Barclays Bank UK PLC
Interim Results Announcement

30 June 2023

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Notes

Barclays Bank UK PLC is a wholly-owned subsidiary of Barclays PLC. The consolidation of Barclays Bank UK PLC and its subsidiaries is referred to as the Barclays Bank UK Group. The terms Barclays or Barclays Group refer to Barclays PLC together with its subsidiaries. Unless otherwise stated, the income statement analysis compares the six months ended 30 June 2023 to the corresponding six months of 2022 and balance sheet analysis as at 30 June 2023 with comparatives relating to 31 December 2022. 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 26 July 2023, does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2022 which contained an unmodified audit report under Section 495 of the Companies Act 2006 (which did not make any statements under Section 498 of the Companies Act 2006) have been delivered to the Registrar of Companies in accordance with Section 441 of the Companies Act 2006.

The Barclays Bank UK Group is an issuer in the debt capital markets and meets with investors via formal road-shows and other ad hoc meetings. The Barclays Bank UK Group expects that from time to time over the coming half year it will meet with investors to discuss these results and other matters relating to the Barclays Bank UK Group.

Forward-looking statements

This document contains certain forward-looking statements with respect to the Barclays Bank UK Group. Barclays Bank UK PLC cautions readers that no forward-looking statement is a guarantee of future performance and that actual results or other financial condition or performance measures could differ materially from those contained in the forward-looking statements. Forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements sometimes use words such as 'may', 'will', 'seek', 'continue', 'aim', 'anticipate', 'target', 'projected', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', 'achieve' or other words of similar meaning. Forward-looking statements can be made in writing but also may be made verbally by directors, officers and employees of the Barclays Bank UK Group (including during management presentations) in connection with this document. Examples of forward-looking statements include, among others, statements or guidance regarding or relating to the Barclays Bank UK Group's future financial position, income levels, costs, assets and liabilities, impairment charges, provisions, capital, leverage and other regulatory ratios, capital distributions (including dividend policy and share buybacks), return on tangible equity, projected levels of growth in banking and financial markets, industry trends, any commitments and targets (including environmental, social and governance (ESG) commitments and targets), business strategy, plans and objectives for future operations and other statements that are not historical or current facts. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements speak only as at the date on which they are made. Forward-looking statements may be affected by a number of factors, including, without limitation: changes in legislation, regulation and the interpretation thereof, changes in IFRS and other accounting standards, including practices with regard to the interpretation and application thereof and emerging and developing ESG reporting standards; the outcome of current and future legal proceedings and regulatory investigations; the policies and actions of governmental and regulatory authorities; the Barclays Bank UK Group's ability along with governments and other stakeholders to measure, manage and mitigate the impacts of climate change effectively; environmental, social and geopolitical risks and incidents and similar events beyond the Barclays Bank UK Group's control; the impact of competition; capital, leverage and other regulatory rules applicable to past, current and future periods; macroeconomic and business conditions in the UK and in any systemically important economy which impacts the UK, including inflation; volatility in credit and capital markets; market related risks such as changes in interest rates and foreign exchange rates; higher or lower asset valuations; changes in credit ratings of any entity within the Barclays Bank UK Group or any securities issued by it; changes in counterparty risk; changes in consumer behaviour; the direct and indirect consequences of the Russia-Ukraine war on European and global macroeconomic conditions, political stability and financial markets; direct and indirect impacts of the coronavirus (COVID-19) pandemic; instability as a result of the UK's exit from the European Union (EU), the effects of the EU-UK Trade and Cooperation Agreement and any disruption that may subsequently result in the UK; the risk of cyber-attacks, information or security breaches or technology failures on the Barclays Bank UK Group's reputation, business or operations; the Barclays Bank UK Group's ability to access funding; and the success of acquisitions, disposals and other strategic transactions. A number of these factors are beyond the Barclays Bank UK Group's control. As a result, the Barclays Bank UK Group's actual financial position, results, financial and non-financial metrics or performance measures or its ability to meet commitments and targets may differ materially from the statements or guidance set forth in the Barclays Bank UK Group's forward-looking statements. Additional risks and factors which may impact the Barclays Bank UK Group's future financial condition and performance are identified in Barclays Bank UK PLC's 2022 Annual Report, which is available on home.barclays.

