inputs and ranges we challenged the Group's and Parent company's rationale for these and assessed whether they were reasonable. **Assessing transparency:** We assessed whether the disclosures appropriately disclose and address the significant uncertainty which exists when estimating

		the PPI redress provision. As a part of this, we re-performed the sensitivity analysis that is disclosed. **Our results:** The results of our testing were satisfactory and we considered the provision recognised, and sensitivity disclosures made, to be acceptable. (2018 result: acceptable).
Valuation of financial instruments held at fair value Refer to page 114 (accounting policy on accounting for financial assets and liabilities) and page 137 (financial disclosure note 15 Fair value of financial instruments)	**Subjective valuation** The fair value of the Group's and Parent company's financial instruments is determined through the application of valuation techniques which often involve the exercise of significant judgement by management in relation to the choice of valuation models, pricing inputs and post-model pricing adjustments, including fair value adjustments (FVAs) and credit and funding adjustments (together referred to as XVAs). Where significant pricing inputs are unobservable, management has no reliable, relevant market data available in determining the fair value and hence estimation uncertainty can be high. These financial instruments are classified as Level 3, with management having controls in place over the boundary between Level 2 and 3 positions. Our significant audit risk is therefore over the significant Level 3 portfolio, which is the Education, Social Housing and Local Authority ('ESHLA') loan portfolio. As at 31 December 2019 the Group and Parent company have outstanding ESHLA loans which require significant judgement in the valuation due to the long dated nature of the portfolio, the lack of a secondary market in the relevant loans and unobservable loan spreads. At 31 December 2019, Level 3 financial instruments (£3.5bn) represented 14.8% of the Group's and Parent company's financial assets carried at fair value. **Disclosure quality** The IFRS 13 fair value measurement disclosures are key to explaining the valuation techniques, key judgements, assumptions and material inputs.	Our procedures included: **Control testing:** We tested the design and operating effectiveness of key controls relating specifically to these portfolios. These included; - Controls over independent price verification ("IPV"), performed by a control function, of key market pricing inputs, including completeness of positions and valuation inputs subject to IPV; - Controls over FVAs and XVAs; and - Controls over the validation, completeness, implementation and usage of valuation models. This included controls over assessment of model limitations and assumptions. **Independent re-performance:** With the assistance of our own valuation specialists we independently re-priced a selection of trades from across the significant audit risk portfolios and challenged management on the valuations where they were outside our tolerance. **Methodology choice:** Our own valuation specialists assisted us in challenging the appropriateness of significant models and methodologies used in calculating fair values, risk exposures and in calculating FVAs, including comparison to industry practice. **Historical comparison:** We inspected significant gains and losses on trade exits or restructurings and challenged whether these data points indicate elements of fair value not incorporated in the current valuation methodologies. **Assessing transparency:** We assessed the adequacy of the Group's and Parent company's financial statements disclosures in the context of the relevant accounting standards. **Our results:** The results of our testing were satisfactory and we considered the fair value of Level 3 financial assets recognised to be acceptable (2018 result: acceptable).
User access management	**Control performance** The Group's and Parent company's accounting and reporting processes are dependent on automated controls enabled by IT systems. User access management controls are an important component of the general IT control environment assuring that unauthorised access to systems do not impact the effective operation of the automated controls in the financial reporting processes. Key user access management controls continue to be reported as not being consistently implemented and effectively operated across the Group and Parent company. Ineffective controls included privileged access, segregation of duties and user access recertification.	Our procedures included **Control testing**: We tested the design and operating effectiveness of the relevant controls over user access management including; - Authorising access rights for new joiners; - Timely removal of user access rights; - Logging and monitoring of user activities; - Privileged user and developer access to production systems, the procedures to assess granting, potential use, and the removal of these access rights;

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	A series of remediation programmes were in place during the year to address previously identified control deficiencies. The Group and Parent company have also enhanced compensating controls to address the issues raised, most of them relating to user access management. If the above controls for user access management are deficient and not remediated or adequately mitigated the pervasive nature of these controls may undermine our ability to place reliance on automated and IT dependent controls in our audit.	- Segregation of duties including access to multiple systems that could circumvent segregation controls; and - Re-certification of user access rights. **Control re-performance:** To assess whether additional detective compensating controls adequately address the risk of unauthorised access, we re-performed on a sample basis management's assessment of potential unauthorised access by privileged accounts and users, whose access rights were not recertified. **Our results:** Our testing did not identify unauthorised user activities in the systems relevant to financial reporting which would have required us to expand the extent of our planned detailed testing.

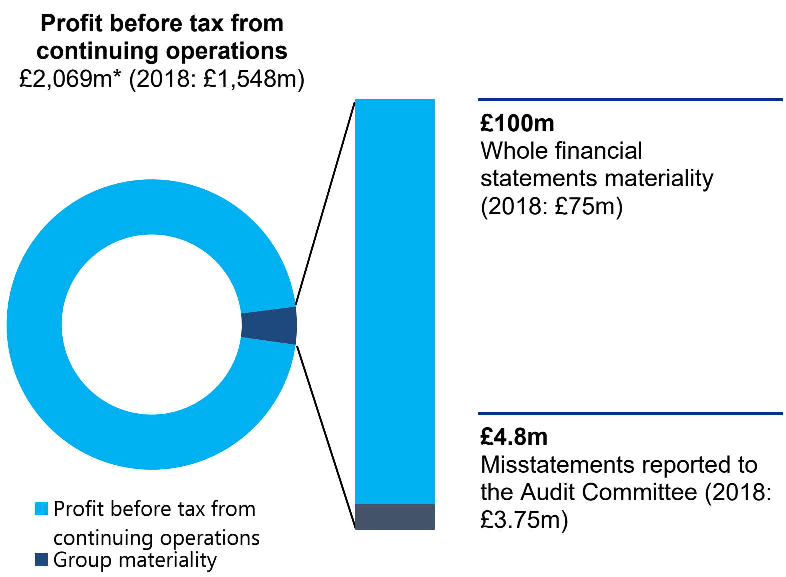
3 Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £100 million (2018: £75 million), determined with reference to a benchmark of group profit before tax from continuing operations, normalised to exclude the charge related to PPI of £1.4 billion, of which it represents 4.8%. In the prior year materiality was determined with reference to a benchmark of group profit before tax, of which it represented 4.8%.

Materiality for the Parent company financial statements as a whole was set at £97 million (2018: £72 million), determined with reference to a benchmark of profit before tax from continuing operations, normalised to exclude the charge related to PPI of £1.4 billion, of which it represents 4.8%. In the prior year materiality was determined with reference to a benchmark of group profit before tax, of which it represented 4.6%.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £4.8 million (2018: £3.75m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Group materiality



*normalised to exclude charges related to PPI

Scope – general

The Group team performed the audit of the Group as it if was a single aggregated set of financial information, using the materiality levels set out above.

The Group has centralised processes in India, the outputs of which are also included in the aggregated set of financial information. These services are subject to specified audit procedures, predominantly the testing of transaction processing and controls. We evaluated the work which the participating audit team performed in these areas. We communicated with the participating audit team throughout the audit by holding regular telephone conference meetings and we visited India in August 2019.

4 We have nothing to report on going concern

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

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and Parent company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Parent company's business model and analysed how those risks might affect the Group's and Parent company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Parent company's available financial resources over this period were:

- availability of funding and liquidity in the event of a market wide stress scenario including the impact of the manner in which the UK withdraws from the European Union; and
- impact on regulatory capital requirements in the event of an economic slowdown or recession.

As these were risks that could potentially cast significant doubt on the Group's and the Parent company's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise.

Based on this work, we are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5 We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and Directors' report

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

6 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:
- adequate accounting records have not been kept by the Parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities
As explained more fully in their statement set out on page 24, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group's and Parent company's ability to

Independent Auditor's report to the members of Barclays Bank UK PLC

continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), 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, other irregularities 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.

Irregularities – ability to detect
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, through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Group's and Parent company's regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

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

Firstly, the Group and Parent company are subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group and Parent company are subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's and Parent company's license to operate. We identified the following areas as those most likely to have such an effect: specific aspects of regulatory capital and liquidity, conduct, money laundering, sanctions list and financial crime, market abuse regulations and certain aspects of company legislation recognising the financial and regulated nature of the Group's and Parent company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Through these procedures, we became aware of actual or suspected non-compliance and considered the effect as part of our procedures on the related financial statement items. Further detail in respect of conduct are set out in the key audit matters disclosures in section 2 of this report.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) 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 irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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

This report is made solely to the Parent 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 Parent 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 Parent company and the Parent company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Michelle Hinchliffe (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

12 February 2020

Consolidated financial statements
Consolidated income statement

For the year ended 31 December	Notes	2019 £m	2018[a,b] £m
Interest income	3	7,218	5,267
Interest expense	3	(1,413)	(830)
Net interest income		5,805	4,437
Fee and commission income	4	1,674	1,315
Fee and commission expense	4	(368)	(273)
Net fee and commission income		1,306	1,042
Net trading Income	5	33	30
Net investment income	6	172	86
Other income		6	11
Total income		7,322	5,606
Credit impairment charges	7	(709)	(624)
Net operating income		6,613	4,982
Staff costs	28	(1,252)	(1,016)
Infrastructure costs	8	(382)	(307)
Administration and general expenses	8	(2,724)	(2,033)
Provisions for litigation and conduct	22	(1,586)	(78)
Operating expenses		(5,944)	(3,434)
Profit before tax		669	1,548
Taxation	9	(513)	(405)
Profit after tax		156	1,143
Attributable to:			
Equity holders of the parent		3	1,038
Other equity instrument holders		153	105
Profit after tax		156	1,143

Notes
a From 2019, due to an IAS 12 update, the tax relief on payments in relation to AT1 instruments has been recognised in the tax charge of the income statement, whereas it was previously recorded in retained earnings. Comparatives have been restated, reducing the tax charge for 2018 by £28m. Further detail can be found in Note 1.
b Barclays Bank UK PLC acquired the UK banking business from Barclays Bank PLC on 1 April 2018.
c As permitted by section 408(3) of the Companies Act 2006 an income statement for the parent company has not been presented.

Consolidated statement of comprehensive income

For the year ended 31 December	2019 £m	2018 £m
Profit after tax	**156**	1,143
Other comprehensive income/(loss) that may be recycled to profit or loss:		
Fair value through other comprehensive income reserve movement relating to debt securities		
Net gains/(losses) from changes in fair value	**438**	(73)
Net (losses)/gains due to fair value hedging	**(391)**	72
Net (gains) transferred to net profit on disposal	**(48)**	(27)
Tax	**5**	11
Cash flow hedging reserve		
Net gains from changes in fair value	**143**	26
Net (gains)/ losses transferred to net profit	**(6)**	1
Tax	**(34)**	(7)
Other comprehensive income that may be recycled to profit or loss	**107**	3
Other comprehensive income/(loss) not recycled to profit or loss:		
Tax	**-**	-
Other comprehensive income not recycled to profit or loss	**-**	-
Other comprehensive income for the year	**107**	3
Total comprehensive income for the year	**263**	1,146

Consolidated balance sheet

As at 31 December	Notes	2019 £m	2018 £m
Assets			
Cash and balances at central banks		**24,305**	40,669
Cash collateral and settlement balances		**4,331**	3,349
Loans and advances at amortised cost	17	**197,569**	188,565
Reverse repurchase agreements and other similar secured lending		**1,761**	1,759
Trading portfolio assets	11	**860**	151
Financial assets at fair value through the income statement	12	**3,571**	3,880
Derivative financial instruments	13	**192**	241
Financial assets at fair value through other comprehensive income	14	**19,322**	6,710
Goodwill and intangible assets	20	**3,530**	3,534
Property, plant and equipment	18	**893**	498
Deferred tax assets	9	**810**	792
Other assets		**1,254**	1,157
Total assets		**258,398**	251,305
Liabilities			
Deposits at amortised cost	17	**205,696**	197,485
Cash collateral and settlement balances		**214**	239
Repurchase agreements and other similar secured borrowing		**13,420**	11,978
Debt securities in issue		**8,271**	11,172
Subordinated liabilities	25	**7,688**	7,548
Trading portfolio liabilities	11	**1,704**	1,269
Derivative financial instruments	13	**740**	419
Current tax liabilities	9	**458**	984
Other liabilities	21	**2,034**	1,888
Provisions	22	**1,660**	1,380
Total liabilities		**241,885**	234,362
Equity			
Called up share capital and share premium	26	**5**	5
Other equity instruments	26	**2,560**	2,070
Other reserves	27	**183**	76
Retained earnings		**13,765**	14,792
Total equity		**16,513**	16,943
Total liabilities and equity		**258,398**	251,305

The Board of Directors approved the financial statements on pages 105 to 164 on 12 February 2020.

Sir Ian Cheshire
Chair

Matt Hammerstein
Chief Executive

James Mack
Chief Financial Officer

Consolidated statement of changes in equity

	Called up share capital and share premium[a]	Other equity instruments[a]	Other reserves[b]	Retained earnings[c]	Total equity
	£m	£m	£m	£m	£m
Balance as at 1 January 2019	**5**	**2,070**	**76**	**14,792**	**16,943**
Profit after tax	**-**	**153**	**-**	**3**	**156**
Financial assets at fair value through other comprehensive income	**-**	**-**	**4**	**-**	**4**
Cash flow hedges	**-**	**-**	**103**	**-**	**103**
Total comprehensive income for the year	**-**	**153**	**107**	**3**	**263**
Issue and exchange of other equity instruments	**-**	**490**	**-**	**-**	**490**
Equity settled share schemes	**-**	**-**	**-**	**32**	**32**
Other equity instruments coupons paid	**-**	**(153)**	**-**	**-**	**(153)**
Vesting of employee share schemes	**-**	**-**	**-**	**(12)**	**(12)**
Dividends paid	**-**	**-**	**-**	**(1,050)**	**(1,050)**
Balance as at 31 December 2019	**5**	**2,560**	**183**	**13,765**	**16,513**

	Called up share capital and share premium[a]	Other equity instruments[a]	Other reserves[b]	Retained earnings[c]	Total equity
Balance as at 1 January 2018	5	-	20	21	46
Profit after tax	-	105	-	1,038	1,143
Financial assets at fair value through other comprehensive income	-	-	(17)	-	(17)
Cash flow hedges	-	-	20	-	20
Total comprehensive income for the year	-	105	3	1,038	1,146
Issue of new ordinary shares	13,044	-	-	-	13,044
Equity settled share schemes	-	-	-	19	19
Net equity impact of the UK banking business transfer	-	2,070	53	46	2,169
Capital reorganisation	(13,044)	-	-	13,044	-
Other equity instruments coupons paid	-	(105)	-	-	(105)
Vesting of employee share schemes	-	-	-	(10)	(10)
Dividends paid	-	-	-	(350)	(350)
Capital contribution from Barclays Bank PLC	-	-	-	983	983
Other reserve movements	-	-	-	1	1
Balance as at 31 December 2018[d]	5	2,070	76	14,792	16,943

Notes
a For further details, refer to Note 26.
b For further details, refer to Note 27.
c From 2019, due to an IAS 12 update, the tax relief on payments in relation to AT1 instruments has been recognised in the tax charge of the income statement, whereas it was previously recorded in retained earnings. Comparatives have been restated, reducing the tax charge for 2018 by £28m. Further detail can be found in Note 1.
d Barclays Bank UK PLC acquired the UK banking business from Barclays Bank PLC on 1 April 2018.

Consolidated cash flow statement

For the year ended 31 December	2019 £m	2018[a] £m
Reconciliation of profit before tax to net cash flows from operating activities:		
Profit before tax	**669**	1,548
Adjustment for non-cash items:		
Credit impairment charges	**709**	624
Depreciation, amortisation and impairment of property, plant, equipment and intangibles	**150**	50
Other provisions	**1,665**	104
Other non-cash movements	**110**	(364)
Changes in operating assets and liabilities		
Cash collateral and settlement balances	**(531)**	(130)
Loans and advances at amortised cost	**(10,117)**	(4,022)
Repurchase and reverse repurchase agreements	**1,440**	(592)
Deposits and debt securities in issue	**5,310**	6,532
Derivative financial instruments	**370**	(5,854)
Trading assets and liabilities	**(274)**	(647)
Financial assets and liabilities at fair value	**309**	1,736
Other assets and liabilities	**(1,835)**	561
Corporate income tax paid	**(1,086)**	(128)
Net cash from operating activities	**(3,111)**	(582)
Net cash acquired from the acquisition of the UK banking business	**-**	45,940
Purchase of financial assets at fair value through other comprehensive income	**(11,846)**	(899)
Purchase of property, plant and equipment and intangibles	**(30)**	(38)
Net cash from investing activities	**(11,876)**	45,003
Dividends paid and coupon payments on other equity instruments	**(1,203)**	(455)
Net issue of shares and other equity instruments	**490**	-
Issuance of subordinated debt	**157**	-
Vesting of employee share schemes	**(12)**	(10)
Net cash from financing activities	**(568)**	(465)
Effect of exchange rates on cash and cash equivalents	**(737)**	325
Net increase in cash and cash equivalents	**(16,292)**	44,281
Cash and cash equivalents at beginning of year	**44,334**	53
Cash and cash equivalents at end of year	**28,042**	44,334
Cash and cash equivalents comprise:		
Cash and balances at central banks	**24,305**	40,669
Loans and advances to banks with original maturity less than three months	**87**	491
Cash collateral and settlement balances with banks with original maturity less than three months	**3,650**	3,174
	28,042	44,334

Note
a From 2019, the effect of exchange rates on cash and cash equivalents has been disclosed. Comparatives have been restated, reducing other non-cash movements by £325m.

Interest received by Barclays Bank UK Group was £7,218m (2018: £5,267m) and interest paid by Barclays Bank UK Group was £1,413m (2018: £830m).

As at 31 December 2019, the Barclays Bank UK Group was required to maintain balances with central banks in respect of interbank payment schemes of £388m (2018: £672m).

For the purposes of the cash flow statement, cash comprises cash on hand and demand deposits and 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. Repurchase and reverse repurchase agreements are not considered to be part of cash equivalents.

Financial statements of Barclays Bank UK PLC
Parent company accounts

Balance sheet

As at 31 December	Notes	2019 £m	2018 £m
Assets			
Cash and balances at central banks		**24,305**	40,664
Cash collateral and settlement balances		**4,331**	3,364
Loans and advances at amortised cost	17	**197,960**	188,606
Reverse repurchase agreements and other similar secured lending		**1,761**	1,759
Trading portfolio assets	11	**860**	151
Financial assets at fair value through the income statement	12	**3,571**	3,880
Derivative financial instruments	13	**193**	241
Financial assets at fair value through other comprehensive income	14	**19,322**	6,710
Investment in subsidiaries		**454**	463
Goodwill and intangible assets	20	**3,382**	3,386
Property, plant and equipment	18	**893**	498
Deferred tax assets	9	**810**	790
Other assets		**1,079**	939
Total assets		**258,921**	251,451
Liabilities			
Deposits at amortised cost	17	**206,764**	199,031
Cash collateral and settlement balances		**214**	239
Repurchase agreements and other similar secured borrowing		**13,420**	11,978
Debt securities in issue		**7,778**	9,912
Subordinated liabilities	25	**7,688**	7,548
Trading portfolio liabilities	11	**1,704**	1,269
Derivative financial instruments	13	**740**	436
Current tax liabilities	9	**451**	990
Other liabilities	21	**1,903**	1,676
Provisions	22	**1,613**	1,348
Total liabilities		**242,275**	234,427
Equity			
Called up share capital and share premium	26	**5**	5
Other equity instruments	26	**2,560**	2,070
Other reserves	27	**285**	178
Retained earnings[a]		**13,796**	14,771
Total equity		**16,646**	17,024
Total liabilities and equity		**258,921**	251,451

Note
a As permitted by section 408(3) of the Companies Act 2006 an income statement for the parent company has not been presented. Included in shareholders' equity for the Bank is a profit after tax for the year ended 31 December 2019 of £208m (2018: £1,154m).

The Board of Directors approved the financial statements on pages 110 to 112 on 12 February 2020.

Sir Ian Cheshire
Chair

Matthew Hammerstein
Chief Executive

James Mack
Chief Financial Officer

Statement of changes in equity

	Called up share capital and share premium[a]	Other equity instruments[a]	Other reserves[b]	Retained earnings[c]	Total equity
	£m	£m	£m	£m	£m
Balance as at 1 January 2019	**5**	**2,070**	**178**	**14,771**	**17,024**
Profit after tax	**-**	**153**	**-**	**55**	**208**
Financial assets at fair value through other comprehensive income	**-**	**-**	**4**	**-**	**4**
Cash flow hedges	**-**	**-**	**103**	**-**	**103**
Total comprehensive income for the year	**-**	**153**	**107**	**55**	**315**
Issue and exchange of other equity instruments	**-**	**490**	**-**	**-**	**490**
Equity settled share schemes	**-**	**-**	**-**	**32**	**32**
Other equity instruments coupons paid	**-**	**(153)**	**-**	**-**	**(153)**
Vesting of employee share schemes	**-**	**-**	**-**	**(12)**	**(12)**
Dividends paid	**-**	**-**	**-**	**(1,050)**	**(1,050)**
Balance as at 31 December 2019	**5**	**2,560**	**285**	**13,796**	**16,646**
Balance as at 1 January 2018	5	-	121	33	159
Profit after tax	-	105	-	1,049	1,154
Financial assets at fair value through other comprehensive income	-	-	(17)	-	(17)
Cash flow hedges	-	-	20	-	20
Total comprehensive income for the year	-	105	3	1,049	1,157
Issue of new ordinary shares	13,044	-	-	-	13,044
Equity settled share schemes	-	-	-	19	19
Net equity impact of the UK banking business transfer	-	2,070	54	46	2,170
Capital reorganisation	(13,044)	-	-	13,044	-
Other equity instruments coupons paid	-	(105)	-	-	(105)
Vesting of employee share schemes	-	-	-	(10)	(10)
Dividends paid	-	-	-	(350)	(350)
Capital contribution from Barclays Bank PLC	-	-	-	941	941
Other movements	-	-	-	(1)	(1)
Balance as at 31 December 2018[d]	5	2,070	178	14,771	17,024

Notes
a For further details, refer to Note 26.
b For further details, refer to Note 27.
c From 2019, due to an IAS 12 update, the tax relief on payments in relation to AT1 instruments has been recognised in the tax charge of the income statement, whereas it was previously recorded in retained earnings. This change does not impact earnings per share or return on average tangible shareholders' equity. Comparatives have been restated, reducing the tax charge for 2018 by £28m. Further detail can be found in Note 1.
d Barclays Bank UK PLC acquired the UK banking business from Barclays Bank PLC on 1 April 2018.