Subject to Barclays Bank UK PLC's obligations under the applicable laws and regulations of any relevant jurisdiction (including, without limitation, the UK) in relation to disclosure and ongoing information, we undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Barclays Bank UK Group results for the half year ended

	30.06.23	30.06.22	
	£m	£m	% Change
Total income	**3,997**	**3,397**	**18**
Operating expenses	(2,260)	(2,202)	(3)
Litigation and conduct	3	(24)	
Total operating expenses	**(2,257)**	**(2,226)**	**(1)**
Loss on disposal of subsidiaries	(124)	—	
Profit before impairment	**1,616**	**1,171**	**38**
Credit impairment charge	(213)	(51)	
Profit before tax	**1,403**	**1,120**	**25**
Tax charge	(398)	(405)	(2)
Profit after tax	**1,005**	**715**	**41**
Attributable to:			
Equity holders of the parent	916	629	46
Other equity instrument holders	89	86	3
Profit after tax	**1,005**	**715**	**41**

Balance sheet information

	As at 30.06.23	As at 31.12.22	
	£m	£m	% Change
Assets			
Cash and balances at central banks	41,185	54,208	(24)
Debt securities at amortised cost	18,123	18,537	(2)
Loans and advances at amortised cost	205,475	204,670	—
Liabilities			
Deposits at amortised cost	249,731	258,117	(3)

Capital and liquidity metrics

	As at 30.06.23	As at 31.12.22
	£bn	£bn
Common equity tier 1 (CET1) ratio[1]	14.9%	14.7 %
Liquidity pool	69	81
Liquidity coverage ratio	175%	183%
Total risk weighted assets (RWAs)	71.5	72.7
UK leverage ratio	5.2%	5.3%

1 *CET1 capital, RWAs and leverage are calculated applying the IFRS 9 transitional arrangements of the Capital Requirements Regulation (CRR) as amended by the Capital Requirements Regulation II (CRR II). For further detail on the application of CRR and CRR II in the UK, refer to Treasury and Capital Risk on page 18.*

Barclays Bank UK Group overview

Barclays Bank UK PLC is the ring-fenced bank within the Barclays Group. The Barclays Bank UK Group contains the majority of the Barclays Group's Barclays UK division, including the Personal Banking, Business Banking and Barclaycard Consumer UK businesses other than the Barclays Partner Finance business.

Barclays Bank UK Group performance

- H123 profit before tax increased to £1,403m (H122: £1,120m) supported by the higher interest rate environment. The challenging environment has persisted however, with customers continuing to experience affordability pressures
- Total income increased 18% to £3,997m, consisting of:
  - Personal Banking income increased 16% to £2,549m driven by higher interest rates, partially offset by mortgage margin compression and lower current accounts deposit volumes as customers seek higher yielding savings products in line with wider market trends and cost of living pressures
  - Barclaycard Consumer UK income decreased 11% to £484m as higher customer spend volumes were more than offset by lower interest earning lending (IEL) balances following repayments and ongoing prudent risk management
  - Business Banking income increased 29% to £946m driven by higher interest rates, partially offset by lower government scheme lending as repayments continue and lower deposit volumes in line with wider market trends
  - Head office income of £18m (H122 expense of £77m) related primarily to hedge arrangements
- Credit impairment charge of £213m (H122: £51m) driven by UK cards and Mortgages. The updated macroeconomic scenarios reflect improvement in GDP and unemployment outlook against a backdrop of higher interest rates and a weaker House Price Index (HPI). UK cards 30 and 90 day arrears remained low at 0.9% (H122: 1.0%) and 0.2% (H122: 0.2%) respectively. The UK cards total coverage ratio was 7.1% (December 2022: 7.6%)
- Total operating expenses increased 1% to £2,257m from the impact of inflation with ongoing efficiency savings reinvested in digitisation to support further improvements to the cost:income ratio over time
- The effective tax rate (ETR) was 28.4% (H122: 36.2%). The prior year included the tax charge recognised for the re-measurement of the Barclays Bank UK Group's deferred tax assets as a result of the UK banking surcharge rate being reduced from 8% to 3%

Balance sheet, capital and liquidity

- Loans and advances at amortised cost remained broadly stable at £205.5bn primarily reflecting the acquisition of Kensington Mortgage Company Limited (KMC) and continued mortgage lending, which was partially offset by the repayment of government scheme lending in Business banking
- Deposits at amortised cost decreased to £249.7bn. Savings product balances were broadly stable, however, current account and business banking deposits reduced, reflecting broader market trends
- The Barclays Bank UK Group CET1 ratio as at 30 June 2023 was 14.9%, which is above regulatory capital minimum requirements
- The Barclays Bank UK Group liquidity pool decreased to £69bn (FY22: £81bn) and the liquidity coverage ratio (LCR) decreased to 175% (FY22: 183%) driven by lower customer deposits and expected covered bond maturities
- RWAs decreased to £71.5bn (December 2022: £72.7bn) primarily driven by a capital Loss Given Default (LGD) model update for the mortgages portfolio to reflect the significant decrease in repossession volume during and post the COVID-19 pandemic, partially offset by the acquisition of KMC

Other matters

- On 1 March 2023, Barclays Bank UK PLC completed the acquisition of UK specialist mortgage lender KMC, Kensington Mortgage Services Limited and a portfolio of UK mortgages consisting primarily of mortgages originated by KMC from October 2021, thereby broadening the Barclays Bank UK Group's capabilities and existing mortgage product range in the UK market.
- On 1 May 2023, Barclays Bank UK PLC sold its Wealth Management & Investments business to Barclays Bank PLC. This constituted the sale by Barclays Bank UK PLC of the entire issued share capital of Barclays Asset Management Limited and Barclays Investment Solutions Limited along with certain other assets and liabilities, business guarantees and business contracts (together with the transfer of associated employees of Barclays Bank UK PLC) to Barclays Bank PLC.

Risk management and principal risks

The roles and responsibilities of the business groups, Risk and Compliance in the management of risk in the Barclays Bank UK Group are defined in the Enterprise Risk Management Framework. The purpose of the framework is to identify the principal risks of the Barclays Bank UK Group, the process by which the Barclays Bank UK Group sets its appetite for these risks in its business activities, and the consequent limits which it places on related risk taking.

The framework identifies nine principal risks: credit risk, market risk, treasury and capital risk, climate risk, operational risk, model risk, compliance risk, reputation risk and legal risk. Further detail on the Barclays Bank UK Group's principal risks and previously identified material existing and emerging risks and how such risks are managed is available in the Barclays Bank UK PLC Annual Report 2022 (pages 44 to 69), which can be accessed at home.barclays/annualreport. Other than the changes set out in the paragraph below, there have been no significant changes to these principal risks or previously identified material existing and emerging risks in the period.

In Q223, the 'conduct risk' principal risk was expanded to include "Laws, Rules and Regulations (LRR) Risk" and consequently renamed 'compliance risk'. Reflecting this, the definition of compliance risk is: 'The risk of poor outcomes for, or harm to, customers, clients and markets, arising from the delivery of the firm's products and services (also known as 'Conduct Risk') and the risk to the Barclays Bank UK Group, its clients, customers or markets from a failure to comply with the laws, rules and regulations applicable to the firm (also known as Laws, Rules and Regulations Risk 'LRR Risk').' The definition of the 'legal risk' principal risk was updated to: 'The risk of loss or imposition of penalties, damages or fines from the failure of the firm to meet applicable laws, rules and regulations or contractual requirements or to assert or defend its intellectual property rights.' The revised framework has been in force from June 2023.

The following section gives an overview of credit risk and treasury and capital risk for the period.

Taskforce on Disclosures about Expected Credit Losses (DECL)

The latest DECL III Taskforce recommendation for the minimum product groupings has been adopted in the credit risk performance section for this period and the prior period comparatives have been aligned accordingly. The Barclays Bank UK Group intends to adopt further enhancements in the credit risk performance section for future periods.

Loans and advances at amortised cost by product

Total loans and advances at amortised cost in the credit risk performance section includes Loans and advances at amortised cost to banks, Loans and advances at amortised cost to customers and Debt securities at amortised cost.

The table below presents 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 gross loans and advances to the extent that the allowance does not exceed the drawn exposure and 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.

		Stage 2					
As at 30.06.23	Stage 1	Not past due	<=30 days past due	>30 days past due	Total	Stage 3	Total[1]
Gross exposure	£m	£m	£m	£m	£m	£m	£m
Retail mortgages	147,730	14,842	1,825	741	17,408	1,341	166,479
Retail credit cards	7,522	2,198	54	39	2,291	198	10,011
Retail other	3,627	845	51	31	927	148	4,702
Corporate loans	18,523	4,938	5	4	4,947	1,428	24,898
Debt securities and other[2]	19,027	165	—	—	165	—	19,192
Total	**196,429**	**22,988**	**1,935**	**815**	**25,738**	**3,115**	**225,282**
Impairment allowance							
Retail mortgages	33	49	18	14	81	81	195
Retail credit cards	167	375	21	24	420	119	706
Retail other	43	88	18	17	123	118	284
Corporate loans	136	106	1	—	107	253	496
Debt securities and other[2]	3	—	—	—	—	—	3
Total	**382**	**618**	**58**	**55**	**731**	**571**	**1,684**
Net exposure							
Retail mortgages	147,697	14,793	1,807	727	17,327	1,260	166,284
Retail credit cards	7,355	1,823	33	15	1,871	79	9,305
Retail other	3,584	757	33	14	804	30	4,418
Corporate loans	18,387	4,832	4	4	4,840	1,175	24,402
Debt securities and other[2]	19,024	165	—	—	165	—	19,189
Total	**196,047**	**22,370**	**1,877**	**760**	**25,007**	**2,544**	**223,598**
Coverage ratio	%	%	%	%	%	%	%
Retail mortgages	—	0.3	1.0	1.9	0.5	6.0	0.1
Retail credit cards	2.2	17.1	38.9	61.5	18.3	60.1	7.1
Retail other	1.2	10.4	35.3	54.8	13.3	79.7	6.0
Corporate loans	0.7	2.1	20.0	—	2.2	17.7	2.0
Debt securities and other[2]	—	—	—	—	—	—	—
Total	**0.2**	**2.7**	**3.0**	**6.7**	**2.8**	**18.3**	**0.7**