Cash flow statement

For the year ended 31 December	2019 £m	2018[a] £m
Reconciliation of profit before tax to net cash flows from operating activities:		
Profit before tax	703	1,554
Adjustment for non-cash items:		
Credit impairment charges	710	622
Depreciation, amortisation and impairment of property, plant, equipment and intangibles	150	50
Other provisions	1,611	105
Other non-cash movements	113	(353)
Changes in operating assets and liabilities		
Cash collateral and settlement balances	(516)	(124)
Loans and advances at amortised cost	(9,797)	(4,341)
Reverse repurchase agreements and other similar lending	1,440	(592)
Deposits and debt securities in issue	5,599	6,478
Derivative financial instruments	352	(5,836)
Trading assets and liabilities	(274)	(647)
Net decrease in financial assets and liabilities at fair value	309	1,718
Other assets and liabilities	(1,753)	590
Corporate income tax paid	(1,083)	(132)
Net cash from operating activities	(2,436)	(908)
Net cash acquired from the acquisition of the UK banking business		45,936
Purchase of financial assets at fair value through other comprehensive income	(11,846)	(899)
Purchase of property, plant and equipment and intangibles	(28)	(38)
Net cash from investing activities	(11,874)	44,999
Dividends paid and other coupon payments on equity instruments	(1,203)	(455)
Net issue of shares and other equity instruments	490	
Issuance of subordinated debt	157	-
Vesting of employee share schemes	(12)	(10)
Net cash from financing activities	(568)	(465)
Effect of exchange rates on cash and cash equivalents	(737)	325
Net increase in cash and cash equivalents	(15,615)	43,951
Cash and cash equivalents at beginning of year	43,984	33
Cash and cash equivalents at end of year	28,369	43,984
Cash and cash equivalents comprise:		
Cash and balances at central banks	24,305	40,664
Loans and advances to banks with original maturity less than three months	414	146
Cash collateral and settlement balances with banks with original maturity less than three months	3,650	3,174
	28,369	43,984

Note
a From 2019, the effect of exchange rates on cash and cash equivalents has been disclosed. Comparatives have been restated, reducing other non-cash movements by £325m.

Interest received by Barclays Bank UK PLC was £7,026m (2018: £5,170m) and interest paid by Barclays Bank UK PLC was £1,233m (2018: £741m).

As at 31 December 2019, Barclays Bank UK PLC was required to maintain balances with central banks in respect of interbank payment schemes of £388m (2018: £672m).

For the purposes of the cash flow statement, cash comprises cash on hand and demand deposits and 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. Repurchase and reverse repurchase agreements are not considered to be part of cash equivalents.

Notes to the financial statements
For the year ended 31 December 2019

This section describes Barclays Bank UK Group's significant policies and critical accounting estimates that relate to the financial statements and notes as a whole. If an accounting policy or a critical accounting estimate relates to a particular note, the accounting policy and/or critical accounting estimate is contained with the relevant note.

1 Significant accounting policies

1. Reporting entity

Barclays Bank UK PLC is a public limited company, registered in England under company number 9740322.

These financial statements are prepared for Barclays Bank UK PLC and its subsidiaries (the Barclays Bank UK Group) under Section 399 of the Companies Act 2006. The Barclays Bank UK Group is a major UK financial services provider engaged in retail banking, credit cards, wholesale banking, wealth management and investment management services. In addition, separate financial statements have been presented for the parent company.

2. Compliance with International Financial Reporting Standards

The consolidated financial statements of the Barclays Bank UK Group, and the separate financial statements of Barclays Bank UK PLC, have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations (IFRICs) issued by the Interpretations Committee, as published by the International Accounting Standards Board (IASB). They are also in accordance with IFRS and IFRIC interpretations endorsed by the European Union. The principal accounting policies applied in the preparation of the consolidated and separate financial statements are set out below, and in the relevant notes to the financial statements. These policies have been consistently applied with the exception of the adoption of IFRS 16 *Leases*, IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments*, the amendments to IAS 12 *Income Taxes*, the amendments to IAS 19 *Employee Benefits*, and the amendments to IFRS 9, IAS 39 and IFRS 7 which were applied from 1 January 2019.

3. Basis of preparation

The consolidated and separate financial statements have been prepared under the historical cost convention modified to include the fair valuation of particular financial instruments, to the extent required or permitted under IFRS as set out in the relevant accounting policies. They are stated in millions of pounds Sterling (£m), the functional currency of Barclays Bank UK PLC.

The financial statements have been prepared on a going concern basis, in accordance with the Companies Act 2006 as applicable to companies using IFRS.

4. Accounting policies

The Barclays Bank UK Group prepares financial statements in accordance with IFRS. The Barclays Bank UK Group's significant accounting policies relating to specific financial statement items, together with a description of the accounting estimates and judgements that were critical to preparing them, are set out under the relevant notes. Accounting policies that affect the financial statements as a whole are set out below.

(i) Consolidation

Barclays Bank UK Group applies IFRS 10 *Consolidated financial statements*.

The consolidated financial statements combine the financial statements of Barclays Bank UK PLC and all its subsidiaries. Subsidiaries are entities over which Barclays Bank UK PLC has control. The Barclays Bank UK Group has control over another entity when the Barclays Bank UK Group has all of the following:

1) power over the relevant activities of the investee, for example through voting or other rights
2) exposure to, or rights to, variable returns from its involvement with the investee and
3) the ability to affect those returns through its power over the investee.

The assessment of control is based on the consideration of all facts and circumstances. The Barclays Bank UK Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Intra-group transactions and balances are eliminated on consolidation. Consistent accounting policies are used throughout the Barclays Bank UK Group for the purposes of the consolidation.

Changes in ownership interests in subsidiaries are accounted for as equity transactions if they occur after control has already been obtained and they do not result in loss of control.

None of the Barclays Bank UK Group's subsidiaries are significant in the context of the Barclays Bank UK Group's business, results or financial position. A complete list of all subsidiaries is presented in Note 35.

In the individual financial statements of Barclays Bank UK PLC, investments in subsidiaries are stated at cost less impairment.

(ii) Foreign currency translation

The Barclays Bank UK Group applies IAS 21 *The Effects of Changes in Foreign Exchange Rates*. Transactions in foreign currencies are translated into Sterling at the rate ruling on the date of the transaction. Foreign currency monetary balances are translated into Sterling at the period end exchange rates. Exchange gains and losses on such balances are taken to the income statement. Non-monetary foreign currency balances are carried at historical transaction date exchange rates.

1 Significant accounting policies continued

(iii) Financial assets and liabilities

The Barclays Bank UK Group applies IFRS 9 *Financial Instruments* to the recognition, classification and measurement, and derecognition of financial assets and financial liabilities and the impairment of financial assets. The Barclays Bank UK Group applies the requirements of IAS 39 *Financial Instruments: Recognition and Measurement* for hedge accounting purposes.

Recognition

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

Classification and measurement

Financial assets are classified on the basis of two criteria:
i) the business model within which financial assets are managed; and
ii) their contractual cash flow characteristics (whether the cash flows represent 'solely payments of principal and interest' (SPPI)).

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

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

Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent SPPI.

Financial assets are measured at fair value through other comprehensive income if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and their contractual cash flows represent SPPI.

Other financial assets are measured at fair value through profit and loss. There is an option to make an irrevocable election on initial recognition for non traded equity investments to be measured at fair value through other comprehensive income, in which case dividends are recognised in profit or loss, but gains or losses are not reclassified to profit or loss upon derecognition, and the impairment requirements of IFRS 9 do not apply.

The accounting policy for each type of financial asset or liability is included within the relevant note for the item. The Barclays Bank UK Group's policies for determining the fair values of the assets and liabilities are set out in Note 15.

Derecognition

The Barclays Bank UK Group derecognises a financial asset, or a portion of a financial asset, from its balance sheet where the contractual rights to cash flows from the asset have expired, or have been transferred, usually by sale, and with them either substantially all the risks and rewards of the asset or significant risks and rewards, along with the unconditional ability to sell or pledge the asset.

Financial liabilities are de-recognised when the liability has been settled, has expired or has been extinguished. An exchange of an existing financial liability for a new liability with the same lender on substantially different terms – generally a difference of 10% or more in the present value of the cash flows or a substantive qualitative amendment – is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Transactions in which the Barclays Bank UK Group transfers assets and liabilities, portions of them, or financial risks associated with them can be complex and it may not be obvious whether substantially all of the risks and rewards have been transferred. It is often necessary to perform a quantitative analysis. Such an analysis compares the Barclays Bank UK Group's exposure to variability in asset cash flows before the transfer with its retained exposure after the transfer.

A cash flow analysis of this nature may require judgement. In particular, it is necessary to estimate the asset's expected future cash flows as well as potential variability around this expectation. The method of estimating expected future cash flows depends on the nature of the asset, with market and market-implied data used to the greatest extent possible. The potential variability around this expectation is typically determined by stressing underlying parameters to create reasonable alternative upside and downside scenarios. Probabilities are then assigned to each scenario. Stressed parameters may include default rates, loss severity, or prepayment rates.

Accounting for reverse repurchase and repurchase agreements including other similar lending and borrowing

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

The Barclays Bank UK Group purchases (a reverse repurchase agreement) or borrows securities subject to a commitment to resell or return them. The securities are not included in the balance sheet as the Barclays Bank UK Group does not acquire the risks and rewards of ownership.

1 Significant accounting policies continued

Consideration paid (or cash collateral provided) is accounted for as a loan asset at amortised cost, unless it is designated or mandatorily at fair value through profit and loss.

The Barclays Bank UK Group may also sell (a repurchase agreement) or lend securities subject to a commitment to repurchase or redeem them. The securities are retained on the balance sheet as the Barclays Bank UK Group retains substantially all the risks and rewards of ownership. Consideration received (or cash collateral provided) is accounted for as a financial liability at amortised cost, unless it is designated at fair value through profit and loss.

(iv) Issued debt and equity instruments

The Barclays Bank UK Group applies IAS 32, *Financial Instruments: Presentation*, to determine whether funding is either a financial liability (debt) or equity.

Issued financial instruments or their components are classified as liabilities if the contractual arrangement results in the Barclays Bank UK Group having an obligation to either deliver cash or another financial asset, or a variable number of equity shares, to the holder of the instrument. If this is not the case, the instrument is generally an equity instrument and the proceeds included in equity, net of transaction costs. Dividends and other returns to equity holders are recognised when paid or declared by the members at the AGM and treated as a deduction from equity.

Where issued financial instruments contain both liability and equity components, these are accounted for separately. The fair value of the debt is estimated first and the balance of the proceeds is included within equity.

5. New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, with the exception of the adoption of IFRS 16 *Leases*, IFRIC Interpretation 23 *Uncertainty over Income Tax Treatment*, the amendments to IAS 12 *Income Taxes*, the amendments to IAS 19 *Employee Benefits*, and the amendments to IFRS 9, IAS 39 and IFRS 7 which were applied from 1 January 2019.

IFRS 16 – Leases

IFRS 16 *Leases*, which replaced IAS 17 *Leases*, was applied effective from 1 January 2019. IFRS 16 does not result in a significant change to lessor accounting; however, for lessee accounting there is no longer a distinction between operating and finance leases. Instead, the lessee is required to recognise both a right of use (ROU) asset and lease liability on-balance sheet. There is a recognition exemption permitted for leases with a term of 12 months or less.

The Barclays Bank UK Group applied IFRS 16 on a modified retrospective basis and took advantage of the option not to restate comparative periods. The Barclays Bank UK Group applied the following transition options available under the modified retrospective approach:

- To calculate the right of use asset equal to the lease liability, adjusted for prepaid or accrued payments.
- To rely on the previous assessment of whether leases are onerous in accordance with IAS 37 immediately before the date of initial application as an alternative to performing an impairment review. The Barclays Bank UK Group adjusted the carrying amount of the ROU asset at the date of initial application by the previous carrying amount of its onerous lease provision.
- To apply the recognition exception for leases with a term not exceeding 12 months.
- To use hindsight in determining the lease term if the contract contains options to extend or terminate the lease.

Upon adoption of IFRS 16, the Barclays Bank UK Group applied the transition option which permitted the ROU asset to equal the lease liability, adjusted for prepaid or accrued prepayments. This approach resulted in a lease liability of £504m and a ROU asset of £510m being recognised as at 1 January 2019. The difference in the lease liability and the ROU asset was a result of the following adjustments:

- an increase in the ROU asset as a result of rental prepayments of £22m and,
- a decrease in the ROU asset as a result of onerous lease provisions previously recognised of £13m and £3m of rent free adjustments.

The ROU asset was recorded within in property, plant and equipment and the lease liability within other liabilities.

When measuring lease liabilities, the Barclays Bank UK Group discounted lease payments using the incremental borrowing rate at 1 January 2019. The weighted average applied was 4.08%.

The following shows a reconciliation between the operating lease commitments as at 31 December 2018 and the lease liability recorded as at 1 January 2019.

	£m
Operating lease commitment as at 31 December 2018 as disclosed in the Barclays Bank UK Group consolidated financial statements	**430**
Impact of discounting using the Barclays Bank UK Group's incremental borrowing rate	**(73)**
Recognition exemption for short term leases	**(9)**
Extension and termination options reasonably certain to be exercised	**156**
Lease liability recognised as at 1 January 2019	**504**

IFRIC Interpretation 23 – Uncertainty over Income Tax Treatment

IFRIC 23 clarifies the application of IAS 12 to accounting for income tax treatments that have yet to be accepted by tax authorities, in scenarios where it may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept an entity's tax treatment. IFRIC 23 has been applied from 1 January 2019. There was no significant effect from the adoption of IFRIC 23 in relation to accounting for uncertain tax positions.

IAS 12 – Income Taxes – Amendments to IAS 12
The IASB amended IAS 12 in order to clarify the accounting treatment of the income tax consequences of dividends. As a result of the amendment, the tax consequences of all payments on financial instruments that are classified as equity for accounting purposes, where those payments are considered to be a distribution of profit, will be included in, and will reduce, the income statement tax charge. The amendments of IAS 12 were applied to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. This resulted in reducing the tax charge and increasing profit after tax for 2019 by £41m and 2018 by £28m. This change does not impact retained earnings.

IAS 19 – Employee Benefits – Amendments to IAS 19
The IASB issued amendments to the guidance in IAS 19, Employee Benefits, in connection with accounting for plan amendments, curtailments and settlements. The amendments have been applied to plan amendments, curtailments or settlements occurring on or after 1 January 2019. There was no significant effect from the adoption of the amendments of IAS 19.

IFRS 9, IAS 39 and IFRS 7 Amendments relating to Interest Rate Benchmark Reform
IFRS 9, IAS 39 and IFRS 7 were amended in September 2019. The amendments are effective for periods beginning on or after 1 January 2020 with earlier application permitted. The Barclays Bank UK Group elected to early adopt the amendments with effect from 1 January 2019. The amendments have been endorsed by the EU.

IFRS 9 allows companies when they first apply IFRS 9, to choose as an accounting policy to continue to apply the hedge accounting requirements of IAS 39. The Barclays Bank UK Group made the election to continue to apply the IAS 39 hedge accounting requirements, and consequently, the amendments to IAS 39 have been adopted by the Barclays Bank UK Group.

The objective of the amendments are to provide temporary exceptions from applying specific hedge accounting requirements during the period of uncertainty resulting from interest rate benchmark reform. Each of the exceptions adopted by the Barclays Bank UK Group are described below.

- Highly probable requirement

When determining whether a forecast transaction or cash flow is highly probable, the Barclays Bank UK Group assumes that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the reform. This amendment has also been applied when cash flows are still expected to occur in respect of amounts remaining in the cash flow hedge reserve.

- Prospective assessments

When performing prospective assessments, the Barclays Bank UK Group assumes that the interest rate benchmark on which the hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.

- Retrospective assessments

The Barclays Bank UK Group will not discontinue hedge accounting during the period of IBOR-related uncertainty solely because the retrospective effectiveness falls outside the required 80-125% range.

- Hedge of a non-contractually specified benchmark portion of an interest rate

The Barclays Bank UK Group only considers at inception of such a hedging relationship whether the separately identifiable requirement is met.

The amendments to IFRS 7 require certain disclosures to be made in the first period that the amendments to IFRS 9 or IAS 39 are adopted. Refer to Note 13 where these disclosures have been included.

Future accounting developments
The following accounting standards have been issued by the IASB but are not yet effective.

IFRS 17 – Insurance contracts
In May 2017, the IASB issued IFRS 17 *Insurance Contracts*, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* that was issued in 2005.

IFRS 17 applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

In June 2019, the IASB published an exposure draft with proposed amendments to IFRS 17. The proposed amendments that are expected to be relevant to the Barclays Bank UK Group are changes to the scoping of IFRS 17, changes in the effective date of IFRS 17 and changes to IFRS 9 which were consequential amendments as a result of IFRS 17.

The standard is currently effective from 1 January 2021, although the amendments would change the effective date to 1 January 2022, and the standard has not yet been endorsed by the EU. The Barclays Bank UK Group is currently assessing the expected impact of adopting this standard.

6. Critical accounting estimates and judgements
The preparation of financial statements in accordance with IFRS requires the use of estimates. It also requires management to exercise judgement in applying the accounting policies. The key areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the consolidated and individual financial statements are highlighted under the relevant note. Critical accounting estimates and judgements are disclosed in:

1 Significant accounting policies continued

- Credit impairment charges on page 121
- Tax on page 125
- Fair value of financial instruments on page 137
- Provisions including conduct and legal, competition and regulatory matters on page 149.

7. Other disclosures

To improve transparency and ease of reference, by concentrating related information in one place, certain disclosures required under IFRS have been included within the Risk review section as follows:

- Credit risk on page 37 and the tables on pages 44 to 76
- Market risk on page 39 and page 88
- Treasury and capital risk – capital on page 38 and the tables on pages 85 to 87
- Treasury and capital risk – liquidity on page 38 and the tables on pages 78 to 84.

These disclosures are covered by the Audit opinion (included on pages 98 to 104) where referenced as audited.

Notes to the financial statements
Performance/return

The notes included in this section focus on the results and performance of the Barclays Bank UK Group. Information on the income generated, expenditure incurred, segmental performance, tax and dividends are included here.

2 Segmental reporting

Presentation of segmental reporting

The Barclays Bank UK Group's segmental reporting is in accordance with IFRS 8 *Operating Segments*. Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Committee, which is responsible for allocating resources and assessing performance of the operating segments, and has been identified as the chief operating decision maker. All transactions between business segments are conducted on an arm's-length basis, with intra-segment revenue and costs being eliminated in Head Office. Income and expenses directly associated with each segment are included in determining business segment performance.

For segmental reporting purposes, the Barclays Bank UK Group divisions are defined as:

- **Personal Banking** which comprises Personal and Premier banking, Mortgages, Savings, Investments and Wealth management.
- **Barclaycard Consumer UK** which comprises the Barclaycard UK consumer credit cards business.
- **Business Banking** which offers products, services and specialist advice to clients ranging from start-ups to medium-sized businesses and is where the ESHLA loan portfolio is held.

The below table also includes Head Office which comprises head office and central support functions.

Analysis of results by business

	Personal Banking	Barclaycard Consumer UK	Business Banking	Head Office	Barclays Bank UK Group
For the year ended 31 December 2019	£m	£m	£m	£m	£m
Total income	4,112	1,997	1,361	(148)	7,322
Credit impairment (charges)/releases	(196)	(472)	(45)	4	(709)
Net operating income/(expenses)	3,916	1,525	1,316	(144)	6,613
Operating costs	(3,036)	(585)	(717)	(20)	(4,358)
Litigation and conduct	(705)	(876)	(2)	(3)	(1,586)
Total operating expenses	(3,741)	(1,461)	(719)	(23)	(5,944)
Other net income/(expenses)	-	-	-	-	-
Profit/(loss) before tax	175	64	597	(167)	669
Total assets	£187.3bn	£16.1bn	£55.0bn	-	£258.4bn
Number of employees (full time equivalent)[a]	17,800	500	3,100	200	21,600
Average number of employees (full time equivalent)					22,000
For the year ended 31 December 2018[b]					
Total income	3,152	1,578	991	(115)	5,606
Credit impairment (charges)/releases	(100)	(477)	(48)	1	(624)
Net operating income/(expenses)	3,052	1,101	943	(114)	4,982
Operating costs	(2,271)	(486)	(571)	(28)	(3,356)
Litigation and conduct	(12)	(50)	(9)	(7)	(78)
Total operating expenses	(2,283)	(536)	(580)	(35)	(3,434)
Profit/(loss) before tax	769	565	363	(149)	1,548
Total assets (£bn)	£179.4bn	£16.5bn	£55.4bn	-	£251.3bn
Number of employees (full time equivalent)[a]	19,000	300	3,300	200	22,800

Notes
a Personal Banking employees includes those individuals that are shared across other segments within the Barclays Bank UK Group.
b The segments have been in place since 1 April 2018, following the acquisition of the UK banking business. Prior to the acquisition of the UK banking business, all income and expenses were associated with Personal Banking.

Income by geographic region

The Barclays Bank UK Group generates income from business activities in the United Kingdom.

3 Net interest income

Accounting for interest income and expenses

Interest income on loans and advances at amortised cost, and interest expense on financial liabilities held at amortised cost, are calculated using the effective interest method which allocates interest, and direct and incremental fees and costs, over the expected lives of the assets and liabilities.

The effective interest method requires the Barclays Bank UK Group to estimate future cash flows, in some cases based on its experience of customers' behaviour, considering all contractual terms of the financial instrument, as well as the expected lives of the assets and liabilities.

The Barclays Bank UK Group derives certain fees and incurs certain costs in the origination of mortgage products. Such fees and costs where directly attributable and incremental to the origination of the instrument, are deferred on the balance sheet and subsequently included within the calculation of the effective interest rate. They are amortised to interest income over the period of expected life.

Similarly, for mortgage products with distinct periods (initial and follow-on) and contractual margins over the original term wherein the initial contractual margin varies from the average calculated return, additional interest is deferred on the balance sheet and released to interest income over the remaining expected life. This adjustment results in a constant rate of return over contractual rate(s) recognised in the income statement.

There is judgement involved in application of the effective interest rate (EIR) method for loans measured at amortised cost, in particular developing repayment expectations for long dated instruments such as mortgages. Application of the EIR method adjusts the timing and amount of interest recognition, with qualifying revenue and expenses deferred and recognised through the life of the instrument as well as the deferred or accelerated recognition of interest where instruments have contractually specified decreases or increases in the calculation of interest.

EIR is subject to judgements regarding the rate at which loans are repaid, the key judgement being the prepayment rate following the end of the initial discount period, which is informed by internal modelling and reviewed quarterly. The review considers prepayment estimates against recent observed customer behaviour, with the carrying value of the EIR asset adjusted accordingly.

EIR calculations are performed at a portfolio level, aggregating financial instruments with similar characteristics and contractual terms. The values in the table below reflect net interest income post application of the EIR method.

	2019	2018
	£m	£m
Cash and balances at central banks	172	77
Fair value through other comprehensive income	202	76
Loans and advances at amortised cost	6,783	5,073
Other	61	41
Interest income	**7,218**	5,267
Deposits at amortised cost	(686)	(440)
Debt securities in issue	(284)	(217)
Subordinated liabilities	(288)	(101)
Other	(155)	(72)
Interest expense	**(1,413)**	(830)
Net interest income	**5,805**	4,437

Interest income presented above represents interest revenue calculated using the effective interest method. Interest income includes £39m (2018: £44m) accrued on impaired loans. Other interest expense includes £19m relating to IFRS 16 lease interest expenses.

4 Net fee and commission income

Accounting for net fee and commission income

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

The Barclays Bank UK Group recognises fee and commission income charged for services provided by the Barclays Bank UK Group as the services are provided, for example on completion of the underlying transaction.

Fee and commission income is disaggregated below by fee types that reflect the nature of the services offered across the Barclays Bank UK Group and operating segments, in accordance with IFRS 15. It includes a total for fees in scope of IFRS 15. Refer to Note 2 for more detailed information about operating segments.