1 *Other financial assets subject to impairment not included in the table above include cash collateral and settlement balances and financial assets at fair value through other comprehensive income, accrued income and sundry debtors. These have a total gross exposure of £26.3bn and an impairment allowance of £3m. This comprises £3m on £25.8bn Stage 1 assets, £0m on £408m Stage 2 assets £nil Stage 3 other assets. Loan commitments and financial guarantee contracts have total expected credit loss (ECL) of £81m.*

2 *Predominantly includes debt securities within Treasury with a total gross exposure of £18.1bn and an impairment allowance of £3m. Also includes loans and advances of £1.1bn within Treasury and impairment allowance of £nil.*

As at 31.12.22	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[1]
Gross exposure	£m	£m	£m	£m	£m	£m	£m
Retail mortgages	143,214	15,680	1,673	485	17,838	1,436	162,488
Retail credit cards	7,119	2,479	47	43	2,569	251	9,939
Retail other	4,026	811	53	32	896	163	5,085
Corporate loans	19,727	6,325	5	4	6,334	1,632	27,693
Debt securities and other[2]	19,607	106	—	—	106	—	19,713
Total	**193,693**	**25,401**	**1,778**	**564**	**27,743**	**3,482**	**224,918**
Impairment allowance							
Retail mortgages	17	31	9	8	48	58	123
Retail credit cards	127	447	18	28	493	137	757
Retail other	42	91	17	17	125	111	278
Corporate loans	153	147	1	1	149	249	551
Debt securities and other[2]	2	—	—	—	—	—	2
Total	**341**	**716**	**45**	**54**	**815**	**555**	**1,711**
Net exposure							
Retail mortgages	143,197	15,649	1,664	477	17,790	1,378	162,365
Retail credit cards	6,992	2,032	29	15	2,076	114	9,182
Retail other	3,984	720	36	15	771	52	4,807
Corporate loans	19,574	6,178	4	3	6,185	1,383	27,142
Debt securities and other[2]	19,605	106	—	—	106	—	19,711
Total	**193,352**	**24,685**	**1,733**	**510**	**26,928**	**2,927**	**223,207**
Coverage ratio	%	%	%	%	%	%	%
Retail mortgages	—	0.2	0.5	1.6	0.3	4.0	0.1
Retail credit cards	1.8	18.0	38.3	65.1	19.2	54.6	7.6
Retail other	1.0	11.2	32.1	53.1	14.0	68.1	5.5
Corporate loans	0.8	2.3	20.0	25.0	2.4	15.3	2.0
Debt securities and other[2]	—	—	—	—	—	—	—
Total	**0.2**	**2.8**	**2.5**	**9.6**	**2.9**	**15.9**	**0.8**

1 *Other financial assets subject to impairment not included in the table above include cash collateral and settlement balances and financial assets at fair value through other comprehensive income, accrued income and sundry debtors. These have a total gross exposure of £25.6bn and an impairment allowance of £4m. This comprises £3m on £25.2bn Stage 1 assets, £1m on £397m Stage 2 assets and £nil Stage 3 other assets. Loan commitments and financial guarantee contracts have total ECL of £47m.*

2 *Predominantly includes debt securities within Treasury with a total gross exposure of £18.5bn and an impairment allowance of £2m. Also includes loans and advances of £1.2bn within Treasury and impairment allowance of £nil.*

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

The following tables present a reconciliation of the opening to the closing balance of the exposure and impairment allowance. An explanation of the methodology used to determine credit impairment provisions is included in the Barclays Bank UK PLC Annual Report 2022.

Transfers between stages in the tables have been reflected as if they had taken place at the beginning of the year. 'Net drawdowns, repayments, net re-measurement and movements due to exposure and risk parameter changes' includes additional drawdowns and partial repayments from existing facilities. Additionally, the below tables do not include other financial assets subject to impairment such as cash collateral and settlement balances, financial assets at fair value through other comprehensive income and other assets.

The movements are measured over a 6-month period.