	2019				
	Personal Banking	Barclaycard Consumer UK	Business Banking	Head Office	Total
	£m	£m	£m	£m	£m
Fee type					
Transactional	706	208	160	-	1,074
Advisory	177	-	-	-	177
Other	260	5	158	-	423
Total revenue from contracts with customers	1,143	213	318	-	1,674
Other non-contract fee income					-
Fee and commission income	1,143	213	318	-	1,674
Fee and commission expense	(322)	(31)	(15)	-	(368)
Net fee and commission income	821	182	303	-	1,306

	2018				
	Personal Banking	Barclaycard Consumer UK	Business Banking	Head Office	Total
	£m	£m	£m	£m	£m
Fee type					
Transactional	516	176	129	-	821
Advisory	188	-	-	-	188
Other	189	3	114	-	306
Total revenue from contracts with customers	893	179	243	-	1,315
Other non-contract fee income	-	-	-	-	-
Fee and commission income	893	179	243	-	1,315
Fee and commission expense	(240)	(24)	(9)	-	(273)
Net fee and commission income	653	155	234	-	1,042

Fee types

Transactional

Transactional fees are service charges on deposit accounts, cash management services and transactional processing fees including interchange and merchant fee income generated from credit and bank card usage. Transaction and processing fees are recognised at the point in time the transaction occurs or service is performed. They include banking services such as Automated Teller Machine (ATM) fees, wire transfer fees, balance transfer fees, overdraft or late fees and foreign exchange fees, among others. Interchange and merchant fees are recognised upon settlement of the card transaction payment.

Barclays Bank UK Group incurs certain card related costs including those related to cardholder reward programmes. To the extent cardholder reward programmes costs are attributed to customers that settle their outstanding balance each period (transactors) they are expensed when incurred and presented in fee and commission expense while costs related to customer who continuously carry an outstanding balance (revolvers) are included in the effective interest rate of the receivable (refer to Note 3).

Advisory

Advisory fees are generated from wealth management services. Wealth management advisory fees primarily consists of asset-based fees for advisory accounts of wealth management clients and are based on the market value of client assets. They are earned over the period the services are provided and are generally recognised quarterly when the market value of client assets is determined.

Contract assets and contract liabilities

The Barclays Bank UK Group had no material contract assets or contract liabilities as at 31 December 2019 (2018: nil).

Impairment on fee receivables and contract assets

During 2019, there have been no material impairments recognised in relation to fees receivable and contract assets (2018: nil). Fees in relation to transactional business can be added to outstanding customer balances. These amounts may be subsequently impaired as part of the overall loans and advances balance.

Remaining performance obligations

The Barclays Bank UK Group applies the practical expedient of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less or because the Barclays Bank UK Group has a right to consideration that corresponds directly with the value of the service provided to the client or customer.

Costs incurred in obtaining or fulfilling a contract

The Barclays Bank UK Group expects that incremental costs of obtaining a contract such as success fee and commission fees paid are recoverable and therefore capitalised. Such contract costs in the amount of £6m at 31 December 2019 (2018: nil).

Capitalised contract costs are amortised based on the transfer of services to which the asset relates which typically ranges over the expected life of the relationship. In 2019, the amount of amortisation was £1m (2018: £nil) and there was no impairment loss recognised in connection with the capitalised contract costs (2018: £nil).

5 Net trading income

Accounting for net trading income

In accordance with IFRS 9, trading positions are held at fair value, and the resulting gains and losses are included in the income statement, together with interest arising from long and short positions and funding costs relating to trading activities.

Income arises from both the sale and purchase of trading positions and from changes in fair value caused by movements in interest and exchange rates and other market variables.

Gains or losses on non-trading financial instruments designated or mandatorily at fair value with changes in fair value recognised in the income statement are included in net trading income where the business model is to manage assets and liabilities on a fair value basis which includes use of derivatives or where an instrument is designated at fair value to eliminate an accounting mismatch and the related instrument's gain and losses are reported in trading income.

	2019	2018
	£m	£m
Net gains from assets and liabilities held for trading[a]	18	22
Net gains from financial instruments designated at fair value	15	8
Net trading income	**33**	**30**

Note
a Net trading income within Barclays Bank UK Group includes foreign exchange revaluations and mark-to-market gains on derivatives in Treasury.

6 Net investment income

Accounting for net investment income

Dividends are recognised when the right to receive the dividend has been established. Other accounting policies relating to net investment income are set out in Note 12 and Note 14.

	2019	2018
	£m	£m
Net gains from disposal of debt instruments at fair value through other comprehensive income	48	27
Net gains from disposal of financial assets and liabilities measured at amortised cost	124	58
Dividend income	-	1
Net investment income	**172**	**86**

7 Credit impairment charges

Accounting for the impairment of financial assets

Impairment

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

At the reporting date, an allowance (or provision for loan commitments and financial guarantees) is required for the 12 month (Stage 1) ECLs. If the credit risk has significantly increased since initial recognition (Stage 2), or if the financial instrument is credit impaired (Stage 3), an allowance (or provision) should be recognised for the lifetime ECLs.

The measurement of ECL is calculated using three main components: (i) probability of default (PD) (ii) loss given default (LGD) and (iii) the exposure at default (EAD).

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

Determining a significant increase in credit risk since initial recognition:

The Barclays Bank UK Group assesses when a significant increase in credit risk has occurred based on quantitative and qualitative assessments. The credit risk of an exposure is considered to have significantly increased when:

i) Quantitative test

The annualised lifetime PD has increased by more than an agreed threshold relative to the equivalent at origination.

PD deterioration thresholds are defined as percentage increases, and are set at an origination score band and segment level to ensure the test appropriately captures significant increases in credit risk at all risk levels. Generally, thresholds are inversely correlated to the origination PD, i.e. as the origination PD increases, the threshold value reduces.

The assessment of the point at which a PD increase is deemed ‘significant’, is based upon analysis of the portfolios’ risk profile against a common set of principles and performance metrics (consistent across both retail and wholesale businesses), incorporating expert credit judgement where appropriate. Application of quantitative PD floors does not represent the use of the low credit risk exemption as exposures can separately move into stage 2 via the qualitative route described below.

Wholesale assets apply a 100% increase in PD and 0.2% PD floor to determine a significant increase in credit risk.

Retail assets apply bespoke relative increase and absolute PD thresholds based on product type and origination PD. Thresholds are subject to maximums defined by Barclays Bank UK Group policy including absolute PD floor maximum of 0.3% and maximum relative PD increase of 400% (applied to strongest credit quality customers only).

For existing/historical exposures where origination point scores or data are no longer available or do not represent a comparable estimate of lifetime PD, a proxy origination score is defined, based upon:

- Back-population of the approved lifetime PD score either to origination date or, where this is not feasible, as far back as possible, (subject to a data start point no later than 1 January 2015); or
- Use of available historical account performance data and other customer information, to derive a comparable 'proxy' estimation of origination PD.

ii) Qualitative test
This is relevant for accounts that meet the portfolio's 'high risk' criteria and are subject to closer credit monitoring.

High risk customers may not be in arrears but either through an event or an observed behaviour exhibit credit distress. The definition and assessment of high risk includes as wide a range of information as reasonably available, including industry and Group wide customer level data wherever possible or relevant.

Whilst the high risk populations applied for IFRS 9 impairment purposes are aligned with risk management processes, they are also regularly reviewed and validated to ensure that they capture any incremental segments where there is evidence of credit deterioration.

iii) Backstop criteria
This is relevant for accounts that are more than 30 calendar days past due. The 30 days past due criteria is a backstop rather than a primary driver of moving exposures into Stage 2.

The criteria for determining a significant increase in credit risk for assets with bullet repayments follows the same principle as all other assets, i.e. quantitative, qualitative and backstop tests are all applied.

Exposures will move back to Stage 1 once they no longer meet the criteria for a significant increase in credit risk. This means that, at minimum all payments must be up-to-date, the PD deterioration test is no longer met, the account is no longer classified as high risk, and the customer has evidenced an ability to maintain future payments.

Exposures are only removed from Stage 3 and re-assigned to Stage 2 once the original default trigger event no longer applies. Exposures being removed from Stage 3 must no longer qualify as credit impaired, and:
a) the obligor will also have demonstrated consistently good payment behaviour over a 12-month period, by making all consecutive contractual payments due and, for forborne exposures, the relevant EBA defined probationary period has also been successfully completed or;
b) (for non-forborne exposures) the performance conditions are defined and approved within an appropriately sanctioned restructure plan, including 12 months' payment history have been met.

Management overlays and other exceptions to model outputs are applied only if consistent with the objective of identifying significant increases in credit risk.

Forward-looking information
The measurement of ECL involves complexity and judgement, including estimation of PD, LGD, a range of unbiased future economic scenarios, estimation of expected lives (where contractual life is not appropriate), and estimation of EAD and assessing significant increases in credit risk.

Credit losses are the expected cash shortfalls from what is contractually due over the expected life of the financial instrument, discounted at the original effective interest rate (EIR). ECLs are the unbiased probability-weighted credit losses determined by evaluating a range of possible outcomes and considering future economic conditions.

The Barclays Bank UK Group uses a five-scenario model to calculate ECL. An external consensus forecast is assembled from key sources, including HM Treasury (short and medium term forecasts), Bloomberg (based on median of economic forecasters) and the Urban Land Institute, which forms the baseline scenario. In addition, two adverse scenarios (Downside 1 and Downside 2) and two favourable scenarios (Upside 1 and Upside 2) are derived, with associated probability weightings. The adverse scenarios are calibrated to a similar severity to internal stress tests, whilst also considering IFRS 9 specific sensitivities and non-linearity. Downside 2 is benchmarked to the Bank of England's annual cyclical scenarios and to the most severe scenario from Moody's inventory, but is not designed to be the same. The favourable scenarios are calibrated to be symmetric to the adverse scenarios, subject to a ceiling calibrated to relevant recent favourable benchmark scenarios. The scenarios include four economic variables, (GDP, unemployment, House Price Index (HPI) and base rate in the UK market), and expanded variables using statistical models based on historical correlations. The upside and downside shocks are designed to evolve over a five-year stress horizon, with all five scenarios converging to a steady state after approximately eight years.

The methodology for estimating probability weights for each of the scenarios involves a comparison of the distribution of key historical UK macroeconomic variables against the forecast paths of the five scenarios. The methodology works such that the baseline (reflecting current consensus outlook) has the highest weight and the weights of adverse and favourable scenarios depend on the deviation from the baseline; the further from the baseline, the smaller the weight. A single set of five scenarios is used across all portfolios and all five weights are normalised to equate to 100%. The same scenarios and weights that are used in the estimation of expected credit losses are also used for the Barclays Group internal planning purposes. The impacts across the portfolios are different because of the sensitivities of each of the portfolios to specific macroeconomic variables, for example, mortgages are highly sensitive to house prices and base rates, credit cards and unsecured consumer loans are highly sensitive to unemployment.

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

The definition of default for the purpose of determining ECLs, and for internal credit risk management purposes, has been aligned to the Regulatory Capital CRR Article 178 definition of default, to maintain a consistent approach with IFRS 9 and associated regulatory guidance. The Regulatory Capital CRR Article 178 definition of default considers indicators that the debtor is unlikely to pay, includes exposures in forbearance and is no later than when the exposure is more than 90 days past due or 180 days past due in the case of UK mortgages. When exposures are identified as credit impaired or purchased or originated as such interest income is calculated on the carrying value net of the impairment allowance.

An asset is considered credit impaired when one or more events occur that have a detrimental impact on the estimated future cash flows of the financial asset. This comprises assets defined as defaulted and other individually assessed exposures where imminent default or actual loss is identified.

Uncollectible loans are written off against the related allowance for loan impairment on completion of the Barclays Bank UK Group's internal processes and when all reasonably expected recoverable amounts have been collected. Subsequent recoveries of amounts previously written off are credited to the income statement. The timing and extent of write-offs may involve some element of subjective judgement. Nevertheless, a write-off will often be prompted by a specific event, such as the inception of insolvency proceedings or other formal recovery action, which makes it possible to establish that some or the entire advance is beyond realistic prospect of recovery.

Loan modifications and renegotiations that are not credit-impaired

When modification of a loan agreement occurs as a result of commercial restructuring activity rather than due to the credit risk of the borrower, an assessment must be performed to determine whether the terms of the new agreement are substantially different from the terms of the existing agreement. This assessment considers both the change in cash flows arising from the modified terms as well as the change in overall instrument risk profile.

Where terms are substantially different, the existing loan will be derecognised and new loan recognised at fair value, with any difference in valuation recognised immediately within the income statement, subject to observability criteria.

Where terms are not substantially different, the loan carrying value will be adjusted to reflect the present value of modified cash flows discounted at the original EIR, with any resulting gain or loss recognised immediately within the income statement as a modification gain or loss.

Expected life

Lifetime ECLs must be measured over the expected life. This is restricted to the maximum contractual life and takes into account expected prepayment, extension, call and similar options. The exceptions are certain revolver financial instruments, such as credit cards and bank overdrafts, that include both a drawn and an undrawn component where the entity's contractual ability to demand repayment and cancel the undrawn commitment does not limit the entity's exposure to credit losses to the contractual notice period. For revolving facilities, expected life is analytically derived to reflect behavioural life of the asset, i.e. the full period over which the business expects to be exposed to credit risk. Behavioural life is typically based upon historical analysis of the average time to default, closure or withdrawal of facility. Where data is insufficient or analysis inconclusive, an additional 'maturity factor' may be incorporated to reflect the full estimated life of the exposures, based upon experienced judgement and/or peer analysis. Potential future modifications of contracts are not taken into account when determining the expected life or EAD until they occur.

Discounting

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

Modelling techniques

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

- BCBS requires 12 month through the economic cycle losses whereas IFRS 9 requires 12 months or lifetime point in time losses based on conditions at the reporting date and multiple forecasts of the future economic conditions over the expected lives;
- IFRS 9 models do not include certain conservative BCBS model floors and downturn assessments and require discounting to the reporting date at the original EIR rather than using the cost of capital to the date of default;
- Management adjustments are made to modelled output to account for situations where known or expected risk factors and information have not been considered in the modelling process, for example forecast economic scenarios for uncertain political events; and
- ECL is measured at the individual financial instrument level, however a collective approach where financial instruments with similar risk characteristics are grouped together, with apportionment to individual financial instruments, is used where effects can only be seen at a collective level, for example for forward-looking information.

For the IFRS 9 impairment assessment, the Barclays Bank UK Group' risk models are used to determine the PD, LGD and EAD. For Stage 2 and 3, the Barclays Bank UK Group applies lifetime PDs but uses 12 month PDs for Stage 1. The ECL drivers of PD, EAD and LGD are modelled at an account level which considers vintage, among other credit factors. Also, the assessment of significant increase in credit risk is based on the initial lifetime PD curve, which accounts for the different credit risk underwritten over time.

Forbearance
A financial asset is subject to forbearance when it is modified due to the credit distress of the borrower. A modification made to the terms of an asset due to forbearance will typically be assessed as a non-substantial modification that does not result in derecognition of the original loan, except in circumstances where debt is exchanged for equity.

Both performing and non-performing forbearance assets are classified as Stage 3 except where it is established that the concession granted has not resulted in diminished financial obligation and that no other regulatory definitions of default criteria has been triggered, in which case the asset is classified as Stage 2. The minimum probationary period for non-performing forbearance is 12 months and for performing forbearance, 24 months. Hence, a minimum of 36 months is required for non-performing forbearance to move out of a forborne state.

No financial instrument in forbearance can transfer back to Stage 1 until all of the Stage 2 thresholds are no longer met and can only move out of Stage 3 when no longer credit impaired.

Critical accounting estimates and judgements
IFRS 9 impairment involves several important areas of judgement, including estimating forward looking modelled parameters (PD, LGD and EAD), developing a range of unbiased future economic scenarios, estimating expected lives and assessing significant increases in credit risk, based on the Barclays Bank UK Group's experience of managing credit risk. The determination of expected life is most material for Barclays credit card portfolios which is obtained via behavioural life analysis to materially capture the risk of these facilities. The behavioural life analysis for UK Cards has been updated during the year to include more recent portfolio data, as a consequence the expected life of the UK credit card portfolio has fallen from 10 years to 8 years. These reductions led to management adjustment releases against impairment of £9m for UK Cards.

Within the retail and small businesses portfolios, which comprise large numbers of small homogenous assets with similar risk characteristics where credit scoring techniques are generally used, the impairment allowance is calculated using forward looking modelled parameters which are typically run at account level. There are many models in use, each tailored to a product, line of business or customer category. Judgement and knowledge is needed in selecting the statistical methods to use when the models are developed or revised. The impairment allowance reflected in the financial statements for these portfolios is therefore considered to be reasonable and supportable.

For individually significant assets in Stage 3, impairment allowances are calculated on an individual basis and all relevant considerations that have a bearing on the expected future cash flows across a range of economic scenarios are taken into account. These considerations can be subjective and can include the business prospects for the customer, the realisable value of collateral, the Barclays Bank UK Group's position relative to other claimants, the reliability of customer information and the likely cost and duration of the work-out process. The level of the impairment allowance is the difference between the value of the discounted expected future cash flows (discounted at the loan's original effective interest rate), and its carrying amount. Furthermore, judgements change with time as new information becomes available or as work-out strategies evolve, resulting in frequent revisions to the impairment allowance as individual decisions are taken. Changes in these estimates would result in a change in the allowances and have a direct impact on the impairment charge.

	2019			2018		
	Impairment charges	**Recoveries[a]**	**Total**	Impairment charges	Recoveries[a]	Total
	£m	£m	£m	£m	£m	£m
Loans and advances	**742**	**(51)**	**691**	751	(93)	658
Provision for undrawn contractually committed facilities and guarantees provided	**16**	**-**	**16**	(33)	-	(33)
Loans impairment	**758**	**(51)**	**707**	718	(93)	625
Financial instruments at fair value through other comprehensive income	**1**	**-**	**1**	-	-	-
Other financial assets measured at amortised cost	**1**	**-**	**1**	(1)	-	(1)
Credit impairment charges	**760**	**(51)**	**709**	717	(93)	624

Note
a Cash recoveries of previously written off amounts.

Write-off subject to enforcement activity
The contractual amount outstanding on financial assets that were written off during the period ended 31 December 2019 and that are still subject to enforcement activity is £541m (2018: £299m). This is lower than the write-offs presented in the movement in gross exposures and impairment allowance table due to post write-off recoveries.

Modification of financial assets
Financial assets with a loss allowance measured at an amount equal to life time ECL of £73m (2018: £68m) were subject to non-substantial modifications during the period, with a resulting loss of £2m (£7m). There is no material movement in financial assets for which the loss allowance has changed to a 12 month ECL.

8 Operating expenses

	2019 £m	2018 £m
Infrastructure costs		
Property and equipment	**216**	170
Depreciation and amortisation[a]	**134**	48
Lease payments[a]	**16**	87
Impairment of property, equipment and intangible assets	**16**	2
Total infrastructure costs	**382**	307
Administration and general costs		
Consultancy, legal and professional fees	**52**	48
Marketing and advertising	**100**	99
UK bank levy	**41**	46
Other administration and general expenses	**2,531**	1,840
Total administration and general costs	**2,724**	2,033
Staff costs	**1,252**	1,016
Provisions for litigation and conduct	**1,586**	78
Operating expenses	**5,944**	3,434

Note
a Following the adoption of IFRS 16 from 1 January 2019, the depreciation charge associated with right of use assets is reported within the depreciation and amortisation charge for 2019.

For further details on staff costs including accounting policies, refer to Note 28.

9 Tax

Accounting for income taxes

The Barclays Bank UK Group applies IAS 12 *Income Taxes* in accounting for taxes on income. Income tax payable on taxable profits (current tax) is recognised as an expense in the periods in which the profits arise. Withholding taxes are also treated as income taxes. Income tax recoverable on tax allowable losses is recognised as a current tax asset only to the extent that it is regarded as recoverable by offsetting against taxable profits arising in the current or prior periods. Current tax is measured using tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except in certain circumstances where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Deferred tax is determined using tax rates and legislation enacted or substantively enacted by the balance sheet date which are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets and liabilities are only offset when there is both a legal right to set-off and an intention to settle on a net basis.

The Barclays Bank UK Group considers an uncertain tax position to exist when it considers that ultimately, in the future, the amount of profit subject to tax may be greater than the amount initially reflected in the Barclays Bank UK Group's tax returns.

A current tax provision is recognised when it is considered probable that the outcome of a review by a tax authority of an uncertain tax position will alter the amount of cash tax due to, or from, a tax authority in the future. From recognition, the current tax provision is then measured at the amount the Barclays Bank UK Group ultimately expects to pay the tax authority to resolve the position.

Critical accounting estimates and judgements

The main area of judgement that impacts the reported tax position is the recognition and measurement of deferred tax assets.

The Barclays Bank UK Group does not consider there to be a significant risk of a material adjustment to the carrying amount of its deferred tax assets.

Deferred tax assets have been recognised based on business profit forecasts. Details on the recognition of deferred tax assets are provided in this note.

	2019 £m	2018 £m
Current tax charge		
Current year[a]	**484**	398
Adjustments in respect of prior years	**9**	-
	493	398
Deferred tax charge		
Current year	**11**	7
Adjustments in respect of prior years	**9**	-
	20	7
Tax charge	**513**	405

Note
a Comparatives have been restated, reducing the tax charge for 2018 by £28m in relation to amendments to IAS 12. Further detail can be found in Note 1.

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

	2019 £m	2019 %	2018 £m	2018 %
Profit before tax	**669**		1,548	
Tax charge based on the standard UK corporation tax rate of 19% (2018: 19%)	**127**	**19.0**	294	19.0
Recurring items:				
Banking surcharge and other items[a]	**127**	**19.0**	101	6.5
Adjustments in respect of prior years	**18**	**2.7**	-	-
Non-deductible expenses	**9**	**1.3**	14	0.9
Impact of UK bank levy being non-deductible	**8**	**1.2**	9	0.6
Non-taxable gains and income	**(10)**	**(1.5)**	-	-
AT1 tax credit[a]	**(29)**	**(4.3)**	(20)	(1.3)
Non-recurring items:				
Non-deductible provisions for UK customer redress	**263**	**39.3**	7	0.5
Total tax charge	**513**	**76.7**	405	26.2

Note
a The tax charge for the current period has been reduced by £41m (relief at the standard UK corporation tax rate is £29m and the relief at the banking surcharge rate is £12m). Comparatives have been restated, reducing the tax charge for 2018 by £28m (relief at the standard UK corporation tax rate is £20m and relief at the banking surcharge rate is £8m). Further detail can be found in Note 1.

Factors driving the effective tax rate

The effective tax rate of 76.7% is higher than the UK corporation tax rate of 19% primarily due to provisions for UK customer redress being non-deductible for tax purposes and the UK profits of banking companies being subject to a surcharge.

Effective from 1 January 2019, a change in accounting standards requires the tax consequences of all payments on financial instruments that are classified as equity for accounting purposes, where those payments are considered to be a distribution of profit, to be included in the income statement tax charge. Excluding this accounting change which resulted in tax relief on payments in relation to AT1 instruments of £41m (2018: £28m) being included in the income statement tax charge, the Barclays Bank UK Group's effective tax rate would have been 82.8% (2018: 28.0%).

In the UK, legislation to reduce the corporation tax rate to 17% from 1 April 2020 has been enacted. However, the UK Government has announced its intention to introduce legislation to reverse the planned rate reduction and to maintain the current rate of 19%.

Tax in other comprehensive income

Tax relating to each component of other comprehensive income can be found on page 106 in the consolidated statement of comprehensive income.

Current tax assets and liabilities

Movements on current assets and liabilities were as follows:

	Barclays Bank UK Group		Barclays Bank UK PLC	
	2019	2018	2019	2018
	£m	£m	£m	£m
Assets	-	-	-	-
Liabilities	(984)	(5)	(990)	-
As at 1 January	**(984)**	(5)	**(990)**	-
Income statement[a]	(493)	(398)	(477)	(392)
Other comprehensive income and reserves[a]	30	34	30	34
Corporate income tax paid	1,086	128	1,083	132
Transfer from Barclays Bank PLC[b]	-	(671)	-	(676)
Other movements	(97)	(72)	(97)	(88)
	(458)	(984)	(451)	(990)
Assets	-	-	-	-
Liabilities	(458)	(984)	(451)	(990)
As at 31 December	**(458)**	(984)	**(451)**	(990)

Notes

a Comparative has been restated to reflect the £28m tax credit in the income statement, whereas it was previously recorded in retained earnings. Further detail can be found in Note 1.

b Related to the transfer of current tax liabilities from Barclays Bank PLC as part of the acquisition of the UK banking business.

Deferred tax assets and liabilities

The deferred tax amount on the balance sheet for Barclays Bank UK Group is £810m (2018: £792m) and for Barclays Bank UK PLC is £810m (2018: £790m). All of these deferred tax assets are in the UK Tax Group and relate entirely to temporary differences.

Of the deferred tax asset of £810m (2018: £792m), an amount of £nil (2018: £nil) relates to entities which have suffered a loss in either the current or prior year. This has been taken into account in reaching the above conclusion that these deferred tax assets will be fully recovered in the future.

The table below shows movements on deferred tax assets and liabilities during the year. The amounts are different from those disclosed on the balance sheet as they are presented before offsetting asset and liability balances where there is a legal right to set-off and an intention to settle on a net basis.

Barclays Bank UK Group	Fixed asset timing differences £m	Loan impairment allowance £m	Other £m	Total £m
Assets	517	249	33	799
Liabilities	-	-	(7)	(7)
At 1 January 2019	517	249	26	792
Income statement	(3)	-	(17)	(20)
Other comprehensive income and reserves	-	(30)	(28)	(58)
Other movements	96	-	-	96
	610	219	(19)	810
Assets	610	219	63	892
Liabilities	-	-	(82)	(82)
At 31 December 2019	610	219	(19)	810
Assets	-	-	-	-
Liabilities	-	-	-	-
At 1 January 2018	-	-	-	-
Income statement	(8)	-	1	(7)
Other comprehensive income and reserves	-	(30)	3	(27)
Transfer from Barclays Bank PLC[a]	447	279	21	747
Other movements	78	-	1	79
	517	249	26	792
Assets	517	249	33	799
Liabilities	-	-	(7)	(7)
At 31 December 2018	517	249	26	792

Barclays Bank UK PLC	Fixed asset timing differences £m	Loan impairment allowance £m	Other £m	Total £m
Assets	517	249	31	797
Liabilities	-	-	(7)	(7)
At 1 January 2019	517	249	24	790
Income statement	(3)	-	(15)	(18)
Other comprehensive income and reserves	-	(30)	(28)	(58)
Other movements	96	-	-	96
	610	219	(19)	810
Assets	610	219	63	892
Liabilities	-	-	(82)	(82)
At 31 December 2019	610	219	(19)	810
Assets	-	-	-	-
Liabilities	-	-	-	-
At 1 January 2018	-	-	-	-
Income statement	(8)	-	1	(7)
Other comprehensive income and reserves	-	(30)	3	(27)
Transfer from Barclays Bank PLC[a]	447	279	21	747
Other movements	78	-	(1)	77
	517	249	24	790
Assets	517	249	31	797
Liabilities	-	-	(7)	(7)
At 31 December 2018	517	249	24	790

Note
a Related to the transfer of deferred tax assets from Barclays Bank PLC as part of the acquisition of the UK banking business.

The amount of deferred tax liability expected to be settled after more than 12 months for the Barclays Bank UK Group is £80m (2018: £nil) and for Barclays Bank UK PLC is £80m (2018: £nil). The amount of deferred tax asset expected to be recovered after more than 12 months for the Barclays Bank UK Group is £855m (2018: £680m) and for Barclays Bank UK PLC is £855m (2018: £680m). These amounts are before offsetting asset and liability balances where there is a legal right to set-off and an intention to settle on a net basis.

Unrecognised deferred tax

Tax losses and temporary differences

Deferred tax assets have not been recognised in respect of gross tax losses of £1,000m (2018: £nil) in Barclays Bank UK Group and Barclays Bank UK PLC which were transferred from Barclays Bank PLC. These tax losses are comprised entirely of capital losses which can be carried forward indefinitely. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable gains will be available against which they can be utilised.

The amount of unrecognised deferred tax assets and liabilities relating to temporary differences or investments in subsidiaries, branches and associates in both Barclays Bank UK Group and Barclays Bank UK PLC is £nil (2018: £nil).

10 Dividends on ordinary shares

The 2019 financial statements include £1,050m (2018: £350m) of dividend paid. This includes the final dividend declared in relation to the prior year of £700m (2018: £nil) and half year dividends of £350m (2018: £350m). This results in a total dividend for the year of 208p (2018: 69p) per ordinary share.

Dividends paid on other equity instruments amounted to £153m (2018: £105m). For further detail on other equity instruments, please refer to Note 26.

The Directors have approved a full year dividend in respect of 2019 of £220m, which will be paid on or around 25 March 2020. The financial statements for the year ended 31 December 2019 do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained profits in the year ending 31 December 2020. Dividends are funded out of distributable reserves .

Assets and liabilities held at fair value

The notes included in this section focus on assets and liabilities the Barclays Bank UK Group holds and recognises at fair value. Fair value refers to the price that would be received to sell an asset or the price that would be paid to transfer a liability in an arm's-length transaction with a willing counterparty, which may be an observable market price or, where there is no quoted price for the instrument, may be an estimate based on available market data. Detail regarding the Barclays Bank UK Group's approach to managing market risk can be found on page 39.

11 Trading portfolio

Accounting for trading portfolio assets and liabilities

In accordance with IFRS 9, all assets and liabilities held for trading purposes are held at fair value with gains and losses in the changes in fair value taken to the income statement in net trading income (Note 5).

	Barclays Bank UK Group and PLC	
	2019	2018
	£m	£m
Debt securities and other eligible bills	860	151
Trading portfolio assets	**860**	**151**
Debt securities and other eligible bills	(1,704)	(1,269)
Trading portfolio liabilities	**(1,704)**	**(1,269)**

Trading debt securities (assets) are part of managed assets within treasury. Trading debt securities (liabilities) relate to short positions held for hedging fair value loans and managed assets within treasury.

12 Financial assets at fair value through the income statement

Accounting for financial assets mandatorily at fair value

Financial assets that are held for trading are recognised at fair value through profit or loss. In addition, financial assets are held at fair value through profit or loss if they do not contain contractual terms that give rise on specified dates to cash flows that are SPPI, or if the financial asset is not held in a business model that is either (i) a business model to collect the contractual cash flows or (ii) a business model that is achieved by both collecting contractual cash flows and selling.

Accounting for financial assets designated at fair value

Financial assets, other than those held for trading, are classified in this category if they are so irrevocably designated at inception and the use of the designation removes or significantly reduces an accounting mismatch.

Subsequent changes in fair value for these instruments are recognised in the income statement in net investment income, except if reporting it in trading income reduces an accounting mismatch.

The details on how the fair value amounts are derived for financial assets at fair value are described in Note 15.

	Barclays Bank UK Group and PLC	
	2019	2018
	£m	£m
Loans and advances	3,568	3,880
Financial assets designated at fair value	**3,568**	**3,880**
Other financial assets	3	-
Financial assets mandatorily at fair value	**3**	**-**
Total	**3,571**	**3,880**

Credit risk of financial assets designated at fair value and related credit derivatives

The following table shows the maximum exposure to credit risk, the changes in fair value attributable to changes in credit risk, and the cumulative changes in fair value since initial recognition for loans and advances.

	Barclays Bank UK Group and PLC					
	Maximum exposure as at 31 December		Changes in fair value during the year ended		Cumulative changes in fair value from inception	
	2019	2018	2019	2018	2019	2018
	£m	£m	£m	£m	£m	£m
Loans and advances designated at fair value, attributable to credit risk[a]	3,568	3,880	2	3	(21)	(27)

Note

a Loans and advances credit risk hedged by credit derivatives is £nil (2018: £nil).

13 Derivative financial instruments

Accounting for derivatives

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

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

Hedge accounting

The Barclays Bank UK Group applies the requirements of IAS 39 *Financial Instruments: Recognition and Measurement* for hedge accounting purposes. The Barclays Bank UK Group applies hedge accounting to represent the economic effects of its interest rate and currency risk management strategies. Derivatives are used to hedge interest rate, exchange rate, and exposures to certain indices such as house price indices and retail price indices related to non-trading positions. Where derivatives are held for risk management purposes, and when transactions meet the required criteria for documentation and hedge effectiveness, the Barclays Bank UK Group applies fair value hedge accounting and cash flow hedge accounting.

The Barclays Bank UK Group has elected to early adopt the 'Amendments to IAS 39 and IFRS 7 Interest Rate Benchmark Reform' issued in September 2019. In accordance with the transition provisions, the amendments have been adopted retrospectively to hedging relationships that existed at the start of the reporting period or were designated thereafter, and to the amount accumulated in the cash flow hedge reserve at that date.

The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR ('Interbank Offered Rates') reform. The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness continues to be recorded in the income statement. Furthermore, the amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present.

In summary, the reliefs provided by the amendments that apply to the Barclays Bank UK Group are:

- When considering the 'highly probable' requirement, the Barclays Bank UK Group has assumed that the IBOR interest rates upon which our hedged items are based do not change as a result of IBOR Reform.
- In assessing whether the hedge is expected to be highly effective on a forward-looking basis the Barclays Bank UK Group has assumed that the IBOR interest rates upon which the cash flows of the hedged items and the interest rate swaps that hedge them are based are not altered by IBOR reform.
- The Barclays Bank UK Group will not discontinue hedge accounting during the period of IBOR-related uncertainty solely because the retrospective effectiveness falls outside the required 80–125% range.
- The Barclays Bank UK Group has not recycled the cash flow hedge reserve relating to the period after the reforms are expected to take effect.
- The Barclays Bank UK Group has assessed whether the hedged IBOR risk component is a separately identifiable risk only when it first designates a hedged item in a fair value hedge and not on an ongoing basis.

Further amendments are expected for future accounting periods following completion of the second part of the IASB's two-phased project which focuses on the impacts of IBOR reform on financial reporting.

Fair value hedge accounting

Changes in fair value of derivatives that qualify and are designated as fair value hedges are recorded in the income statement, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The fair value changes adjust the carrying value of the hedged asset or liability held at amortised cost.

If hedge relationships no longer meet the criteria for hedge accounting, hedge accounting is discontinued. For fair value hedges of interest rate risk, the fair value adjustment to the hedged item is amortised to the income statement over the period to maturity of the previously designated hedge relationship using the effective interest method. If the hedged item is sold or repaid, the unamortised fair value adjustment is recognised immediately in the income statement. For items classified as fair value through other comprehensive income, the hedge accounting adjustment is included in other comprehensive income.

Cash flow hedge accounting

For qualifying cash flow hedges, the fair value gain or loss associated with the effective portion of the cash flow hedge is recognised initially in other comprehensive income, and then recycled to the income statement in the periods when the hedged item will affect profit or loss. Any ineffective portion of the gain or loss on the hedging instrument is recognised in the income statement immediately.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged item is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in equity is immediately transferred to the income statement.

Assets and liabilities held at fair value

Total derivatives	Barclays Bank UK Group			Barclays Bank UK PLC		
	Notional contract amount	Fair value		Notional contract amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
	£m	£m	£m	£m	£m	£m
As at 31 December 2019						
Total derivative assets/(liabilities) held for trading	366,729	180	(739)	367,223	181	(739)
Total derivative assets/(liabilities) held for risk management	62,679	12	(1)	62,679	12	(1)
Derivative assets/(liabilities)	**429,408**	**192**	**(740)**	**429,902**	**193**	**(740)**
As at 31 December 2018						
Total derivative assets/(liabilities) held for trading	317,325	241	(419)	316,818	241	(436)
Total derivative assets/(liabilities) held for risk management	57,932	-	-	57,932	-	-
Derivative assets/(liabilities)	375,257	241	(419)	374,750	241	(436)

Further information on netting arrangements of derivative financial instruments can be found within Note 16.

The fair values and notional amounts of derivatives held for trading are set out in the following table:

Derivatives held for trading[a]	Barclays Bank UK Group			Barclays Bank UK PLC		
	Notional contract amount	Fair value		Notional contract amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
	£m	£m	£m	£m	£m	£m
As at 31 December 2019						
Foreign exchange derivatives						
OTC derivatives	9,752	90	(85)	9,631	36	(85)
Foreign exchange derivatives	9,752	90	(85)	9,631	36	(85)
Interest rate derivatives						
OTC derivatives	7,000	85	(419)	6,000	22	(419)
Interest rate derivatives cleared by central counterparty	349,977	5	(235)	349,977	5	(235)
Interest rate derivatives	356,977	90	(654)	355,977	27	(654)
Derivatives with subsidiaries	-	-	-	1,615	118	-
Derivative assets/(liabilities) held for trading	366,729	180	(739)	367,223	181	(739)
Total OTC derivatives held for trading	16,752	175	(504)	15,631	58	(504)
Total derivatives cleared by central counterparty held for trading	349,977	5	(235)	349,977	5	(235)
Derivatives with subsidiaries held for trading	-	-	-	1,615	118	-
Derivative assets/(liabilities) held for trading	366,729	180	(739)	367,223	181	(739)
As at 31 December 2018						
Foreign exchange derivatives						
OTC derivatives	7,928	71	(82)	7,806	16	(82)
Foreign exchange derivatives	7,928	71	(82)	7,806	16	(82)
Interest rate derivatives						
OTC derivatives	12,796	88	(335)	11,796	26	(335)
Interest rate derivatives cleared by central counterparty	296,601	82	(2)	296,601	82	(2)
Interest rate derivatives	309,397	170	(337)	308,397	108	(337)
Derivatives with subsidiaries	-	-	-	615	117	(17)
Derivative assets/(liabilities) held for trading	317,325	241	(419)	316,818	241	(436)
Total OTC derivatives held for trading	20,724	159	(417)	19,602	42	(417)
Total derivatives cleared by central counterparty held for trading	296,601	82	(2)	296,601	82	(2)
Derivatives with subsidiaries held for trading	-	-	-	615	117	(17)
Derivative assets/(liabilities) held for trading	317,325	241	(419)	316,818	241	(436)

Note
a Derivatives held for trading are held as economic hedges to manage risk.

The fair values and notional amounts of derivative instruments held for risk management are set out in the following table:

Derivatives held for risk management	Barclays Bank UK Group and PLC		
	Notional contract amount	Fair value	
		Assets	Liabilities
	£m	£m	£m
As at 31 December 2019			
Derivatives designated as cash flow hedges			
Interest rate derivatives cleared by central counterparty	**25,981**	**-**	**-**
Derivatives designated as cash flow hedges	**25,981**	**-**	**-**
Derivatives designated as fair value hedges			
Interest rate swaps	**645**	**12**	**(1)**
Interest rate derivatives cleared by central counterparty	**36,053**	**-**	**-**
Derivatives designated as fair value hedges	**36,698**	**12**	**(1)**
Derivative assets/(liabilities) held for risk management	**62,679**	**12**	**(1)**
Total OTC derivatives held for risk management	**645**	**12**	**(1)**
Total derivatives cleared by central counterparty held for risk management	**62,034**	**-**	**-**
Derivative assets/(liabilities) held for risk management	**62,679**	**12**	**(1)**
As at 31 December 2018			
Derivatives designated as cash flow hedges			
Interest rate derivatives cleared by central counterparty	26,547	-	-
Derivatives designated as cash flow hedges	26,547	-	-
Derivatives designated as fair value hedges			
Interest rate derivatives cleared by central counterparty	31,385	-	-
Derivatives designated as fair value hedges	31,385	-	-
Derivative assets/(liabilities) held for risk management	57,932	-	-
Total derivatives cleared by central counterparty held for risk management	57,932	-	-
Derivative assets/(liabilities) held for risk management	57,932	-	-

Hedge accounting

Hedge accounting is applied predominantly for the following risks:

- Interest rate risk – arises due to a mismatch between fixed interest rates and floating interest rates. Interest rate risk also includes exposure to inflation risk for certain types of investments.
- Contractually linked inflation risk – arises from financial instruments within contractually specified inflation risk. The Barclays Bank UK Group does not hedge inflation risk that arises from other activities.

In order to hedge these risks, the Barclays Bank UK Group uses the following hedging instruments:

- Interest rate derivatives to swap interest rate exposures into either fixed or variable rates.
- Inflation derivatives to swap inflation exposure into either fixed or variable interest rates.

In some cases, certain items which are economically hedged may be ineligible hedged items for the purposes of IAS 39, such as core deposits and equity. In these instances, a proxy hedging solution can be utilised whereby portfolios of floating rate assets are designated as eligible hedged items in cash flow hedges.

In some hedging relationships, the Barclays Bank UK Group designates risk components of hedged items as follows:

- Benchmark interest rate risk as a component of interest rate risk, such as the LIBOR or Risk Free Rate (RFR) component.
- Inflation risk as a contractually specified component of a debt instrument.
- Spot exchange rate risk for foreign currency financial assets or financial liabilities.
- Components of cash flows of hedged items, for example certain interest payments for part of the life of an instrument.

Using the benchmark interest rate risk results in other risks, such as credit risk and liquidity risk, being excluded from the hedge accounting relationship. LIBOR is considered the predominant interest rate risk and therefore the hedged items change in fair value on a fully proportionate basis with reference to this risk.

In respect of many of the Barclays Bank UK Group's hedge accounting relationships, the hedged item and hedging instrument change frequently due to the dynamic nature of the risk management and hedge accounting strategy. The Barclays Bank UK Group applies hedge accounting to dynamic scenarios, predominantly in relation to interest rate risk, with a combination of hedged items in order for its financial statements to reflect as closely as possible the economic risk management undertaken. In some cases, if the hedge accounting objective changes, the relevant hedge accounting relationship is de-designated and is replaced with a different hedge accounting relationship.

The hedging instruments share the same risk exposures as the hedged items. Hedge effectiveness is determined with reference to quantitative tests, predominantly regression testing, but to the extent hedging instruments are exposed to different risks than the hedged items, this could result in hedge ineffectiveness or hedge accounting failures.

Sources of ineffectiveness include the following:
- Mismatches between the contractual terms of the hedged item and hedging instrument, including basis differences.
- Changes in credit risk of the hedging instruments.
- If a hedging relationship becomes over-hedged, for example in hedges of net investments if the net asset value designated at the start of the period falls below the amount of the hedging instrument.
- The effects of the forthcoming reforms to IBOR, because these might take effect at a different time and have a different impact on hedged items and hedging instruments.

Across all benchmarks which Barclays is materially exposed to, there is still uncertainty regarding the precise timing and effects of IBOR reform. There is yet to be full consensus regarding methodologies for converging existing IBORs to their final benchmark rates. As such, Barclays has not incorporated any change in assumptions for affected benchmarks into its expectations or calculations. Barclays does, however, assume sufficient liquidity in IBOR linked benchmarks to provide reliable valuation calculations of both hedged items and hedging instruments (notwithstanding reliefs already applied within the financial reporting).

Interest Rate Benchmark Reform

Following the financial crisis, the reform and replacement of benchmark interest rates such as IBOR has become a priority for global regulators. Since the changes are market driven, there is currently some uncertainty around the timing and precise nature of these changes.

The Barclays Bank UK Group's risk exposure is directly affected by interest rate benchmark reform, across both its cash flow hedge accounting activities; where IBOR-linked derivatives are designated as a cash flow hedge of IBOR-linked cash flows, and its fair value hedge accounting activities; where IBOR-linked derivatives are designated as a fair value hedge of fixed interest rate assets and liabilities.

The Barclays Bank UK Group's risk exposure is predominately to GBP, USD and EUR LIBOR. Retail lending and mortgage exposure is minimal. Approaches to transition will vary product by product, and counterparty by counterparty. Barclays expected derivative contracts facing central clearing counterparties to follow a market-wide, standardised approach to reform. Whereas bilateral derivative agreements, loan agreements and other cash securities to largely be negotiated bilaterally with the counterparty.

There are key differences between IBORs and RFRs. IBORs are 'term rates', which means that they are published for a borrowing period (for example three months), and they are 'forward-looking', because they are published at the beginning of a borrowing period, based upon an estimated inter-bank borrowing cost for the period. RFRs are typically 'backward-looking' rates, as they are based upon overnight rates from actual transactions, and are therefore published at the end of the overnight borrowing period. Furthermore, IBORs include a credit spread over RFR. Therefore, to transition existing contracts and agreements to the RFR, adjustments for term and credit differences may need to be applied to RFR-linked rates to enable the two benchmarks to be economically equivalent upon transition. The methodologies for determining these adjustments are undergoing in-depth consultations by industry working groups, on behalf of the respective global regulators and related market participants.

Barclays has established a Group-wide LIBOR Transition Programme, with oversight from the Barclays Group Finance Director and with cross-business line and functions-support governance. The Transition Programme follows a risk management approach, based upon recognised 'change delivery' control standards, to drive strategic execution, and identify, manage and resolve key risks and issues as they arise. Accountable Executives are in place within key working groups, with overall Board oversight delegated to the Barclays PLC Board Risk Committee and the Barclays PLC Group Finance Director. Barclays performs a prominent stewardship role to drive orderly transition via our representation on official sector and industry working groups across all major jurisdictions and product classes. The Barclays Bank UK Group is actively engaging with the counterparties to include appropriate fallback provisions in its floating rate assets and liabilities with maturities after 2021, when most IBORs are expected to cease to exist. We expect that the hedging instruments will be modified by the amendments to the 2006 ISDA definitions that will include fallback provisions for when the existing IBORs are permanently discontinued. Additionally, the Barclays Group Finance Director is Chair of the UK's 'Working Group on Sterling Risk-Free Reference Rates', whose mandate is to catalyse a broad-based transition to using SONIA ('Sterling Overnight Index Average') as the primary sterling interest rate benchmark in bond, loan and derivatives markets. Further, hedge accounting specific impacts of IBOR reform are expected as transition progresses, with impact on financial reporting becoming clearer following anticipated completion of Phase 2 of the IASB's IBOR Reform project.

The following table summarises the significant hedge accounting exposures impacted by the IBOR reform as at 31 December 2019:

Current benchmark rate	Expected convergence to RFR	Nominal amount of hedged items directly impacted by IBOR reform £m	Nominal amount of hedging instruments directly impacted by IBOR reform £m
GBP London Interbank Offered rate (LIBOR)	Reformed Sterling Overnight Index Average (SONIA)	1,900	1,900
USD LIBOR / Effective Federal Funds Rate (EFFR)	Secured Overnight Financing Rate (SOFR)	12,437	12,431
Euro Overnight Index Average (EONIA)	Euro Short-Term Rate (€STR)	2,913	2,913
All Other IBORs	Various Other RFRs	14	14
Total IBOR Notionals		17,264	17,258

The Barclays Bank UK Group's and PLC's exposure risk management also includes the use of the Euro Interbank Offered Rate ('EURIBOR'). The calculation methodology of EURIBOR changed during 2019. In July 2019, the Belgian Financial Services and Markets Authority granted authorisation with respect to EURIBOR under the European Union Benchmarks Regulation. This allows market participants to continue to use EURIBOR after 1 January 2020 for both existing and new contracts. The Barclays Bank UK Group expects that EURIBOR will continue to exist as a benchmark rate for the foreseeable future. Barclays Bank UK Group does not anticipate changing the hedged risk to a different benchmark. For these reasons, Barclays Bank UK Group does not consider its fair value or cash flow hedges of the EURIBOR benchmark interest rate to be directly affected by interest rate benchmark reform at 31 December 2019.