Loans and advances at amortised cost

	Stage 1		Stage 2		Stage 3		Total	
	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL
Retail mortgages	£m	£m	£m	£m	£m	£m	£m	£m
As at 1 January 2023	143,214	17	17,838	48	1,436	58	162,488	123
Transfers from Stage 1 to Stage 2	(5,544)	(1)	5,544	1	—	—	—	—
Transfers from Stage 2 to Stage 1	5,021	12	(5,021)	(12)	—	—	—	—
Transfers to Stage 3	(54)	—	(106)	(5)	160	5	—	—
Transfers from Stage 3	8	1	61	—	(69)	(1)	—	—
Business activity in the period[1]	14,059	6	361	3	6	5	14,426	14
Net drawdowns, repayments, net re-measurement and movement due to exposure and risk parameter changes	(4,542)	(1)	(530)	48	(81)	20	(5,153)	67
Final repayments	(4,432)	(1)	(739)	(2)	(110)	(5)	(5,281)	(8)
Disposals	—	—	—	—	—	—	—	—
Write-offs	—	—	—	—	(1)	(1)	(1)	(1)
As at 30 June 2023	**147,730**	**33**	**17,408**	**81**	**1,341**	**81**	**166,479**	**195**

	Stage 1		Stage 2		Stage 3		Total	
Retail credit cards	Gross exposure £m	ECL £m	Gross exposure £m	ECL £m	Gross exposure £m	ECL £m	Gross exposure £m	ECL £m
As at 1 January 2023	7,119	127	2,569	493	251	137	9,939	757
Transfers from Stage 1 to Stage 2	(569)	(16)	569	16	—	—	—	—
Transfers from Stage 2 to Stage 1	756	139	(756)	(139)	—	—	—	—
Transfers to Stage 3	(43)	(2)	(126)	(50)	169	52	—	—
Transfers from Stage 3	7	4	2	1	(9)	(5)	—	—
Business activity in the period	386	9	53	10	1	1	440	20
Net drawdowns, repayments, net re-measurement and movement due to exposure and risk parameter changes	(75)	(91)	—	93	(25)	89	(100)	91
Final repayments	(59)	(3)	(20)	(4)	(12)	(7)	(91)	(14)
Disposals[2]	—	—	—	—	(78)	(49)	(78)	(49)
Write-offs	—	—	—	—	(99)	(99)	(99)	(99)
As at 30 June 2023	**7,522**	**167**	**2,291**	**420**	**198**	**119**	**10,011**	**706**

1 *Business activity in the period reported within Retail mortgages includes the acquisition of KMC in UK Mortgages of £2.4bn.*
2 *The £78m disposals reported within Retail credit cards relates to debt sales undertaken during the year.*

Retail other	Stage 1 Gross exposure £m	Stage 1 ECL £m	Stage 2 Gross exposure £m	Stage 2 ECL £m	Stage 3 Gross exposure £m	Stage 3 ECL £m	Total Gross exposure £m	Total ECL £m
As at 1 January 2023	4,026	42	896	125	163	111	5,085	278
Transfers from Stage 1 to Stage 2	(409)	(7)	409	7	—	—	—	—
Transfers from Stage 2 to Stage 1	237	22	(237)	(22)	—	—	—	—
Transfers to Stage 3	(22)	(1)	(60)	(26)	82	27	—	—
Transfers from Stage 3	9	1	3	2	(12)	(3)	—	—
Business activity in the period	669	6	40	5	6	2	715	13
Net drawdowns, repayments, net re-measurement and movement due to exposure and risk parameter changes	(558)	(18)	(96)	35	(9)	46	(663)	63
Final repayments	(325)	(2)	(28)	(3)	(20)	(10)	(373)	(15)
Disposals[1]	—	—	—	—	(23)	(16)	(23)	(16)
Write-offs	—	—	—	—	(39)	(39)	(39)	(39)
As at 30 June 2023	**3,627**	**43**	**927**	**123**	**148**	**118**	**4,702**	**284**

Corporate loans	Stage 1 Gross exposure £m	Stage 1 ECL £m	Stage 2 Gross exposure £m	Stage 2 ECL £m	Stage 3 Gross exposure £m	Stage 3 ECL £m	Total Gross exposure £m	Total ECL £m
As at 1 January 2023	19,727	153	6,334	149	1,632	249	27,693	551
Transfers from Stage 1 to Stage 2	(1,128)	(10)	1,128	10	—	—	—	—
Transfers from Stage 2 to Stage 1	1,791	49	(1,791)	(49)	—	—	—	—
Transfers to Stage 3	(231)	(2)	(360)	(7)	591	9	—	—
Transfers from Stage 3	63	7	130	10	(193)	(17)	—	—
Business activity in the period	646	4	40	1	88	8	774	13
Net drawdowns, repayments, net re-measurement and movement due to exposure and risk parameter changes[2]	(687)	(52)	(370)	(3)	(592)	42	(1,649)	(13)
Final repayments	(1,658)	(13)	(164)	(4)	(66)	(6)	(1,888)	(23)
Disposals	—	—	—	—	—	—	—	—
Write-offs	—	—	—	—	(32)	(32)	(32)	(32)
As at 30 June 2023	**18,523**	**136**	**4,947**	**107**	**1,428**	**253**	**24,898**	**496**