Amount, timing and uncertainty of future cash flows

The following hedging instruments are carried on the balance sheet at year end:

		Carrying value				
Barclays Bank UK Group and PLC	Risk category	Derivative Assets £m	Derivative Liabilities £m	Nominal amount £m	Change in fair value used as a basis to determine ineffectiveness £m	Nominal amount directly impacted by IBOR reform £m
Hedge type						
As at 31 December 2019						
Fair value	Interest rate risk	**-**	**-**	**36,053**	**(1,005)**	**16,080**
	Inflation risk	**12**	**(1)**	**645**	**6**	**293**
Cash flow	Interest rate risk	**-**	**-**	**25,981**	**142**	**885**
Total hedging instruments		**12**	**(1)**	**62,679**	**(857)**	**17,258**
As at 31 December 2018						
Fair value	Interest rate risk	-	-	31,385	396	n/a
Cash flow	Interest rate risk	-	-	26,547	35	n/a
Total hedging instruments		-	-	57,932	431	n/a

The following table shows the hedged items' effect on Barclays Bank UK Group and PLC:

Hedged items in fair value hedges		Accumulated fair value adjustment included in carrying amount			
Barclays Bank UK Group and PLC Hedged item statement of financial position classification and risk category	Carrying amount £m	Total £m	Of which: Accumulated fair value adjustment on items no longer in a hedge relationship £m	Change in fair value used as a basis to determine ineffectiveness £m	Hedge ineffectiveness recognised in the income statement[a] £m
2019					
Assets					
Loans and advances at amortised cost					
- Interest rate risk	**7,358**	**603**	**(669)**	**993**	**75**
Financial assets at fair value through other comprehensive income					
- Interest rate risk	**10,923**	**187**	**27**	**344**	**10**
- Inflation risk	**665**	**(7)**	**-**	**(7)**	**(1)**
Liabilities					
Debt securities in issue					
- Interest rate risk	**(11,742)**	**(343)**	**75**	**(291)**	**(44)**
Total hedged items	**7,204**	**440**	**(567)**	**1,039**	**40**
2018					
Assets					
Loans and advances at amortised cost					
- Interest rate risk	6,174	(427)	(682)	(332)	116
Financial assets at fair value through other comprehensive income					
- Interest rate risk	3,768	22	(23)	26	-
Liabilities					
Debt securities in issue					
- Interest rate risk	(13,369)	(120)	10	(18)	(44)
Total hedged items	(3,427)	(525)	(695)	(324)	72

Note
a Hedge ineffectiveness is recognised in net interest income.

For items classified as fair value through other comprehensive income, the hedge accounting adjustment is not included in the carrying amount, but rather adjusts other comprehensive income.

Hedged items in cash flow hedges

Barclays Bank UK Group and PLC Description of hedge relationship and hedged risk	Change in value of hedged item used as the basis for recognising ineffectiveness £m	Balance in cash flow hedging reserve for continuing hedges £m	Balances remaining in cash flow hedging reserve for which hedge accounting is no longer applied £m	Hedging gains or losses recognised in other comprehensive income £m	Hedge ineffectiveness recognised in the income statement[a] £m
2019					
Cash flow hedge of interest rate risk					
Loans and advances at amortised cost	**(143)**	**(141)**	**(23)**	**(143)**	**(1)**
2018					
Cash flow hedge of interest rate risk					
Loans and advances at amortised cost	(25)	(57)	31	(25)	10

Note
a Hedge ineffectiveness is recognised in net interest income.

The following table profiles the expected notional values of current hedging instruments in future years:

Barclays Bank UK Group and PLC	2020 £m	2021 £m	2022 £m	2023 £m	2024 £m	2025 and later £m
As at 31 December 2019						
Fair value hedges of interest rate risk						
Notional amount	**34,421**	**26,455**	**21,603**	**20,858**	**17,055**	**13,892**

There are 1,119 (2018: 781) interest rate risk fair value hedges with an average fixed rate of 2.8% (2018: 2.8%) across the relationships in Barclays Bank UK Group and PLC and 9 (2018: 0) inflation risk fair value hedges with an average rate of 1.4% (2018: n/a) across the relationships.

Barclays Bank UK Group and PLC have hedged the following forecast cash flows, which primarily vary with interest rates. These cash flows are expected to impact the income statement in the following periods, excluding any hedge adjustments that may be applied:

Barclays Bank UK Group and PLC	Total £m	Up to one year £m	One to two years £m	Two to three years £m	Three to four years £m	Four to five years £m	More than five years £m
2019							
Forecast receivable cash flows	**403**	**151**	**98**	**63**	**38**	**24**	**29**
2018							
Forecast receivable cash flows	737	204	205	142	82	62	42

The maximum length of time over which Barclays Bank UK Group and PLC hedge exposure to the variability in future cash flows for forecast transactions, excluding those forecast transactions related to the payment of variable interest on existing financial instruments is 10 years (2018: 10 years).

The effect on the income statement and other comprehensive income of recycling amounts in respect of cash flow hedges is set out in the following table:

Description of hedge relationship and hedged risk	2019 Amount recycled from other comprehensive income due to hedged item affecting income statement £m	2018 Amount recycled from other comprehensive income due to hedged item affecting income statement £m
Barclays Bank UK Group and PLC		
Cash flow hedge of interest rate risk		
Recycled to interest income	**6**	(1)

A detailed reconciliation of the movements of the cash flow hedging reserve is as follows:

	Barclays Bank UK Group and PLC	
	2019	2018
	£m	£m
Balance on 1 January	20	-
Hedging gains/(losses) for the year	143	26
Amounts reclassified in relation to cash flows affecting profit or loss	(6)	1
Tax	(34)	(7)
Balance on 31 December	123	20

14 Financial assets at fair value through other comprehensive income

Accounting for financial assets at fair value through other comprehensive income ('FVOCI')

Financial assets that are debt instruments held in a business model that is achieved by both collecting contractual cash flows and selling and that contain contractual terms that give rise on specified dates to cash flows that are SPPI are measured at FVOCI. They are subsequently re-measured at fair value and changes therein (except for those relating to impairment, interest income and foreign currency exchange gains and losses) are recognised in other comprehensive income until the assets are sold. Interest (calculated using the effective interest method) is recognised in the income statement in net interest income (Note 3). Upon disposal, the cumulative gain or loss recognised in other comprehensive income is included in net investment income.

In determining whether the business model is achieved by both collecting contractual cash flows and selling financial assets, it is determined that both collecting contractual cash flows and selling financial assets are integral to achieving the objective of the business model. The Barclays Bank UK Group will consider past sales and expectations about future sales to establish if the business model is achieved.

	Barclays Bank UK Group and PLC	
	2019	2018
	£m	£m
Debt securities and other eligible bills	19,322	6,710
Financial assets at fair value through other comprehensive income	19,322	6,710

15 Fair value of financial instruments

Accounting for financial assets and liabilities – fair values

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

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

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

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

For valuations that have made use of unobservable inputs, the difference between the model valuation and the initial transaction price (Day One profit) is recognised in profit or loss either: on a straight-line basis over the term of the transaction; or over the period until all model inputs will become observable where appropriate; or released in full when previously unobservable inputs become observable.

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

Assets and liabilities held at fair value

The sensitivity of valuations used in the financial statements to possible changes in significant unobservable inputs is shown on page 140.

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 either directly or indirectly. Valuations based on observable inputs include assets and liabilities such as swaps and forwards which are valued using market standard pricing techniques, and options that are commonly traded in markets where all the inputs to the market standard pricing models are observable.

Valuation technique using significant unobservable inputs – Level 3

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

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

Assets and liabilities held at fair value

	2019				2018			
	Valuation technique using				Valuation technique using			
Barclays Bank UK Group	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
As at 31 December	£m	£m	£m	£m	£m	£m	£m	£m
Trading portfolio assets	384	476	-	860	-	151	-	151
Financial assets at fair value through the income statement	-	38	3,533	3,571	-	28	3,852	3,880
Derivative financial assets	-	192	-	192	-	241	-	241
Financial assets at fair value through other comprehensive income	6,162	13,160	-	19,322	2,901	3,809	-	6,710
Total assets	6,546	13,866	3,533	23,945	2,901	4,229	3,852	10,982
Trading portfolio liabilities	(1,331)	(373)	-	(1,704)	(1,252)	(17)	-	(1,269)
Derivative financial liabilities	-	(740)	-	(740)	-	(419)	-	(419)
Total liabilities	(1,331)	(1,113)	-	(2,444)	(1,252)	(436)	-	(1,688)

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

Assets and liabilities held at fair value

	2019				2018			
	Valuation technique using				Valuation technique using			
Barclays Bank UK PLC	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
As at 31 December	£m	£m	£m	£m	£m	£m	£m	£m
Trading portfolio assets	384	476	-	860	-	151	-	151
Financial assets at fair value through the income statement	-	38	3,533	3,571	-	28	3,852	3,880
Derivative financial assets	-	193	-	193	-	241	-	241
Financial assets at fair value through other comprehensive income	6,162	13,160	-	19,322	2,901	3,809	-	6,710
Total assets	6,546	13,867	3,533	23,946	2,901	4,229	3,852	10,982
Trading portfolio liabilities	(1,331)	(373)	-	(1,704)	(1,252)	(17)	-	(1,269)
Derivative financial liabilities	-	(740)	-	(740)	-	(436)	-	(436)
Total liabilities	(1,331)	(1,113)	-	(2,444)	(1,252)	(453)	-	(1,705)

Level 3 movement analysis
The following table summarises the movements in the Level 3 balances during the period. Transfers have been reflected as if they had taken place at the beginning of the year.

Asset transfer between Level 3 and Level 2 is due to an increase in observable market activity related to an input.

Analysis of movements in Level 3 assets and liabilities

						Total gains and losses in the period recognised in the income statement			Transfers		
Barclays Bank UK Group and PLC	As at 1 January 2019 £m	Purchases[a] £m	Sales £m	Issues £m	Settlements £m	Trading income[b] £m	Other income £m	Total gains or losses recognised in OCI £m	In £m	Out £m	As at 31 December 2019 £m
Non-asset backed loans	3,852	-	-	-	(551)	244	-	-	-	(15)	3,530
Other	-	3	-	-	-	-	-	-	-	-	3
Financial assets at fair value through the income statement	3,852	3	-	-	(551)	244	-	-	-	(15)	3,533
	As at 1 January 2018 £m										As at 31 December 2018 £m
Non-asset backed loans	-	4,432	-	-	(604)	24	-	-	-	-	3,852
Financial assets at fair value through the income statement	-	4,432	-	-	(604)	24	-	-	-	-	3,852

Notes
a On 1 April 2018, £4.4bn of non-asset backed loans were transferred as part of the acquisition of the UK banking business.
b Trading income represents gains on Level 3 financial assets which is offset by losses on derivative hedge disclosed within Level 2.

Non-asset backed loans
Description: Largely made up of fixed rate loans, extended to counterparties in the Education, Social Housing and Local Authority sectors.

Valuation: Fixed rate loans are valued using models that discount expected future cash flows based on interest rates and loan spreads.

Observability: Within this loan population, the loan spread is generally unobservable. Unobservable loan spreads are determined by incorporating funding costs, the level of comparable assets such as gilts, issuer credit quality and other factors.

Level 3 sensitivity: The sensitivity of fixed rate loans is calculated by applying a shift to loan spreads, aligned to the prudent valuation framework for calculating market data uncertainty around an unobservable valuation input. The prudent valuation framework additionally requires Barclays Bank UK PLC to be capitalised to 50% of the impact of such valuation uncertainty being realised in the income statement. On a portfolio level, the sensitivity is equivalent to an averages stress to the input loan spread of 65bp.

Unrealised gains and losses on Level 3 financial assets and liabilities
The following tables disclose the unrealised gains and losses recognised in the year arising on Level 3 financial assets and liabilities held at year end.

Unrealised gains and losses recognised during the period on Level 3 assets and liabilities held at year end

	2019				2018			
	Income statement				Income statement			
Barclays Bank UK Group and PLC **As at 31 December**	Trading income £m	Other income £m	Other compre-hensive income £m	Total £m	Trading income £m	Other income £m	Other compre-hensive income £m	Total £m
Financial assets at fair value through the income statement	244	-	-	244	24	-	-	24
Total	244	-	-	244	24	-	-	24

Significant unobservable inputs
The following table discloses the valuation techniques and significant unobservable inputs for assets and liabilities recognised at fair value and classified as Level 3 along with the range of values used for those significant unobservable inputs:

			2019 Range		2018 Range		
	Valuation technique(s)	Significant unobservable inputs	Min	Max	Min	Max	Units[a]
Non-asset backed loans	Discounted cash flows	Loan spread	31	1,884	31	531	bps

Note
a The units used to disclose ranges for significant unobservable inputs are percentages, points and basis points. Points are a percentage of par; for example, 100 points equals 100% of par. A basis point equals 1/100th of 1%; for example, 150 basis points equals 1.5%.

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

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

Loan spread

Loan spreads typically represent the difference in yield between an instrument and a benchmark security or reference rate. Loan spreads typically reflect credit quality, the level of comparable assets such as gilts and other factors, and form part of the yield used in a discounted cash flow calculation.

The ESHLA portfolio primarily consists of long-dated fixed rate loans extended to counterparties in the UK Education, Social Housing and Local Authority sectors. The loans are categorised as Level 3 in the fair value hierarchy due to their illiquid nature and the significance of unobservable loan spreads to the valuation. Valuation uncertainty arises from the long-dated nature of the portfolio, the lack of secondary market in the loans and the lack of observable loan spreads. The majority of ESHLA loans are to borrowers in heavily regulated sectors that are considered low credit risk, and have a history of near zero defaults since inception and where Barclays is often afforded a position as a secured creditor. While the overall loan spread range is from 31bps to 1,884bps (2018: 30bps to 531bps), the vast majority of spreads are concentrated towards the bottom end of this range, with 99% of the loan notional being valued with spreads less than 200bps consistently for both years.

In general, a significant increase in loan spreads in isolation will result in a fair value decrease for a loan.

Sensitivity analysis of valuations using unobservable inputs

	2019		2018	
	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
	£m	£m	£m	£m
Non asset backed loans	**89**	**(264)**	133	(248)
Total	**89**	**(264)**	133	(248)

The effect of stressing unobservable inputs to a 90th percentile confidence interval of a potential range of values, alongside considering the impact of using alternative models, would be to increase fair values by up to £89m (2018: £133m) or to decrease fair values by up to £264m (2018: £248m). All the potential effect would impact profit and loss. The asymmetry in the favourable and unfavourable changes in the sensitivity analysis is attributable to Investing and Funding costs with the prudential valuation framework contributing to the unfavourable side only.

Portfolio exemptions

The Barclays Bank UK Group uses the portfolio exemption in IFRS 13 *Fair Value Measurement* to measure the fair value of groups of financial assets and liabilities. Instruments are measured using the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the balance sheet date under current market conditions. Accordingly, the Barclays Bank UK Group measures the fair value of the group of financial assets and liabilities consistently with how market participants would price the net risk exposure at the measurement date.

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

The amount that has yet to be recognised in income that relates to the difference between the transaction price (the fair value at initial recognition) and the amount that would have arisen had valuation models using unobservable inputs been used on initial recognition, less amounts subsequently recognised, is £13m (2018: £14m) for financial instruments measured at fair value and £224m (2018: £231m) for financial instruments carried at amortised cost. The decrease in financial investments measured at fair value of £1m (2018: £nil) was driven by amortisation and releases of £1m (2018: £nil). The decrease of £7m in financial instruments carried at amortised cost is driven by amortisation and releases of £12m (2018: £18m) offset by additions of £5m (2018: £nil).

Comparison of carrying amounts and fair values

The following tables summarise the fair value of financial assets and liabilities measured at amortised cost on Barclays Bank UK Group's and Barclays Bank UK PLC's balance sheet:

	2019					2018				
Barclays Bank UK Group	Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
As at 31 December	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Financial assets										
Loans and advances at amortised cost	**197,569**	**196,342**	**1,925**	**6,661**	**187,756**	188,565	186,891	2,034	3,670	181,187
Reverse repurchase agreements and other similar secured lending	**1,761**	**1,761**	**-**	**1,761**	**-**	1,759	1,759	-	1,759	-
Financial liabilities										
Deposits at amortised cost	**(205,696)**	**(205,701)**	**(191,931)**	**(3,956)**	**(9,814)**	(197,485)	(197,504)	(191,641)	(17)	(5,846)
Repurchase agreements and other similar secured borrowing	**(13,420)**	**(13,420)**	**-**	**(13,420)**	**-**	(11,978)	(11,978)	-	(11,978)	-
Debt securities in issue	**(8,271)**	**(8,644)**	**-**	**(8,151)**	**(493)**	(11,172)	(11,681)	-	(10,425)	(1,256)
Subordinated liabilities	**(7,688)**	**(8,022)**	**-**	**(8,022)**	**-**	(7,548)	(7,548)	-	(7,548)	-

	2019					2018				
Barclays Bank UK PLC	Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
As at 31 December	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Financial assets										
Loans and advances at amortised cost	**197,960**	**196,739**	**1,959**	**7,548**	**187,232**	188,606	186,932	2,034	3,715	181,183
Reverse repurchase agreements and other similar secured lending	**1,761**	**1,761**	**-**	**1,761**	**-**	1,759	1,759	-	1,759	-
Financial liabilities										
Deposits at amortised cost	**(206,764)**	**(206,768)**	**(191,931)**	**(5,023)**	**(9,814)**	(199,031)	(199,049)	(191,642)	(1,561)	(5,846)
Repurchase agreements and other similar secured borrowing	**(13,420)**	**(13,420)**	**-**	**(13,420)**	**-**	(11,978)	(11,978)	-	(11,978)	-
Debt securities in issue	**(7,778)**	**(8,151)**	**-**	**(8,151)**	**-**	(9,912)	(10,425)	-	(10,425)	-
Subordinated liabilities	**(7,688)**	**(8,022)**	**-**	**(8,022)**	**-**	(7,548)	(7,548)	-	(7,548)	-

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

Financial assets

The carrying value of financial assets held at amortised cost is determined in accordance with the relevant accounting policy in Note 17.

Loans and advances at amortised cost

The fair value of loans and advances, for the purpose of this disclosure, is derived from discounting expected cash flows in a way that reflects the current market price for lending to issuers of similar credit quality. Where market data or credit information on the underlying borrowers is unavailable, a number of proxy/extrapolation techniques are employed to determine the appropriate discount rates.

Reverse repurchase agreements and other similar secured lending

The fair value of reverse repurchase agreements approximates carrying amount as these balances are generally short dated and fully collateralised.

Financial liabilities

The carrying value of financial liabilities held at amortised cost (including customer accounts, other deposits, repurchase agreements and cash collateral on securities lent, debt securities in issue and subordinated liabilities) is determined in accordance with the accounting policy in Note 1.

Deposits at amortised cost

In many cases, the fair value disclosed approximates carrying value because the instruments are short term in nature or have interest rates that reprice frequently, such as customer accounts and other deposits and short-term debt securities.

The fair value for deposits with longer-term maturities, mainly time deposits, are estimated using discounted cash flows applying either market rates or current rates for deposits of similar remaining maturities. Consequently the fair value discount is minimal.

Repurchase agreements and other similar secured borrowing
The fair value of repurchase agreements approximates carrying amounts as these balances are generally short dated.

Debt securities in issue
Fair values of other debt securities in issue are based on quoted prices where available, or where the instruments are short dated, carrying amount approximates fair value.

Subordinated liabilities
Fair values for dated and undated convertible and non-convertible loan capital are based on quoted market rates for the issuer concerned or issuers with similar terms and conditions.

16 Offsetting financial assets and financial liabilities

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

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

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

	Amounts subject to enforceable netting arrangements							
	Effects of offsetting on-balance sheet			Related amounts not offset				
Barclays Bank UK Group	Gross amounts	Amounts offset[a]	Net amounts reported on the balance sheet	Financial instruments	Financial collateral[b]	Net amount	Amounts not subject to enforceable netting arrangements[c]	Balance sheet total[d]
As at 31 December 2019	£m	£m	£m	£m	£m	£m	£m	£m
Derivative financial assets	**192**	**-**	**192**	**(59)**	**(107)**	**26**	**-**	**192**
Reverse repurchase agreements and other similar secured lending	**2,516**	**(755)**	**1,761**	**-**	**(1,761)**	**-**	**-**	**1,761**
Total assets	**2,708**	**(755)**	**1,953**	**(59)**	**(1,868)**	**26**	**-**	**1,953**
Derivative financial liabilities	**(740)**	**-**	**(740)**	**59**	**672**	**(9)**	**-**	**(740)**
Repurchase agreements and other similar secured borrowing	**(2,957)**	**755**	**(2,202)**	**-**	**2,202**	**-**	**(11,218)**	**(13,420)**
Total liabilities	**(3,697)**	**755**	**(2,942)**	**59**	**2,874**	**(9)**	**(11,218)**	**(14,160)**
As at 31 December 2018								
Derivative financial assets	222	-	222	(19)	-	203	19	241
Reverse repurchase agreements and other similar secured lending	2,183	(440)	1,743	-	(1,742)	1	16	1,759
Total assets	2,405	(440)	1,965	(19)	(1,742)	204	35	2,000
Derivative financial liabilities	(419)	-	(419)	19	397	(3)	-	(419)
Repurchase agreements and other similar secured borrowing	(1,121)	440	(681)	-	681	-	(11,297)	(11,978)
Total liabilities	(1,540)	440	(1,100)	19	1,078	(3)	(11,297)	(12,397)

Notes
a No other significant recognised financial assets and liabilities were offset in the balance sheet. Therefore, the only balance sheet categories necessary for inclusion in the table are those shown above.
b Financial cash collateral of £107m (2018: £Nil) was placed in respect of derivative assets. Financial cash collateral of £672m (2018: £397m) was placed in respect of derivative liabilities. The collateral amounts are limited to net balance sheet exposure so as to not include over-collateralisation.
c This column includes contractual rights of set-off that are subject to uncertainty under the laws of the relevant jurisdiction.
d The balance sheet total is the sum of 'Net amounts reported on the balance sheet' that are subject to enforceable netting arrangements and 'Amounts not subject to enforceable netting arrangements'.

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

Financial collateral refers to cash and non-cash collateral obtained, typically daily or weekly, to cover the net exposure between counterparties by enabling the collateral to be realised in an event of default or if other predetermined events occur.

Repurchase and reverse repurchase agreements and other similar secured lending and borrowing
The 'Amounts offset' column identifies financial assets and liabilities that are subject to set off under netting agreements, such as Global Master Repurchase Agreements and Global Master Securities Lending Agreements, whereby all outstanding transactions with the same counterparty can be offset and close-out netting applied across all outstanding transactions covered by the agreements if an event of default or other predetermined events occur.

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

These offsetting and collateral arrangements and other credit risk mitigation strategies used by Barclays Bank UK Group are further explained in the Credit risk mitigation section on page 37.

Barclays Bank UK PLC	Amounts subject to enforceable netting arrangements							
	Effects of offsetting on-balance sheet			Related amounts not offset				
	Gross amounts	Amounts offset[a]	Net amounts reported on the balance sheet	Financial instruments	Financial collateral[b]	Net amount	Amounts not subject to enforceable netting arrangements[c]	Balance sheet total[d]
As at 31 December 2019	£m	£m	£m	£m	£m	£m	£m	£m
Derivative financial assets	**193**	**-**	**193**	**(59)**	**-**	**134**	**-**	**193**
Reverse repurchase agreements and other similar secured lending	**2,516**	**(755)**	**1,761**	**-**	**(1,761)**	**-**	**-**	**1,761**
Total assets	**2,709**	**(755)**	**1,954**	**(59)**	**(1,761)**	**134**	**-**	**1,954**
Derivative financial liabilities	**(740)**	**-**	**(740)**	**59**	**672**	**(9)**	**-**	**(740)**
Repurchase agreements and other similar secured borrowing	**(2,957)**	**755**	**(2,202)**	**-**	**2,202**	**-**	**(11,218)**	**(13,420)**
Total liabilities	**(3,697)**	**755**	**(2,942)**	**59**	**2,874**	**(9)**	**(11,218)**	**(14,160)**
As at 31 December 2018								
Derivative financial assets	222	-	222	(19)	-	203	19	241
Reverse repurchase agreements and other similar secured lending	2,183	(440)	1,743	-	(1,742)	1	16	1,759
Total assets	2,405	(440)	1,965	(19)	(1,742)	204	35	2,000
Derivative financial liabilities	(436)	-	(436)	19	397	(20)	-	(436)
Repurchase agreements and other similar secured borrowing	(1,121)	440	(681)	-	681	-	(11,297)	(11,978)
Total liabilities	(1,557)	440	(1,117)	19	1,078	(20)	(11,297)	(12,414)

Notes
a No other significant recognised financial assets and liabilities were offset in the balance sheet. Therefore, the only balance sheet categories necessary for inclusion in the table are those shown above.
b Financial cash collateral of £672m (2018: £397m) was placed in respect of derivative liabilities. The collateral amounts are limited to net balance sheet exposure so as to not include over-collateralisation.
c This column includes contractual rights of set-off that are subject to uncertainty under the laws of the relevant jurisdiction.
d The balance sheet total is the sum of 'Net amounts reported on the balance sheet' that are subject to enforceable netting arrangements and 'Amounts not subject to enforceable netting arrangements'.

Notes to the financial statements
Assets at amortised cost and other investments

The notes included in this section focus on the Barclays Bank UK Group's loans and advances and deposits at amortised cost, leases, property, plant and equipment and goodwill and intangible assets. Details regarding the Barclays Bank UK Group's liquidity and capital position can be found on pages 38 to 39.

17 Loans and advances and deposits at amortised cost

Accounting for loans and advances and deposits held at amortised cost

Loans and advances to customers and banks, customer accounts, debt securities and most financial liabilities, are held at amortised cost. That is, the initial fair value (which is normally the amount advanced or borrowed) is adjusted for repayments and the amortisation of coupon, fees and expenses to represent the effective interest rate of the asset or liability. Balances deferred on-balance sheet as effective interest rate adjustments are amortised to interest income over the life of the financial instrument to which they relate.

Financial assets that are held in a business model to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are SPPI, are measured at amortised cost. The carrying value of these financial assets at initial recognition includes any directly attributable transaction costs. Refer to Note 1 for details on 'solely payments of principal and interest'.

In determining whether the business model is a 'hold to collect' model, the objective of the business model must be to hold the financial asset to collect contractual cash flows rather than holding the financial asset for trading or short-term profit taking purposes. While the objective of the business model must be to hold the financial asset to collect contractual cash flows this does not mean the Barclays Bank UK Group is required to hold the financial assets until maturity. When determining if the business model objective is to collect contractual cash flows the Barclays Bank UK Group will consider past sales and expectations about future sales.

Loans and advances and deposits at amortised cost

	Barclays Bank UK Group		Barclays Bank UK PLC	
	2019	2018	**2019**	2018
As at 31 December	**£m**	£m	**£m**	£m
Loans and advances at amortised cost to banks	**740**	1,004	**658**	644
Loans and advances at amortised cost to customers	**192,370**	185,952	**192,843**	186,353
Debt securities at amortised cost	**4,459**	1,609	**4,459**	1,609
Total loans and advances at amortised cost	**197,569**	188,565	**197,960**	188,606
Deposits at amortised cost from banks	**141**	29	**135**	29
Deposits at amortised cost from customers	**205,555**	197,456	**206,629**	199,002
Total deposits at amortised cost	**205,696**	197,485	**206,764**	199,031

18 Property, plant and equipment

Accounting for property, plant and equipment

The Barclays Bank UK Group applies IAS 16 *Property Plant and Equipment*.

Property, plant and equipment is stated at cost, which includes direct and incremental acquisition costs less accumulated depreciation and provisions for impairment, if required. Subsequent costs are capitalised if these result in the enhancement to the asset.

Depreciation is provided on the depreciable amount of items of property, plant and equipment on a straight-line basis over their estimated useful economic lives. Depreciation rates, methods and the residual values underlying the calculation of depreciation of items of property, plant and equipment are kept under review to take account of any change in circumstances. The Barclays Bank UK Group uses the following annual rates in calculating depreciation:

Annual rates in calculating depreciation	Depreciation rate
Freehold land	Not depreciated
Freehold buildings and long-leasehold property (more than 50 years to run)	2-3.3%

	Barclays Bank UK Group and PLC		
	Property	Right of use assets[a]	Total
	£m	£m	£m
Cost			
As at 31 December 2018	**969**	**-**	**969**
Effects of changes in accounting policies (see Note 1)	**-**	**526**	**526**
As at 1 January 2019	**969**	**526**	**1,495**
Additions	**39**	**1**	**40**
Disposals	**(30)**	**(6)**	**(36)**
Exchange and other movements	**(5)**	**7**	**2**
As at 31 December 2019	**973**	**528**	**1,501**
Accumulated depreciation and impairment			
As at 31 December 2018	**(471)**	**-**	**(471)**
Effects of changes in accounting policies (see Note 1)	**-**	**(16)**	**(16)**
As at 1 January 2019	**(471)**	**(16)**	**(487)**
Disposals	**25**	**-**	**25**
Depreciation charge	**(57)**	**(73)**	**(130)**
Impairment charge	**(11)**	**(5)**	**(16)**
As at 31 December 2019	**(514)**	**(94)**	**(608)**
Net book value	**459**	**434**	**893**
Cost			
As at 1 January 2018	-	-	-
Transfer of UK banking business	958	-	958
Additions	40	-	40
Disposals	(30)	-	(30)
Exchange and other movements	1	-	1
As at 31 December 2018	969	-	969
Accumulated depreciation and impairment			
As at 1 January 2018	-	-	-
Transfer of UK banking business	(448)	-	(448)
Disposals	24	-	24
Depreciation charge	(45)	-	(45)
Impairment charge	(2)	-	(2)
As at 31 December 2018	(471)	-	(471)
Net book value	498	-	498

Note
a Right of use (ROU) asset balances relate to Property Leases under IFRS 16, which Barclays Bank UK Group adopted on 1 January 2019. Refer to Note 19 for further details.

Property rentals of £1m (2018: £9m) has been included in Other income.

19 Leases

Accounting for leases under IFRS 16 effective from 1 January 2019

IFRS 16 applies to all leases with the exception of licenses of intellectual property, rights held by licensing agreement within the scope of IAS 38 *Intangible Assets,* service concession arrangements, leases of biological assets within the scope of IAS 41 *Agriculture* and leases of minerals, oil, natural gas and similar non-regenerative resources. IFRS 16 includes an accounting policy choice for a lessee to elect not to apply IFRS 16 to remaining assets within the scope of IAS 38 *Intangible Assets* which the Barclays Bank UK Group has decided to apply.

When the Barclays Bank UK Group is the lessee, it is required to recognise both:

- A lease liability, measured at the present value of remaining cash flows on the lease, and
- A right of use (ROU) asset, measured at the amount of the initial measurement of the lease liability, plus any lease payments made prior to commencement date, initial direct costs, and estimated costs of restoring the underlying asset to the condition required by the lease, less any lease incentives received.

Subsequently the lease liability will increase for the accrual of interest, resulting in a constant rate of return throughout the life of the lease, and reduce when payments are made. The right of use asset will amortise to the income statement over the life of the lease. The lease liability is remeasured when there is a change in one of the following:

- Future lease payments arising from a change in an index or rate;
- The Barclays Bank UK Group's estimate of the amount expected to be payable under a residual value guarantee; or
- The Barclays Bank UK Group's assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in the income statement if the carrying amount of the ROU asset has been reduced to nil.

On the balance sheet, the ROU assets are included within property, plant and equipment and the lease liabilities are included within other liabilities.

The Barclays Bank UK Group applies the recognition exemption in IFRS 16 for leases with a term not exceeding 12 months, for these leases the lease payments are recognised as an expense on a straight line basis over the lease term unless another systematic basis is more appropriate.

Accounting for operating leases under IAS 17 for 2018
The Barclays Bank UK Group applied IAS 17 *Leases,* for operating leases. An operating lease is a lease where substantially all of the risks and rewards of the leased assets remain with the lessor.

Where the Barclays Bank UK Group is the lessee, rentals payable are recognised as an expense in the income statement on a straight-line basis over the lease term unless another systematic basis is more appropriate.

As a Lessee
Barclays Bank UK Group leases various offices, branches and other premises under non-cancellable lease arrangements to meet its operational business requirements. In some instances, Barclays Bank UK Group will sublease property to third parties when it is no longer needed to meet business requirements. Currently, Barclays Bank UK Group and Barclays Bank UK PLC does not have any material subleasing arrangements.

ROU asset balances relate to property leases only. Refer to Note 18 for a breakdown of the carrying amount of ROU assets.

Barclays Bank UK Group and Barclays Bank PLC recognised total expense of £8m for short term leases during the year. The portfolio of short term leases to which Barclays Bank UK Group and Barclays Bank UK PLC is exposed at the end of the year is not dissimilar to the expenses recognised in the year.

Lease liabilities

Barclays Bank UK Group and PLC	2019 £m
As at 31 December 2018	-
Effect of change in accounting policies (see Note 1)	504
As at 1 January 2019	504
Interest	19
New leases	1
Disposals	(10)
Cash payments	(89)
Exchange and other movements	7
As at 31 December 2019 (see Note 21)	432

The below table sets out a maturity analysis of undiscounted lease liabilities, showing the lease payments to be paid after the reporting date.

Undiscounted lease liabilities maturity analysis

Barclays Bank UK Group and PLC	2019 £m
Not more than one year	86
One to two years	81
Two to three years	76
Three to four years	66
Four to five years	57
Five to ten years	113
Greater than ten years	40
Total undiscounted lease liabilities as at 31 December 2019	519

In addition to the cash flows identified above, Barclays Bank UK Group and Barclays Bank UK PLC are exposed to:

- Variable lease payments: This variability will typically arise from either inflation index instruments or market based pricing adjustments. Currently, 822 leases out of the total 1,194 leases have variable lease payment terms based on market based pricing adjustments. Of the gross cash flows identified above, £446m is attributable to leases with some degree of variability predominately linked to market based pricing adjustments.
- Extension and termination options: The table above represents Barclays Bank UK Group and Barclays Bank UK PLC's best estimate of future cash out flows for leases, including assumptions regarding the exercising of contractual extension and termination options. The above gross cash flows have been reduced by £16m for leases where it is highly expected to exercise an early termination option. However, there is no significant impact where it is expected to exercise an extension option.

Barclays Bank UK Group and Barclays Bank UK PLC currently do not have any significant sale and lease back transactions. Barclays Bank UK Group and Barclays Bank UK PLC do not have any restrictions or covenants imposed by the lessor on its property leases which restrict its businesses.

Operating lease commitments under IAS 17 in 2018
In 2018, operating lease rentals of £87m were included in infrastructure costs.

The prior year comparative table for future minimum lease payments by the Barclays Bank UK Group and Barclays Bank UK PLC under non-cancellable operating leases are as follows:

Barclays Bank UK Group and PLC	2018 Property £m
Not more than one year	88
Over one year but not more than five years	239
Over five years	103
Total	430

20 Goodwill and intangible assets

Accounting for goodwill and intangible assets

Goodwill

The carrying value of goodwill is determined in accordance with IFRS 3 *Business Combinations* and IAS 36 *Impairment of Assets*.

Goodwill arising on the acquisition of subsidiaries represents the excess of the fair value of the purchase consideration over the fair value of the Barclays Bank UK Group's share of the assets acquired and the liabilities and contingent liabilities assumed on the date of the acquisition.

Goodwill is reviewed annually for impairment, or more frequently when there are indications that impairment may have occurred. The test involves comparing the carrying value of the cash generating unit (CGU) including goodwill with the present value of the pre-tax cash flows, discounted at a rate of interest that reflects the inherent risks, of the CGU to which the goodwill relates, or the CGU's fair value if this is higher.

Intangible assets

Intangible assets other than goodwill are accounted for in accordance with IAS 38 *Intangible Assets*.

Intangible assets are initially recognised when they are separable or arise from contractual or other legal rights, the cost can be measured reliably and, in the case of intangible assets not acquired in a business combination, where it is probable that future economic benefits attributable to the assets will flow from their use.

Intangible assets are stated at cost (which is, in the case of assets acquired in a business combination, the acquisition date fair value) less accumulated amortisation and provisions for impairment, if any, and are amortised over their useful lives in a manner that reflects the pattern to which they contribute to future cash flows, generally using the amortisation periods set out below:

Annual rates in calculating amortisation	Amortisation period
Goodwill	Not amortised
Customer lists	12 months to 25 years

Intangible assets are reviewed for impairment when there are indications that impairment may have occurred.

Assets at amortised cost and other investments

	Barclays Bank UK Group			Barclays Bank UK PLC		
	Goodwill £m	Customer lists £m	Total £m	Goodwill £m	Customer lists £m	Total £m
Cost						
As at 1 January 2019	**3,526**	**90**	**3,616**	**3,378**	**90**	**3,468**
Additions and disposals	-	-	-	-	-	-
As at 31 December 2019	**3,526**	**90**	**3,616**	**3,378**	**90**	**3,468**
Accumulated amortisation and impairment						
As at 1 January 2019	-	(82)	(82)	-	(82)	(82)
Amortisation charge	-	(4)	(4)	-	(4)	(4)
As at 31 December 2019	-	(86)	(86)	-	(86)	(86)
Net book value	**3,526**	**4**	**3,530**	**3,378**	**4**	**3,382**
Cost						
As at 1 January 2018	-	-	-	-	-	-
Transfer of UK banking business	3,526	90	3,616	3,378	90	3,468
As at 31 December 2018	3,526	90	3,616	3,378	90	3,468
Accumulated amortisation and impairment						
As at 1 January 2018	-	-	-	-	-	-
Transfer of UK banking business	-	(79)	(79)	-	(79)	(79)
Amortisation charge	-	(3)	(3)	-	(3)	(3)
As at 31 December 2018	-	(82)	(82)	-	(82)	(82)
Net book value	3,526	8	3,534	3,378	8	3,386

Goodwill

Testing goodwill for impairment involves a significant amount of judgement. This includes the identification of independent CGUs and the allocation of goodwill to these units based on which units are expected to benefit from the acquisition. Cash flow projections take into account changes in the market in which a business operates including the level of growth, competitive activity, and the impacts of regulatory change. The estimation of pre-tax cash flows is sensitive to the periods for which detailed forecasts are available and to assumptions regarding long-term sustainable cash flows.

Goodwill within Personal Banking was £2,718m (2018: £2,718m), of which £2,501m (2018: £2,501m) was attributable to Woolwich, and within Business Banking was £629m (2018: £629m), fully attributable to Woolwich. The carrying value of the CGUs have been determined by using net asset values. The recoverable amounts of the CGUs, calculated as value in use, have been determined using cash flow predictions based on financial budgets approved by management, covering a five-year period, with a terminal growth rate of 1.5% (2018: 1.8%) applied thereafter. The forecasted cash flows have been discounted at a pre-tax rate of 12.9% to 13.3% (2018: 13.7%). Based on these assumptions, the total recoverable amount exceeded the carrying amount including goodwill by £5,999m (2018: £7,762m). A one percentage point change in the discount rate or terminal growth rate would increase or decrease the recoverable amount by £1,458m (2018: £1,501m) and £968m (2018: £980m) respectively. A reduction in the forecast cash flows of 15% per annum (2018: 10%) would reduce the recoverable amount by £2,534m (2018: £1,828m).

Other intangible assets

Determining the estimated useful lives of intangible assets (such as those arising from contractual relationships) requires an analysis of circumstances. The assessment of whether an asset is exhibiting indicators of impairment as well as the calculation of impairment, which requires the estimate of future cash flows and fair values less costs to sell, also requires the preparation of cash flow forecasts and fair values for assets that may not be regularly bought and sold.

Accruals, provisions, contingent liabilities and legal proceedings

The notes included in this section focus on the Barclays Bank UK Group's accruals, provisions and contingent liabilities. Provisions are recognised for present obligations arising as consequences of past events where it is probable that a transfer of economic benefit will be necessary to settle the obligation, and it can be reliably estimated. Contingent liabilities reflect potential liabilities that are not recognised on the balance sheet.

21 Other liabilities

	Barclays Bank UK Group		Barclays Bank UK PLC	
	2019	2018	2019	2018
	£m	£m	£m	£m
Accruals and deferred income	288	395	272	377
Other creditors	1,276	1,364	1,161	1,170
Items in the course of collection due to other banks	38	129	38	129
Lease liabilities[a] (refer to Note 19)	432	-	432	-
Other liabilities	2,034	1,888	1,903	1,676

Note
a Lease liabilities represents the minimum lease payments under the lease discounted at the rate of interest implicit in the lease.

22 Provisions

Accounting for provisions
The Barclays Bank UK Group applies IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* in accounting for non-financial liabilities.

Provisions are recognised for present obligations arising as consequences of past events where it is more likely than not that a transfer of economic benefit will be necessary to settle the obligation, which can be reliably estimated. Provision is made for the anticipated cost of restructuring, including redundancy costs when an obligation exists; for example, when the Barclays Bank UK Group has a detailed formal plan for restructuring a business and has raised valid expectations in those affected by the restructuring by announcing its main features or starting to implement the plan. Provision is made for undrawn loan commitments if it is probable that the facility will be drawn and result in the recognition of an asset at an amount less than the amount advanced.

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

The complexity of such matters often requires the input of specialist professional advice in making assessments to produce estimates. Customer redress and legal, competition and regulatory matters are areas where a higher degree of professional judgement is required. The amount that is recognised as a provision can also be very sensitive to the assumptions made in calculating it. This gives rise to a large range of potential outcomes which require judgement in determining an appropriate provision level. See below for information on payment protection redress and Note 24 for more detail of legal, competition and regulatory matters.

				Conduct redress				
	Onerous contracts	Redundancy and restructuring	Undrawn contractually committed facilities and guarantees provided[a]	Payment Protection Insurance	Other customer redress	Legal, competition and regulatory matters	Sundry provisions	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Barclays Bank UK Group								
As at 31 December 2018	42	47	54	888	317	3	29	1,380
Effects of changes in accounting policies[b]	(13)	-	-	-	-	-	-	(13)
As at 1 January 2019	29	47	54	888	317	3	29	1,367
Additions	16	13	18	1,425	199	1	56	1,728
Amounts utilised	(17)	(37)	-	(1,158)	(145)	(2)	(15)	(1,374)
Unused amounts reversed	(13)	(5)	(2)	-	(23)	(1)	(19)	(63)
Exchange and other movements	6	(6)	-	-	2	-	-	2
As at 31 December 2019	21	12	70	1,155	350	1	51	1,660

Notes
a Undrawn contractually committed facilities and guarantees provisions are accounted for under IFRS 9.
b Upon adoption of IFRS 16 on 1 January 2019, £13m of onerous lease provisions were transferred to right of use asset impairment allowance. Please see Note 1 for further details.

	Onerous contracts	Redundancy and restructuring	Undrawn contractually committed facilities and guarantees provided[a]	Conduct redress: Payment Protection Insurance	Conduct redress: Other customer redress	Legal, competition and regulatory matters	Sundry provisions	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Barclays Bank UK PLC								
As at 31 December 2018	42	47	54	858	316	3	28	1,348
Effects of changes in accounting policies[b]	(13)	-	-	-	-	-	-	(13)
As at 1 January 2019	29	47	54	858	316	3	28	1,335
Additions	16	13	18	1,379	195	1	48	1,670
Amounts utilised	(17)	(37)	-	(1,119)	(146)	(2)	(10)	(1,331)
Unused amounts reversed	(13)	(5)	(2)	-	(22)	(1)	(18)	(61)
Exchange and other movements	6	(6)	-	-	3	-	(3)	-
As at 31 December 2019	21	12	70	1,118	346	1	45	1,613

Notes

a Undrawn contractually committed facilities and guarantees provisions are accounted for under IFRS 9.

b Upon adoption of IFRS 16 on 1 January 2019, £13m of onerous lease provisions were transferred to right of use asset impairment allowance. Please see Note 1 for further details.

Provisions expected to be recovered or settled within no more than 12 months after 31 December 2019 were £1,636m (2018: £1,280m) for Barclays Bank UK Group and £1,594m (2018: £1,249m) for Barclays Bank UK PLC.

Onerous contracts

Onerous contract provisions comprise an estimate of the costs involved with fulfilling the terms and conditions of contracts net of any expected benefits to be received.

Redundancy and restructuring

These provisions comprise the estimated cost of restructuring, including redundancy costs where an obligation exists. Additions made during the year relate to formal restructuring plans and have either been utilised, or reversed, where total costs are now expected to be lower than the original provision amount.

Undrawn contractually committed facilities and guarantees

Impairment allowance under IFRS 9 considers both the drawn and the undrawn counterparty exposure. For retail portfolios, the total impairment allowance is allocated to the drawn exposure to the extent that the allowance does not exceed the exposure as ECL is not reported separately. Any excess is reported on the liability side of the balance sheet as a provision. For wholesale portfolios the impairment allowance on the undrawn exposure is reported on the liability side of the balance sheet as a provision. Provisions are made if it is probable that a facility will be drawn and the resulting asset is expected to have a realisable value that is less than the amount advanced.

Customer redress

Customer redress provisions comprise the estimated cost of making redress payments to customers, clients and counterparties for losses or damages associated with inappropriate judgement in the execution of Barclays Bank UK's business activities. Provisions for other customer redress include smaller provisions across the businesses which are expected to be utilised in the next 12-24 months.

Legal, competition and regulatory matters

The Barclays Bank UK Group is engaged in various legal proceedings. For further information in relation to legal proceedings and discussion of the associated uncertainties, please refer to Note 24.

Sundry provisions

This category includes provisions that do not fit into any of the other categories, such as fraud losses and dilapidation provisions.

Payment Protection Insurance (PPI) Redress

As at 31 December 2019, the Barclays Bank UK Group held a provision totalling £1.2bn against the cost of PPI redress and associated processing costs.