1 *The £23m disposals reported within Retail other relates to debt sales undertaken during the year.*
2 *'Net drawdowns, repayments, net re-measurement and movements due to exposure and risk parameter changes' reported within Corporate loans also includes assets of £0.5bn de-recognised due to payment received on defaulted loans from government guarantees issued under the government's Bounce Back Loans Scheme.*

Debt securities and other	Stage 1 Gross exposure £m	Stage 1 ECL £m	Stage 2 Gross exposure £m	Stage 2 ECL £m	Stage 3 Gross exposure £m	Stage 3 ECL £m	Total Gross exposure £m	Total ECL £m
As at 1 January 2023	19,607	2	106	—	—	—	19,713	2
Transfers from Stage 1 to Stage 2	—	—	—	—	—	—	—	—
Transfers from Stage 2 to Stage 1	—	—	—	—	—	—	—	—
Transfers to Stage 3	—	—	—	—	—	—	—	—
Transfers from Stage 3	—	—	—	—	—	—	—	—
Business activity in the period	3,997	—	60	—	—	—	4,057	—
Net drawdowns, repayments, net re-measurement and movement due to exposure and risk parameter changes	(1,440)	1	(1)	—	—	—	(1,441)	1
Final repayments	(3,137)	—	—	—	—	—	(3,137)	—
Disposals	—	—	—	—	—	—	—	—
Write-offs	—	—	—	—	—	—	—	—
As at 30 June 2023	**19,027**	**3**	**165**	**—**	**—**	**—**	**19,192**	**3**

Reconciliation to ECL movement to impairment charge/(release) for the period

	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Retail mortgages	16	33	24	73
Retail credit cards	40	(73)	130	97
Retail other	1	(2)	62	61
Corporate loans	(17)	(42)	36	(23)
Debt securities and other	1	—	—	1
ECL movement excluding assets derecognised due to disposals and write-offs[1]	41	(84)	252	**209**
ECL movement on loan commitments and other financial guarantees	4	30	—	**34**
ECL movement on other financial assets	—	(1)	—	**(1)**
Recoveries and reimbursements[2]	(2)	(1)	(15)	**(18)**
Total exchange and other adjustments				(11)
Total income statement charge for the period				213

1 *In H123, gross write-offs amounted to £171m (H122: £199m). Post write-off recoveries amounted to £15m (H122: £16m). Net write-offs represent gross write-offs less post write-off recoveries and amounted to £156m (H122: £183m).*

2 *Recoveries and reimbursements includes £3m (H122: nil) for reimbursements expected to be received under the arrangement where the Barclays Bank UK Group has entered into financial guarantee contracts which provide credit protection over certain loan assets with third parties; cash recoveries of previously written off amounts is £15m (H122: £16m).*

Loan commitments and financial guarantees

	Stage 1		Stage 2		Stage 3		Total	
	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL	Gross exposure	ECL
Retail mortgages	£m	£m	£m	£m	£m	£m	£m	£m
As at 1 January 2023	11,653	—	448	—	2	—	12,103	—
Net transfers between stages	(22)	—	20	—	2	—	—	—
Business activity in the year	5,992	—	—	—	—	—	5,992	—
Net drawdowns, repayments, net re-measurement and movement due to exposure and risk parameter changes	(7,403)	—	20	—	—	—	(7,383)	—
Limit management and final repayments	(165)	—	(20)	—	—	—	(185)	—
As at 30 June 2023	**10,055**	—	**468**	—	**4**	—	**10,527**	—
Retail credit cards								
As at 1 January 2023	33,813	9	3,387	38	221	—	37,421	47
Net transfers between stages	290	23	(354)	(23)	64	—	—	—
Business activity in the year	895	1	31	1	1	—	927	2
Net drawdowns, repayments, net re-measurement and movement due to exposure and risk parameter changes	(1,761)	(19)	(101)	56	(35)	—	(1,897)	37
Limit management and final repayments	(1,392)	(1)	(57)	(4)	(37)	—	(1,486)	(5)
As at 30 June 2023	**31,845**	**13**	**2,906**	**68**	**214**	—	**34,965**	**81**
Retail other								
As at 1 January 2023	5,402	—	437	—	15	—	5,854	—
Net transfers between stages	(29)	—	29	—	—	—	—	—
Business activity in the year	13	—	—	—	—	—	13	—
Net drawdowns, repayments, net re-measurement and movement due to exposure and risk parameter changes	(62)	—	(15)	—	(2)	—	(79)	—
Limit management and final repayments	(127)	—	—	—	—	—	(127)	—
As at 30 June 2023	**5,197**	—	**451**	—	**13**	—	**5,661**	—
Corporate loans								
As at 1 January 2023	2,884	—	417	—	53	—	3,354	—
Net transfers between stages	100	—	(107)	—	7	—	—	—
Business activity in the year	1	—	—	—	—	—	1	—
Net drawdowns, repayments, net re-measurement and movement due to exposure and risk parameter changes	(317)	—	(31)	—	(14)	—	(362)	—
Limit management and final repayments	(218)	—	—	—	—	—	(218)	—
As at 30 June 2023	**2,450**	—	**279**	—	**46**	—	**2,775**	—
Debt securities and other								
As at 1 January 2023	150	—	—	—	—	—	150	—
Net transfers between stages	—	—	—	—	—	—	—	—
Business activity in the year	—	—	—	—	—	—	—	—
Net drawdowns, repayments, net re-measurement and movement due to exposure and risk parameter changes	—	—	—	—	—	—	—	—
Limit management and final repayments	—	—	—	—	—	—	—	—
As at 30 June 2023	**150**	—	—	—	—	—	**150**	—