The Barclays Group has recognised cumulative provisions totalling £11bn (December 2018: £9.6bn), against the cost of PPI redress and associated processing costs, of which £1.4bn was recognised in Q3 2019. Utilisation of the cumulative provisions to date is £9.8bn (December 2018: £8.7bn).

The current provision reflects the estimated cost of PPI redress attributable to claims and information requests from customers, Claims Management Companies and the Official Receiver in relation to bankrupt individuals, prior to the Financial Conduct Authority (FCA) complaint deadline of 29th August 2019.

Q3 2019 saw an exceptional level of claims, enquiries and information requests received in advance of the complaint deadline of 29 August 2019. Of the greater than two million items outstanding at Q3 2019, materially all have now been processed into Barclays' systems, 52% of which has been resolved including invalid items.

The residual provision has been calculated by applying a number of assumptions to the population of claims and information requests. Based on resolution of complaints during Q4 2019, the observed outcomes support the aggregate provision amount.

The following table outlines the key assumptions used in the provision calculation as at 31 December 2019, excluding enquiries from the Official Receiver, and a sensitivity analysis illustrating the impact on the provision, if assumptions prove too high or too low.

Assumptions

- **Validity of claims and information requests received (%)** - the proportion of claims and information requests received prior to the FCA complaint deadline that are expected to be valid when all processing stages are completed
- **Average uphold rate per claim (%)** - the expected average uphold rate applied to valid claims where PPI policy/policies exist
- **Average claim redress** - the expected average payment to customers for upheld valid claims based on the type and age of the policy/policies (£)

Validity Assumptions	Historically Observed Valid	Current Assumption Valid	Sensitivity Volume +/- 1% valid rate	Sensitivity
Claims Received[a]	20% - 40%	25%[e]	3k	1% = £8m
Information Requests Received[b]	5% - 11%	7%[e]	32k	1% = £76m
Average uphold rate per claim[c]	88%	86%[f]	-	1% = £8m
Average redress per claim[d]	£2,231	£2,314	-	£100 = £31m

Notes

a Total valid claims received, excluding those for which no PPI policy exists, information requests received, enquiries from the Official Receiver in relation to bankrupt individuals and responses to proactive mailing. The sensitivity analysis has been calculated to show the impact a 1% increase or decrease in the volume of unresolved valid claims would have on the provision level, inclusive of operational processing costs.

b Total valid information requests received, excluding those for which no PPI policy exists, enquiries from the Official Receiver in relation to bankrupt individuals and responses to proactive mailing. The sensitivity analysis has been calculated to show the impact a 1% increase or decrease in the volume of valid information requests would have on the provision level, inclusive of operational processing costs.

c Average uphold rate per claim, excluding those for which no PPI policy exists, enquiries from the Official Receiver in relation to bankrupt individuals and responses to proactive mailing. The sensitivity analysis has been calculated to show the impact a 1% change in the average uphold rate per claim would have on the provision level.

d Average redress stated on a per policy basis for valid claims received by Barclays excluding enquiries from the Official Receiver in relation to bankrupt individuals and responses to proactive mailing. The sensitivity analysis has been calculated to show the impact a £100 increase or decrease in the average redress per claim would have on the provision level.

e Based on recently observed data, August to December 2019.

f Based on annual observed rate to September 2019. No material change observed to December 2019.

These assumptions remain subjective due to the uncertainty associated with the outstanding population of claims and information requests yet to be resolved. It is possible that the eventual cumulative provision may differ from the current estimate.

The estimate related to enquiries received from the Official Receiver is subject to additional uncertainty and sensitivity as the legal position; uphold rates and average claim redress may differ from those experienced more generally, given the particular circumstances of this population. The range of uncertainty is not material in the context of the total provision.

23 Contingent liabilities and commitments

Accounting for contingent liabilities

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

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

	Barclays Bank UK Group		Barclays Bank UK PLC	
	2019	2018	2019	2018
	£m	£m	£m	£m
Guarantees and letters of credit pledged as collateral security	600	760	600	760
Performance guarantees, acceptances and endorsements	150	150	150	150
Total contingent liabilities	750	910	750	910
Standby facilities, credit lines and other commitments	64,309	66,435	64,326	66,435
Total commitments	64,309	66,435	64,326	66,435

Provisions held against contingent liabilities and commitments equal £70m (2018: £54m) for Barclays Bank UK Group and Barclays Bank UK PLC.

Further details on contingent liabilities relating to legal and competition and regulatory matters can be found in Note 24.

24 Legal, competition and regulatory matters

Barclays Bank UK PLC and the Barclays Bank UK Group face legal, competition and regulatory challenges, many of which are beyond our control. The extent of the impact of these matters cannot always be predicted but may materially impact our operations, financial results, condition and prospects. Matters arising from a set of similar circumstances can give rise to either a contingent liability or a provision, or both, depending on the relevant facts and circumstances.

The recognition of provisions in relation to such matters involves critical accounting estimates and judgments in accordance with the relevant accounting policies as described in Note 22, Provisions. We have not disclosed an estimate of the potential financial impact or effect on the Group of contingent liabilities where it is not currently practicable to do so. Various matters detailed in this note seek damages of an unspecified amount. While certain matters specify the damages claimed, such claimed amounts do not necessarily reflect the Group's potential financial exposure in respect of those matters.

Investigation into collections and recoveries relating to unsecured lending

Since February 2018, the FCA has been investigating whether the Barclays Group implemented effective systems and controls with respect to collections and recoveries and whether it paid due consideration to the interests of customers in default and arrears. The FCA investigation is at an advanced stage.

HM Revenue & Customs (HMRC) assessments concerning UK Value Added Tax

In 2018, HMRC issued notices that have the effect of removing certain overseas subsidiaries that have operations in the UK from Barclays' UK VAT group, in which group supplies between members are generally free from VAT. The notices have retrospective effect and correspond to assessments of £181m (inclusive of interest), of which Barclays would expect to attribute an amount of approximately £128m to Barclays Bank UK PLC and £53m to Barclays Bank PLC. HMRC's decision has been appealed to the First Tier Tribunal (Tax Chamber).

Local authority civil actions concerning LIBOR

Following settlement by Barclays Bank PLC of various governmental investigations concerning certain benchmark interest rate submissions, in the UK, certain local authorities have brought claims against Barclays Bank PLC (and, in certain cases, Barclays Bank UK PLC) asserting that they entered into loans in reliance on misrepresentations made by Barclays Bank PLC in respect of its conduct in relation to LIBOR. Barclays has applied to strike out the claims.

General

The Barclays Bank UK Group is engaged in various other legal, competition and regulatory matters in the jurisdictions in which it operates. The Barclays Bank UK Group is subject to legal proceedings brought by and against members of the Barclays Bank UK Group which arise in the ordinary course of business from time to time, including (but not limited to) disputes in relation to contracts, securities, debt collection, consumer credit, fraud, trusts, client assets, competition, data management and protection, money laundering, financial crime, employment, environmental and other statutory and common law issues.

The Barclays Bank UK Group is also subject to enquiries and examinations, requests for information, audits, investigations and legal and other proceedings by regulators, governmental and other public bodies in connection with (but not limited to) consumer protection measures, compliance with legislation and regulation, wholesale trading activity and other areas of banking and business activities in which it is or has been engaged. The Barclays Bank UK Group is cooperating with the relevant authorities and keeping all relevant agencies briefed as appropriate in relation to these matters and others described in this note on an ongoing basis.

At the present time, Barclays Bank UK PLC does not expect the ultimate resolution of any of these other matters to have a material adverse effect on its financial position. However, in light of the uncertainties involved in such matters and the matters specifically described in this note, there can be no assurance that the outcome of a particular matter or matters (including formerly active matters or those matters arising after the date of this note) will not be material to Barclays Bank UK PLC's results, operations or cash flow for a particular period, depending on, among other things, the amount of the loss resulting from the matter(s) and the amount of profit otherwise reported for the reporting period.

Capital instruments, equity and reserves

The notes included in this section focus on the Barclays Bank UK Group's loan capital and shareholders' equity including issued share capital, retained earnings and other equity balances. For more information on capital management and how the Barclays Bank UK Group maintains sufficient capital to meet our regulatory requirements refer to page 38.

25 Subordinated liabilities

Accounting for subordinated liabilities

Subordinated liabilities are measured at amortised cost using the effective interest method under IFRS 9.

	Barclays Bank UK Group and PLC	
	2019	2018
	£m	£m
As at 1 January	**7,548**	-
Issuances	**157**	-
Acquisition of UK banking business	**-**	3,001
Other	**(17)**	4,547
As at 31 December	**7,688**	7,548

The £157m issuance relates to $200m of 5.088% Fixed-to-Floating Rate Subordinated Notes, intra-group to Barclays PLC.

Subordinated liabilities include accrued interest and none of the subordinated liabilities are secured.

			Barclays Bank UK Group and PLC	
			2019	2018
	Initial call date	Maturity date	£m	£m
Barclays Bank UK PLC notes issued intra-group to Barclays PLC				
2.625% Fixed Rate Subordinated Callable Notes (EUR 1,250m)	2020	2025	**1,071**	1,129
4.375% Fixed Rate Subordinated Notes (USD 1,250m)		2024	**994**	985
5.20% Fixed Rate Subordinated Notes (USD 683m)		2026	**516**	500
4.836% Fixed Rate Subordinated Callable Notes (USD 800m)	2027	2028	**629**	607
5.088% Fixed-to-Floating Rate Subordinated Callable Notes (USD 200m)	2029	2030	**154**	-
Barclays Bank UK PLC intra-group loans from Barclays PLC				
3.20% Fixed Rate Subordinated Loan (USD 1,350m)		2021	**1,025**	1,026
3.65% Fixed Rate Subordinated Loan (USD 1,100m)		2025	**861**	846
Various Fixed and Floating Rate Subordinated Loans			**2,438**	2,455
Total subordinated liabilities			**7,688**	7,548

Subordinated Liabilities

Subordinated liabilities are issued by Barclays Bank UK PLC for the development and expansion of the business and to strengthen the capital base. The principal terms of these liabilities are described below:

Currency and Maturity

In addition to the individual subordinated liabilities listed in the table, the £2,438m balance of intra-group loans is made up of various fixed and floating rate loans from Barclays PLC with notional amounts denominated in USD 2,027m and EUR 1,000m, with maturities ranging from 2021 to 2041. Certain intra-group loans have a call date one year prior to their maturity.

Subordination

All subordinated liabilities are issued intra-group to Barclays PLC. Both the subordinated notes and the subordinated loans rank behind the claims of depositors and other unsecured unsubordinated creditors but before the claims of the holders of their equity. However, the subordinated notes rank behind the subordinated loans.

Interest

Interest on the floating rate loans is set by reference to market rates at the time of issuance and is fixed periodically in advance, based on the related interbank rate.

Interest on fixed rate notes and loans is set by reference to market rates at the time of issuance and fixed until maturity.

Interest on fixed rate callable notes and loans is set by reference to market rates at the time of issuance and fixed until the call date. After the call date, in the event that the notes or loans are not redeemed, the interest rate will be re-set to either a fixed or floating rate until maturity based on market rates.

Repayment

Those notes and loans with a call date are repayable at the option of the Issuer, on conditions governing the respective liabilities, some in whole or in part, and some only in whole. The remaining instruments outstanding at 31 December 2019 are redeemable only on maturity, subject in particular cases to provisions allowing an early redemption in the event of certain changes in tax law or to certain changes in legislation or regulations.

In certain cases, any repayments prior to maturity may require the prior approval of the PRA.

There are no committed facilities in existence at the balance sheet date which permit the refinancing of debt beyond the date of maturity.

26 Ordinary shares, share premium, and other equity

Called up share capital, allotted and fully paid

	Number of shares	Ordinary share capital	Ordinary share premium	Total share capital and share premium	Other equity instruments
	m	£m	£m	£m	£m
As at 1 January 2019	**505**	**5**	**-**	**5**	**2,070**
AT1 securities issuance	**-**	**-**	**-**	**-**	**1,188**
AT1 securities redemption	**-**	**-**	**-**	**-**	**(698)**
As at 31 December 2019	**505**	**5**	**-**	**5**	**2,560**
As at 1 January 2018	505	5	-	5	-
Issue of new ordinary shares	-	-	13,044	13,044	-
Net equity impact of the UK banking business transfer	-	-	-	-	2,070
Capital Reorganisation	-	-	(13,044)	(13,044)	-
As at 31 December 2018	505	5	-	5	2,070

Ordinary shares

The issued ordinary share capital of Barclays Bank UK PLC, as at 31 December 2019, comprised 505m (2018: 505m) ordinary shares of £0.01 each.

Capital Reorganisation

On 11 September 2018, the High Court of Justice in England and Wales confirmed the cancellation of the share premium account of Barclays Bank UK PLC, with the balance of £13,044m credited to retained earnings.

Other equity instruments

Other equity instruments of £2,560m (2018: £2,070m) include AT1 securities issued to Barclays PLC. Barclays PLC uses funds from the market issuance to purchase AT1 securities from Barclays Bank UK Group. The AT1 securities are perpetual securities with no fixed maturity and are structured to qualify as AT1 instruments under prevailing capital rules applicable as at the relevant issue date.

In 2019, there were two issuances of AT1 instruments, in the form of Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities (2018: none), totalling £1,188m (2018: £nil). There was also one redemption in 2019 (2018: none), totalling £698m.

AT1 equity instruments

	Initial call date	2019 £m	2018 £m
AT1 equity instruments - Barclays Bank UK Group			
7.0% Perpetual Subordinated Contingent Convertible Securities	2019	**-**	698
7.25% Perpetual Subordinated Contingent Convertible Securities	2023	**750**	750
5.875% Perpetual Subordinated Contingent Convertible Securities	2024	**622**	622
7.125% Perpetual Subordinated Contingent Convertible Securities	2025	**693**	-
6.375% Perpetual Subordinated Contingent Convertible Securities	2025	**495**	-
Total AT1 equity instruments		**2,560**	2,070

27 Reserves

Cash flow hedging reserve

The cash flow hedging reserve represents the cumulative gains and losses on effective cash flow hedging instruments that will be recycled to the income statement when the hedged transactions affect profit or loss.

Fair value through other comprehensive income reserve

The fair value through other comprehensive income reserve represent the changes in the fair value of fair value through other comprehensive income investments since initial recognition.

Other reserves and other shareholders' equity

Other reserves and other shareholders' equity relate to the merger reserve for Barclays Bank UK Group and the Group Reconstruction Relief for Barclays Bank UK PLC, in respect of the transfer of the UK banking business.

	Barclays Bank UK Group		Barclays Bank UK PLC	
	2019	2018	2019	2018
	£m	£m	£m	£m
Fair value through other comprehensive income reserve	**(29)**	(33)	**(29)**	(33)
Cash flow hedging reserve	**123**	20	**123**	20
Other reserves and other shareholders' equity	**89**	89	**191**	191
Total	**183**	76	**285**	178

Employee benefits

The notes included in this section focus on the costs and commitments associated with employing our staff.

28 Staff costs

Accounting for staff costs

The Barclays Bank UK Group applies IAS 19 *Employee benefits* in its accounting for most of the components of staff costs.

Short-term employee benefits – salaries, accrued performance costs and social security are recognised over the period in which the employees provide the services to which the payments relate.

Performance costs – recognised to the extent that the Barclays Bank UK Group has a present obligation to its employees that can be measured reliably and are recognised over the period of service that employees are required to work to qualify for the payments.

Deferred cash and share awards are made to employees to incentivise performance over the period employees provide services. To receive payment under an award, employees must provide service over the vesting period. The period over which the expense for deferred cash and share awards is recognised is based upon the period employees consider their services contribute to the awards.

The accounting policy for share-based payments is included in Note 29.

	2019 £m	2018 £m
Performance costs	**118**	164
Salaries	**734**	542
Social security costs	**91**	53
Post-retirement benefits[a]	**137**	102
Other compensation costs	**63**	71
Total compensation costs	**1,143**	932
Other resourcing costs		
Outsourcing	**53**	28
Redundancy and restructuring	**2**	1
Temporary staff costs	**35**	35
Other	**19**	20
Total other resourcing costs	**109**	84
Total staff costs	**1,252**	1,016

Note

a Post-retirement benefits charge relates to £137m (2018: £102m) in respect of defined contribution schemes.

Participation in the UK Retirement Fund

As permitted under the Financial Services and Markets Act 2000 (Banking Reform) (Pensions) Regulations 2015, from 1 September 2017, until late 2025, Barclays Bank UK PLC will participate as an employer in the UK Retirement Fund (UKRF). Barclays Bank UK PLC will make contributions for the future service of its employees who are currently Afterwork members and, in the event of Barclays Bank PLC's insolvency during this period, Barclays Bank UK PLC would step in as principal employer of the UKRF. Barclays Bank PLC remains the sponsoring employer of the UKRF.

Under IAS 19, the UKRF is a defined benefit plan that share risks between entities under common control. Barclays Bank PLC accounts for the defined benefit obligation and Barclays Bank UK PLC recognises a cost equal to its contributions to the scheme. In accordance with accounting standards, Barclays Bank UK PLC does not account for any potential additional liability to the scheme at the end of the transitional phase.

For further information, please see Note 33 in the Barclays PLC Annual Report.

29 Share-based payments

Accounting for share-based payments

The Barclays Bank UK Group applies IFRS 2 *Share-based Payments* in accounting for employee remuneration in the form of shares.

Employee incentives include awards in the form of shares and share options, as well as offering employees the opportunity to purchase shares on favourable terms. The cost of the employee services received in respect of the shares or share options granted is recognised in the income statement over the period that employees provide services. The overall cost of the award is calculated using the number of shares and options expected to vest and the fair value of the shares or options at the date of grant.

The number of shares and options expected to vest takes into account the likelihood that performance and service conditions included in the terms of the awards will be met. Failure to meet the non-vesting condition is treated as a cancellation, resulting in an acceleration of recognition of the cost of the employee services.

The fair value of shares is the market price ruling on the grant date, in some cases adjusted to reflect restrictions on transferability. The fair value of options granted is determined using option pricing models to estimate the numbers of shares likely to vest. These take into account the exercise price of the option, the current share price, the risk-free interest rate, the expected volatility of the share price over the life of the option and other relevant factors. Market conditions that must be met in order for the award to vest are also reflected in the fair value of the award, as are any other non-vesting conditions – such as continuing to make payments into a share-based savings scheme.

The charge for the year arising from share based payment schemes was as follows:

	Charge for the year	
	2019	2018
	£m	£m
Share Value Plan	-	1
Deferred Share Value Plan	6	4
Others	26	14
Total equity settled	32	19
Cash settled	-	-
Total share based payments	32	19

The terms of the main current plans are as follows:

Share Value Plan (SVP)

The SVP was introduced in March 2010. SVP awards have been granted to participants in the form of a conditional right to receive Barclays PLC shares or provisional allocations of Barclays PLC shares which vest or are considered for release over a period of three, five or seven years. Participants do not pay to receive an award or to receive a release of shares. For awards granted before December 2017, the grantor may also make a dividend equivalent payment to participants on release of a SVP award. SVP awards are also made to eligible employees for recruitment purposes. All awards are subject to potential forfeiture in certain leaver scenarios.

Deferred Share Value Plan (DSVP)

The DSVP was introduced in February 2017. The terms of the DSVP are materially the same as the terms of the SVP as described above, save that Executive Directors are not eligible to participate in the DSVP and the DSVP operates over market purchase shares only.

Other schemes

In addition to the SVP and DSVP, the Barclays Group operates a number of other schemes settled in Barclays PLC Shares including Sharesave (both UK and Ireland), Sharepurchase (both UK and overseas), and the Barclays Group Long Term Incentive Plan. A delivery of upfront shares to 'Material Risk Takers' can be made as a Share Incentive Award (Holding Period).

Share option and award plans

The weighted average fair value per award granted, weighted average share price at the date of exercise/release of shares during the year, weighted average contractual remaining life and number of options and awards outstanding (including those exercisable) at the balance sheet date were as follows:

	2019				2018			
	Weighted average fair value per award granted in year	Weighted average share price at exercise/ release during year	Weighted average remaining contractual life in years	Number of options/ awards outstanding (000s)	Weighted average fair value per award granted in year	Weighted average share price at exercise/ release during year	Weighted average remaining contractual life in years	Number of options/ awards outstanding (000s)
	£	£			£	£		
SVP[a,b]	-	1.59	<1	3	-	2.11	<1	1,121
DSVP[a,b]	1.38	1.58	2	7,317	1.87	2.00	1	6,172
Others[a]	0.40-1.61	1.59-1.70	0-3	94,876	0.35-2.11	1.82-2.11	0-3	92,314

Notes
a Options/award granted over Barclays PLC shares.
b Weighted average exercise price is not applicable for SVP and DSVP awards as these are not share option schemes.

SVP and DSVP are nil cost awards on which the performance conditions are substantially completed at the date of grant. Consequently, the fair value of these awards is based on the market value at that date.

Movements in options and awards

The movement in the number of options and awards for the major schemes and the weighted average exercise price of options was:

	SVP[a,b]		DSVP[a,b]		Others[a,c]			
	Number (000s)		Number (000s)		Number (000s)		Weighted average ex. price (£)	
	2019	2018	2019	2018	2019	2018	2019	2018
Outstanding at beginning of year/acquisition date	**1,121**	3,097	**6,172**	3,093	**92,314**	89,631	**1.41**	1.42
Transfers in the year[d]	**(177)**	-	**(1,340)**	-	**235**	-		-
Granted in the year	**-**	-	**4,310**	4,248	**51,403**	22,601	**1.19**	1.51
Exercised/released in the year	**(926)**	(1,886)	**(1,647)**	(953)	**(28,341)**	(8,257)	**1.21**	1.51
Less: forfeited in the year	**(15)**	(90)	**(178)**	(216)	**(17,476)**	(10,731)	**1.51**	1.30
Less: expired in the year	**-**	-	**-**	-	**(3,259)**	(930)	**2.14**	1.81
Outstanding at end of year	**3**	1,121	**7,317**	6,172	**94,876**	92,314	**1.30**	1.41
Of which exercisable:	**-**	-	**-**	-	**14,017**	10,482	**1.35**	1.96

Notes
a Options/award granted over Barclays PLC shares.
b Weighted average exercise price is not applicable for SVP and DSVP awards as these are not share option schemes.
c The number of awards within Others at the end of the year principally relates to Sharesave (number of awards exercisable at end of year was 6,259,248). The weighted average exercise price relates to Sharesave.
d Awards of employees transferred between Barclays Bank UK Group and the rest of the Barclays Group.

Awards and options granted to employees and former employees of Barclays Bank UK Group under the Barclays Group share plans may be satisfied using new issue shares, treasury shares and market purchase shares of Barclays PLC. Awards granted to employees and former employees of Barclays Bank UK Group under DSVP may only be satisfied using market purchase shares of Barclays PLC.

There were no significant modifications to the share based payments arrangements in 2019 and 2018.

As at 31 December 2019, the total liability arising from cash-settled share based payments transactions was £nil (2018: £nil).

Notes to the financial statements
Scope of consolidation

The section presents information on the Barclays Bank UK Group's interests in structured entities. Detail is also given on securitisation transactions the Barclays Bank UK Group has entered into and arrangements that are held off-balance sheet.

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

Depending on the Barclays Bank UK Group's power over the activities of the entity and its exposure to and ability to influence its own returns, it may consolidate the entity. In other cases, it may sponsor or have exposure to such an entity but not consolidate it.