Management adjustments to models for impairment

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.

Management adjustments are captured through "Economic uncertainty" and "Other" adjustments, and are presented by product below:

Management adjustments to models for impairment allowance presented by product[1]

	Impairment allowance pre management adjustments[2]	Economic uncertainty adjustments	Other adjustments	Management adjustments	Total impairment allowance[3]	Proportion of Management adjustments to total impairment allowance
		(a)	(b)	(a+b)		
As at 30.06.23	£m	£m	£m	£m	£m	%
Retail mortgages	55	22	118	140	195	71.8
Retail credit cards	562	143	82	225	787	28.6
Retail other	198	7	79	86	284	30.3
Corporate loans	277	98	121	219	496	44.2
Debt securities and other	3	—	—	—	3	—
Total	**1,095**	**270**	**400**	**670**	**1,765**	**38.0**
As at 31.12.22	£m	£m	£m	£m	£m	%
Retail mortgages	34	4	85	89	123	72.4
Retail credit cards	680	93	31	124	804	15.4
Retail other	195	21	62	83	278	29.9
Corporate loans	321	100	130	230	551	41.7
Debt securities and other	2	—	—	—	2	—
Total	**1,232**	**218**	**308**	**526**	**1,758**	**29.9**

Economic uncertainty adjustments presented by stage

	Stage 1	Stage 2	Stage 3	Total
As at 30.06.23	£m	£m	£m	£m
Retail mortgages	5	14	3	22
Retail credit cards	27	116	—	143
Retail other	2	5	—	7
Corporate loans	77	14	7	98
Debt securities and other	—	—	—	—
Total	**111**	**149**	**10**	**270**

	Stage 1	Stage 2	Stage 3	Total
As at 31.12.22	£m	£m	£m	£m
Retail mortgages	1	3	—	4
Retail credit cards	17	76	—	93
Retail other	5	15	1	21
Corporate loans	84	16	—	100
Debt securities and other	—	—	—	—
Total	**107**	**110**	**1**	**218**

1 *Positive values reflect an increase in impairment allowance and negative values reflect a reduction in the impairment allowance.*
2 *Includes £0.9 bn (FY22: £1.1bn) of modelled ECL, £0.1bn (FY22: £0.1bn) of individually assessed impairments and £0.04bn (FY22: £0.05bn) ECL from non-modelled exposures.*
3 *Total impairment allowance consists of ECL stock on drawn and undrawn exposure.*

Economic uncertainty adjustments

Models have been developed with data from non-inflationary periods establishing a relationship between input variables and customer delinquency based on past behaviour. Additionally, models are trying to interpret significant rates of change in macroeconomic variables and applying these to stable probability of default (PD) levels. As such there is a risk that the modelled output fails to capture the appropriate response to changes in macroeconomic variables including higher interest rates and continuing inflationary stress with modelled impairment provisions impacted by uncertainty.

This uncertainty continues to be captured in two ways. Firstly, customer uncertainty: the identification of customers and clients who may be more vulnerable to economic instability; and secondly, model uncertainty: to capture the impact from model limitations and sensitivities to specific macroeconomic parameters which are applied at a portfolio level.

Economic uncertainty adjustments have increased from last year primarily informed by the adjustment introduced to reflect the latest macroeconomic scenario and re-sizing of adjustments to capture affordability headwinds in UK retail lending considered not adequately captured in modelled outcomes.

The balance as at H123 is £270m (FY22: £218m) and includes:

Customer and client uncertainty provisions of £220m (FY22: £228m) includes:

- **Retail mortgages**: £22m (FY22: £4m) includes an adjustment applied to customers considered most vulnerable to affordability pressures. The increase is primarily driven by an adjustment introduced to reflect the risk of borrowers refinancing onto higher rates in the medium term.
- **Retail credit cards**: £93m (FY22: £93m) and **Retail other**: £7m (FY22: £21m) includes an adjustment applied to customers considered most vulnerable to affordability pressures. This adjustment is predominantly held in Stage 2 in line with customer risk profiles. Reduction within **Retail other** is primarily driven by re-scoping for customers remaining resilient to affordability headwinds.
- **Corporate loans**: £98m (FY22: £110m) includes an adjustment of £86m to reflect possible cross default risk on the Barclays Bank UK Group's lending in respect of clients who have taken bounce back loans and £12m for SME exposures considered most at risk from inflationary concerns, supply chain constraints and consumer demand headwinds.

Model uncertainty provisions of £50m (FY22: £(10)m) includes:

- **Retail credit cards**: £50m (FY22: nil) includes an adjustment to reflect recent changes to certain macroeconomic variables to more appropriately capture the provision impact.
- Previously held adjustment of £(10)m within **Corporate loans** to correct for model oversensitivity has been retired following the re-build of certain models which more appropriately capture the macroeconomic outlook.

Other adjustments

Other adjustments are operational in nature and are expected to remain in place until they can be reflected in the underlying models. These adjustments result from data limitations and model performance related issues identified through model monitoring and other established governance processes.

Other adjustments of £400m (FY22: £308m) includes:

- **Retail mortgages**: £118m (FY22: £85m) primarily includes adjustments informed by model monitoring and an adjustment for the definition of default under the Capital Requirements Regulation. The increase is predominantly driven by resizing of model monitoring adjustments.
- **Retail credit cards**: £82m (FY22: £31m) primarily includes adjustments informed by model monitoring and an adjustment for the definition of default under the Capital Requirements Regulation. The increase is primarily informed by a recalibration of Loss Given Default (LGD) to reflect revised recovery expectations.
- **Retail other**: £79m (FY22: £62m) and **Corporate loans**: £121m (FY22: £130m) primarily include an adjustment for the definition of default under the Capital Requirements Regulation and adjustments informed by model monitoring.

Measurement uncertainty

Scenarios used to calculate the Barclays Bank UK Group's ECL charge were refreshed in Q223 with the Baseline scenario reflecting the latest consensus macroeconomic forecasts available at the time of the scenario refresh. In the Baseline scenario, although the outlook in major economies has improved somewhat (since Q422), the full effect of the inflation shock and rising rates is lagged and so contributes to a further squeeze of household finances over the coming quarters, posing downside risks to GDP. Unemployment increases only gradually in the coming quarters, peaking at 4.5% in Q424. Central banks continue raising interest rates, with the UK bank rate peaking at 5.25% during 2023.

The Downside 2 scenario is broadly aligned to the previous scenario refresh. Inflation rates rise again as energy prices suddenly surge again amid renewed geopolitical risks. Inflation becomes entrenched and inflation expectations go up, contributing to higher pressure on wage growth. Central banks are forced to raise interest rates sharply with the UK bank rate reaching 8%. Weakened businesses lay off workers and consumers stop spending exacerbating the downward stress. Unemployment peaks at 8.5%. Given already stretched valuations, the sharp increase in borrowing costs sees house prices decrease significantly. In the Upside scenarios, lower energy prices add downward pressure on prices globally, while recovering labour force participation limits wage growth. As a result of easing inflation, central banks lower interest rates to support the economic recovery.

The methodology for estimating scenario probability weights involves simulating a range of future paths for GDP using historical data with the five scenarios mapped against the distribution of these future paths. The median is centred around the Baseline with scenarios further from the Baseline attracting a lower weighting before the five weights are normalised to total 100%. The decrease in the Downside weightings and the increase in the Upside weightings reflected the improving economic outlook which moved the Baseline GDP paths closer to the Upside scenarios. For further details see page 14.

The economic uncertainty adjustments of £270m (2022: £218m) have been applied as overlays to the modelled ECL output. These adjustments consist of a customer and client uncertainty provision of £219m (2022: £228m) which has been applied to customers and clients considered most vulnerable to affordability pressures, and a model uncertainty adjustment of £50m (2022: £(10)m). For further details see page 12.

The following tables show the key macroeconomic variables used in the five scenarios (5 year annual paths) and the probability weights applied to each scenario.

Macroeconomic variables used in the calculation of ECL

As at 30.06.23	2023	2024	2025	2026	2027
Baseline	%	%	%	%	%
UK GDP[1]	0.3	0.9	1.6	1.8	1.9
UK unemployment[2]	4.1	4.4	4.2	4.2	4.2
UK HPI[3]	(6.1)	(1.3)	2.0	4.3	5.7
UK bank rate	4.8	4.6	3.9	3.8	3.5
Downside 2					
UK GDP[1]	