Consolidated structured entities
The Barclays Bank UK Group has contractual arrangements which may require it to provide financial support to the following types of consolidated structured entities:

Securitisation vehicles
The Barclays Bank UK Group uses securitisation as a source of financing and a means of risk transfer. Refer to Note 31 for further detail.

Employee benefit and other trusts
Barclays Bank UK PLC provides capital contributions to employee benefit trusts to enable them to meet obligations to the employees of Barclays Bank UK PLC in relation to the Barclays Group's share-based remuneration arrangements.

Unconsolidated structured entities in which the Barclays Bank UK Group 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 entity for the Barclays Bank UK Group. Such interests include lending, investment management agreements and debt securities issued by securitisation vehicles.

The Barclays Bank UK Group's interests in structured entities are set out below, summarised by the purpose of the entities and limited to significant categories, based on maximum exposure to loss.

Summary of interests in unconsolidated structured entities

As at 31 December 2019	Lending £m	Investment funds and trusts £m	Other £m	Total £m
Financial assets at fair value through the income statement	159	-	-	159
Loans and advances at amortised cost	258	-	1,711	1,969
Other assets	-	6	-	6
Total on-balance sheet exposures	417	6	1,711	2,134
Total off-balance sheet notional amounts	19	-	-	19
Maximum exposure to loss	436	6	1,711	2,153
Total assets of the entity	5,971	8,679	13,701	28,351
As at 31 December 2018				
Financial assets at fair value through the income statement	-	-	-	-
Loans and advances at amortised cost	871	-	1,451	2,322
Other assets	-	21	-	21
Total on-balance sheet exposures	871	21	1,451	2,343
Total off-balance sheet notional amounts	155	-	-	155
Maximum exposure to loss	1,026	21	1,451	2,498
Total assets of the entity	9,689	8,886	11,114	29,689

Maximum exposure to loss
Unless specified otherwise below, the Barclays Bank UK Group's maximum exposure to loss is the total of its on-balance sheet positions and its off-balance sheet arrangements, being loan commitments and financial guarantees. Exposure to loss is mitigated through collateral, financial guarantees, the availability of netting and credit protection held.

Lending
The portfolio includes lending provided by the Barclays Bank UK Group to unconsolidated structured entities in the normal course of its lending business to earn income in the form of interest and lending fees and includes loans to structured entities that are generally collateralised by property, equipment or other assets. All loans are subject to the Barclays Bank UK Group's credit sanctioning process. Collateral arrangements are specific to the circumstances of each loan with additional guarantees and collateral sought from the sponsor of the structured entity for certain arrangements. During the period the Barclays Bank UK Group incurred an immaterial impairment against such facilities.

Investment funds and trusts
In the course of its fund management activities, the Barclays Bank UK Group establishes pooled investment funds that comprise investments of various kinds, tailored to meet certain investors' requirements. The Barclays Bank UK Group's interest in funds is generally restricted to a fund management fee, the value of which is typically based on the performance of the fund.

The Barclays Bank UK Group acts as trustee to a number of trusts established by or on behalf of its clients. The purpose of the trusts, which meet the definition of structured entities, is to hold assets on behalf of beneficiaries. The Barclays Bank UK Group's interest in trusts is generally restricted to unpaid fees which, depending on the trust, may be fixed or based on the value of the trust assets. Barclays Bank UK PLC has no other risk exposure to the trusts.

Other

This includes interests in debt securities issued by securitisation vehicles.

Assets transferred to sponsored unconsolidated structured entities

No assets were transferred to sponsored unconsolidated structured entities.

31 Securitisations

Accounting for securitisations

The Barclays Bank UK Group uses securitisations as a source of finance and a means of risk transfer. Such transactions generally result in the transfer of contractual cash flows from portfolios of financial assets to holders of issued debt securities.

Securitisations may, depending on the individual arrangement, result in continued recognition of the securitised assets and the recognition of the debt securities issued in the transaction; lead to partial continued recognition of the assets to the extent of the Barclays Bank UK Group's continuing involvement in those assets or to derecognition of the assets and the separate recognition, as assets or liabilities, of any rights and obligations created or retained in the transfer. Full derecognition only occurs when the Barclays Bank UK Group transfers both its contractual right to receive cash flows from the financial assets, or retains the contractual rights to receive the cash flows, but assumes a contractual obligation to pay the cash flows to another party without material delay or reinvestment, and also transfers substantially all the risks and rewards of ownership, including credit risk, prepayment risk and interest rate risk.

In the course of its normal banking activities, the Barclays Bank UK Group makes transfers of financial assets, either where legal rights to the cash flows from the asset are passed to the counterparty or beneficially, where the Barclays Bank UK Group retains the rights to the cash flows but assumes a responsibility to transfer them to the counterparty. Depending on the nature of the transaction, this may result in derecognition of the assets in their entirety, partial derecognition or no derecognition of the assets subject to the transfer.

A summary of the main transactions, and the assets and liabilities and the financial risks arising from these transactions, is set out below:

Transfers of financial assets that do not result in derecognition

The Barclays Bank UK Group was party to securitisation transactions involving its credit card balances.

In these transactions, the assets, interests in the assets, or beneficial interests in the cash flows arising from the assets, are transferred to a special purpose entity, which then issues interest bearing debt securities to third party investors.

Securitisations may, depending on the individual arrangement, result in continued recognition of the securitised assets and the recognition of the debt securities issued in the transaction. Partial continued recognition of the assets to the extent of the Barclays Bank UK Group's continuing involvement in those assets can also occur or derecognition of the assets and the separate recognition, as assets or liabilities, of any rights and obligations created or retained in the transfer.

The following table shows the carrying amount of securitised assets that have not resulted in full derecognition, together with the associated liabilities, for each category of asset on the balance sheet:

	2019				2018			
	Assets		Liabilities		Assets		Liabilities	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Barclays Bank UK Group and PLC	£m	£m	£m	£m	£m	£m	£m	£m
Loans and advances at amortised cost								
Credit cards, unsecured loans and other retail lending	**481**	**495**	**(493)**	**(493)**	1,200	1,240	(1,259)	(1,256)

The carrying amount of securitised assets and associated liabilities reduced in 2019 predominantly as a result of the scheduled redemption of £750m of interest bearing securities issued to third parties.

Balances included within loans and advances at amortised cost represent securitisations where substantially all the risks and rewards of the asset have been retained by Barclays Bank UK Group.

The relationship between the transferred assets and the associated liabilities is that holders of notes may only look to cash flows from the securitised assets for payments of principal and interest due to them under the terms of their notes, although the contractual terms of their notes may be different to the maturity and interest of the transferred assets.

For transfers of assets in relation to repurchase agreements, see Note 32.

32 Assets pledged, collateral received and assets transferred

Assets are pledged or transferred as collateral to secure liabilities under repurchase agreements, securitisations and stock lending agreements or as security deposits relating to derivatives. Assets transferred are non-cash assets transferred to a third party that do not qualify for derecognition from the Barclays Bank UK Group balance sheet, for example because Barclays retains substantially all the exposure to those assets under an agreement to repurchase them in the future for a fixed price.

Where non-cash assets are pledged or transferred as collateral for cash received, the asset continues to be recognised in full, and a related liability is also recognised on the balance sheet. Liabilities are shown on a net basis in accordance with IAS 32. Where non-cash assets are pledged or transferred as collateral in an exchange for non-cash assets, the transferred asset continues to be recognised in full, and there is no associated liability as the non-cash collateral received is not recognised on the balance sheet. The Barclays Bank UK Group is unable to use, sell or pledge the transferred assets for the duration of the transaction and remains exposed to interest rate risk and credit risk on these pledged assets. Unless stated, the counterparty's recourse is not limited to the transferred assets.

The following table summarises the nature and carrying amount of the assets pledged as security against these liabilities:

	Barclays Bank UK Group and PLC	
	2019	2018
	£m	£m
Loans and advances at amortised cost	**33,502**	30,377
Cash collateral and settlements	**3,242**	2,339
Financial assets at fair value through other comprehensive income	**3,504**	1,774
Trading portfolio assets	**66**	1
Assets pledged	**40,314**	34,491

The following table summarises the transferred financial assets and the associated liabilities:

	Barclays Bank UK Group and PLC	
	Transferred assets	Associated liabilities
	£m	£m
At 31 December 2019		
Repurchase agreements	**18,182**	**(13,420)**
Debt securities in issue	**10,111**	**(7,536)**
Derivative financial investments	**2,300**	**(2,300)**
Other	**9,721**	**(2,256)**
Total	**40,314**	**(25,512)**
At 31 December 2018		
Repurchase agreements	16,646	(11,873)
Debt securities in issue	14,172	(9,798)
Derivative financial investments	747	(747)
Other	2,926	(2,220)
Total	34,491	(24,638)

Included within Barclays Bank UK Group and Barclays Bank UK PLC other are agreements where a counterparty's recourse is limited to the transferred assets. The relationship between the transferred assets and the associated liabilities is that holders of notes may only look to cash flows from the securitised assets for payments of principal and interest due to them under the terms of their notes.

	Carrying value		Fair value		
	Transferred assets	Associated liabilities	Transferred assets	Associated liabilities	Net position
	£m	£m	£m	£m	£m
2019					
Recourse to transferred assets only	**481**	**(493)**	**495**	**(493)**	**2**
2018					
Recourse to transferred assets only	1,200	(1,259)	1,240	(1,256)	(16)

Barclays Bank UK Group has an additional £6.5bn (2018: £6.0bn) of loans and advances within its asset backed funding programmes that can readily be used to raise additional secured funding and are available to support future issuances.

Collateral held as security for assets

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

	Barclays Bank UK Group and PLC	
	2019	2018
	£m	£m
Fair value of securities accepted as collateral	**8,231**	2,367
Of which fair value of securities re-pledged/transferred to others	**1,807**	1,898

Additional disclosure has been included in collateral and other credit enhancements (page 45).

The notes included in this section focus on related party transactions, Auditors' remuneration and Directors' remuneration. Related parties include any subsidiaries, associates, joint ventures and Key Management Personnel.

33 Related party transactions and Directors' remuneration

Related party transactions

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

Parent company

The parent company, which is also the ultimate parent company, is Barclays PLC, which holds 100% of the issued ordinary shares of Barclays Bank UK PLC.

Subsidiaries

Transactions between Barclays Bank UK PLC and its subsidiaries also meet the definition of related party transactions. Where these are eliminated on consolidation, they are not disclosed in the Barclays Bank UK Group's financial statements.

Fellow subsidiaries

Transactions between the Barclays Bank UK Group and other subsidiaries of the parent company also meet the definition of related party transactions.

Associates, joint ventures and other entities

There were no material related party transactions with associates, joint ventures or pension funds during the year.

Amounts included in the Barclays Bank UK Group's financial statements, in aggregate, by category of related party entity are as follows:

	Parent £m	Fellow subsidiaries £m
For the year ended and as at 31 December 2019		
Total income	**(287)**	**97**
Credit impairment charges	**-**	**-**
Operating expenses	**(59)**	**(2,238)**
Total assets	**6**	**667**
Total liabilities	**7,594**	**1,679**
For the year ended and as at 31 December 2018		
Total income	(185)	(45)
Credit impairment charges	-	-
Operating expenses	(69)	(1,688)
Total assets	5	1,612
Total liabilities	7,723	1,304

Amounts included in Barclays Bank UK PLC's financial statements, in aggregate, by category of related party entity are as follows:

	Parent £m	Subsidiaries £m	Fellow subsidiaries £m
As at 31 December 2019			
Total assets	**6**	**984**	**666**
Total liabilities	**7,594**	**1,077**	**1,672**
As at 31 December 2018			
Total assets	5	1,023	1,612
Total liabilities	7,723	1,568	1,293

It is the normal practice of Barclays Bank UK PLC to provide its subsidiaries with support and assistance by way of guarantees, indemnities, letters of comfort and commitments, as may be appropriate, with a view to enabling them to meet their obligations and to maintain their good standing, including commitment of capital and facilities. For dividends paid to Barclays PLC see Note 10.

Key Management Personnel

Key Management Personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of Barclays Bank UK PLC (directly or indirectly) and comprise the Directors and Officers of Barclays Bank UK PLC, certain direct reports of the Chief Executive Officer and the heads of major business units and functions.

The Barclays Bank UK Group provides banking services to Key Management Personnel and persons connected to them. Transactions during the year and the balances outstanding were as follows:

Loans outstanding	2019 £m	2018 £m
As at 1 January	**3.9**	-
Loans issued during the year[a]	**0.5**	7.0
Loan repayments during the year[b]	**(2.3)**	(3.1)
As at 31 December	**2.1**	3.9

Notes
a Includes loans issued to existing Key Management Personnel and new or existing loans issued to newly appointed Key Management Personnel.
b Includes loan repayments by existing Key Management Personnel and loans to former Key Management Personnel.

No allowances for impairment were recognised in respect of loans to Key Management Personnel (or any connected person).

Deposits outstanding	2019 £m	2018 £m
As at 1 January	**3.3**	-
Deposits received during the year[a]	**12.3**	17.7
Deposits repaid during the year[b]	**(12.4)**	(14.4)
As at 31 December	**3.2**	3.3

Notes
a Includes deposits received from existing Key Management Personnel and new or existing deposits received from newly appointed Key Management Personnel.
b Includes deposits repaid by existing Key Management Personnel and deposits of former Key Management Personnel.

Total commitments outstanding
Total commitments outstanding refer to the total of any undrawn amounts on credit card and/or overdraft facilities provided to Key Management Personnel. Total commitments outstanding as at 31 December 2019 were £0.4m (2018: £0.3m).

All loans to Key Management Personnel (and persons connected to them) were made in the ordinary course of business; were made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other persons; and did not involve more than a normal risk of collectability or present other unfavourable features.

Remuneration of Key Management Personnel
Total remuneration awarded to Key Management Personnel below represents the awards made to individuals that have been approved by the Board Remuneration Committee as part of the latest remuneration decisions. Costs recognised in the income statement reflect the accounting charge for the year included within operating expenses. The difference between the values awarded and the recognised income statement charge principally relates to the recognition of deferred costs for prior year awards. Figures are provided for the period that individuals met the definition of Key Management Personnel.

	2019 £m	2018 £m
Salaries and other short-term benefits	**15.8**	16.8
Pension costs	**0.3**	0.2
Other long-term benefits	**2.4**	2.7
Share-based payments	**2.6**	3.0
Employer social security charges on emoluments	**2.8**	3.0
Costs recognised for accounting purposes	**23.9**	25.7
Employer social security charges on emoluments	**(2.8)**	(3.0)
Other long-term benefits – difference between awards granted and costs recognised	**0.4**	0.8
Share-based payments – difference between awards granted and costs recognised	**0.2**	0.5
Total remuneration awarded	**21.7**	24.0

Disclosure required by the Companies Act 2006
The following information regarding the Barclays Bank UK PLC Board of Directors is presented in accordance with the Companies Act 2006:

	2019 £m	2018 £m
Aggregate emoluments[a]	3.4	4.6

Note
a The aggregate emoluments include amounts paid for the 2019 year. In addition, deferred cash and share awards for 2019 with a total value at grant of £0.9m will be made to Directors which will only vest subject to meeting certain conditions.

Pension contributions totalling £5,267 were paid to defined contribution schemes on behalf of Directors (2018: £5,295). There were no notional pension contributions to defined contribution schemes.

As at 31 December 2019, there were no Directors accruing benefits under a defined benefit scheme (2018: nil).

Of the figures in the table above, the amounts attributable to the highest paid Director are as follows:

	2019 £m	2018 £m
Aggregate emoluments[a]	0.7	2.6

Note
a The aggregate emoluments include amounts paid for the 2019 year. In addition, deferred cash and share awards for 2019 with a total value at grant of £0.2m will be made to the highest paid Director which will only vest subject to meeting certain conditions.

There were no actual pension contributions paid to defined contribution schemes on behalf of the highest paid Director. There were no notional pension contributions to defined contribution schemes.

As at 31 December 2019, there were no Directors accruing benefits under a defined benefit scheme (2018: nil).

Advances and credit to Directors and guarantees on behalf of Directors
In accordance with Section 413 of the Companies Act 2006, the total amount of advances and credits made available in 2019 to persons who served as Directors during the year was £0.1m (2018: £0.1m). The total value of guarantees entered into on behalf of Directors during 2019 was £nil (2018: £nil).

34 Auditor's remuneration
Auditor's remuneration is included within consultancy, legal and professional fees in administration and general expenses and comprises:

	2019 £m	2018 £m
Audit of the Barclays Bank UK Group's annual accounts	7	7
Other services:		
Audit of the Company's subsidiaries[a]	1	1
Other audit related fees[b]	2	2
Total Auditor's remuneration	10	10

Notes
a Comprises the fees for the statutory audit of the subsidiaries and fees for the work performed by associates of KPMG in respect of the consolidated financial statements of the Company.
b Comprises services in relation to statutory and regulatory filings. These include audit services for the review of the interim financial information under the Listing Rules of the UK listing authority.

35 Related undertakings

The Barclays Bank UK PLC Group's corporate structure consists of a number of related undertakings. A full list of these undertakings, the country of incorporation and the ownership of each share class is set out below. The information is provided as at 31 December 2019.

The entities are grouped by the countries in which they are incorporated. The profits earned by the activities of Barclays PLC Group entities are in some cases taxed in countries other than the country of incorporation. Barclays PLC 2019 Country Snapshot provides details of where the Barclays PLC Group carries on its business, where its profits are subject to tax and the taxes it pays in each country it operates in.

Wholly owned subsidiaries

Unless otherwise stated the undertakings below are wholly owned and consolidated by Barclays Bank UK PLC and the share capital disclosed comprises ordinary and/or common shares, 100% of the nominal value of which is held by Barclays Bank UK PLC Group subsidiaries.

Notes

A. Directly held by Barclays Bank UK PLC
B. Partnership Interest
C. A Ordinary Shares
D. Not consolidated

Wholly owned subsidiaries	Note
United Kingdom	
- 1 Churchill Place, London, E14 5HP	
Barclays Asset Management Limited	A
Barclays Direct Investing Nominees Limited	
Barclays Financial Planning Nominee Limited	
Barclays Global Shareplans Nominee Limited	
Barclays Insurance Services Company Limited	A
Barclays Investment Solutions Limited	A
Barclays SAMS Limited	A
Barclays Singapore Global Shareplans Nominee Limited	
Barclayshare Nominees Limited	
FIRSTPLUS Financial Group Limited	A
Solution Personal Finance Limited	A
Woolwich Homes Limited	A
- Aurora Building, 120 Bothwell Street, Glasgow, G2 7JS	
R.C. Grieg Nominees Limited	

Other Related Undertakings

Unless otherwise stated, the undertakings below are consolidated and the share capital disclosed comprises ordinary and/or common shares which are held by subsidiaries of the Barclays Bank UK PLC Group. The Barclays Bank UK PLC Group's overall ownership percentage is provided for each undertaking.

Other Related Undertakings	%	Note
United Kingdom		
- 1 Churchill Place, London, E14 5HP		
Barclaycard Funding PLC	75.00	C
Barclays Covered Bond Funding LLP	50.00	B
Barclays Covered Bonds Limited Liability Partnership	50.00	B

Joint Ventures

The related undertakings below are Joint Ventures in accordance with s. 18, Schedule 4, The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and are proportionally consolidated.

Joint Ventures	%	Note
United Kingdom		
- All Saints Triangle, Caledonian Road, London, N1 9UT		
Vaultex UK Limited	50.00	A, D

Joint management factors

The Joint Venture Board comprises two Barclays representative directors, two JV partner directors and three non-JV partner directors. The Board are responsible for setting the company strategy and budgets.

Notes
The term Barclays Bank UK Group refers to Barclays Bank UK PLC together with its subsidiaries. Unless otherwise stated, the income statement analysis compares the year ended 31 December 2019 to the corresponding twelve months of 2018 and balance sheet analysis as at 31 December 2019 with comparatives relating to 31 December 2018. The abbreviations '£m' and '£bn' represent millions and thousands of millions of Pounds Sterling respectively.

There are a number of key judgement areas, for example impairment calculations, which are based on models and which are subject to ongoing adjustment and modifications. Reported numbers reflect best estimates and judgements at the given point in time.

Relevant terms that are used in this document but are not defined under applicable regulatory guidance or International Financial Reporting Standards (IFRS) are explained in the results glossary that can be accessed at home.barclays/investor-relations/reports-and-events/latest-financial-results.

The information in this announcement, which was approved by the Board of Directors on 12 February 2020, does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2019, which contain an unmodified audit report under Section 495 of the Companies Act 2006 (which does not make any statements under Section 498 of the Companies Act 2006) will be delivered to the Registrar of Companies in accordance with Section 441 of the Companies Act 2006.

Barclays Bank UK Group is an issuer in the debt capital markets. Consistent with its usual practice, Barclays Bank UK Group expects that from time to time over the coming year it will meet with investors via formal road shows and other ad hoc meetings to discuss these results and other matters relating to the Barclays Bank UK Group.

Forward-looking statements
Barclays Bank UK Group cautions readers that no forward-looking statement is a guarantee of future performance and that actual results or other financial condition or performance measures could differ materially from those contained in the forward-looking statements. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements sometimes use words such as 'may', 'will', 'seek', 'continue', 'aim', 'anticipate', 'target', 'projected', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', 'achieve' or other words of similar meaning. Forward-looking statements can be made in writing but also may be made verbally by members of the management of the Barclays Bank UK Group (including, without limitation, during management presentations to financial analysts) in connection with this document. Examples of forward-looking statements include, among others, statements or guidance regarding or relating to the Barclays Bank UK Group's future financial position, income growth, assets, impairment charges, provisions, business strategy, capital, leverage and other regulatory ratios, payment of dividends (including dividend payout ratios and expected payment strategies), projected levels of growth in the banking and financial markets, projected costs or savings, any commitments and targets, estimates of capital expenditures, plans and objectives for future operations, projected employee numbers, IFRS impacts and other statements that are not historical fact. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. The forward-looking statements speak only as at the date on which they are made and such statements may be affected by changes in legislation, the development of standards and interpretations under IFRS, including evolving practices with regard to the interpretation and application of accounting and regulatory standards, the outcome of current and future legal proceedings and regulatory investigations, future levels of conduct provisions, the policies and actions of governmental and regulatory authorities, geopolitical risks and the impact of competition. In addition, factors including (but not limited to) the following may have an effect: capital, leverage and other regulatory rules applicable to past, current and future periods; macroeconomic and business conditions in the United Kingdom and in any systemically important economy which impacts the United Kingdom; the effects of any volatility in credit markets; market related risks such as changes in interest rates and foreign exchange rates; effects of changes in valuation of credit market exposures; changes in valuation of issued securities; volatility in capital markets; changes in credit ratings of any entity within the Barclays Bank UK Group or any securities issued by such entities; the potential for one or more countries exiting the Eurozone; instability as a result of the exit by the UK from the European Union and the disruption that may subsequently result in the UK; and the success of future acquisitions, disposals and other strategic transactions. A number of these influences and factors are beyond the Barclays Bank UK Group's control. As a result, the Barclays Bank UK Group's actual financial position, future results, dividend payments, capital, leverage or other regulatory ratios or other financial and non-financial metrics or performance measures may differ materially from the statements or guidance set forth in the Barclays Bank UK Group's forward-looking statements.

Subject to our obligations under the applicable laws and regulations of any relevant jurisdiction, (including, without limitation, the UK), in relation to disclosure and ongoing information, we undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise.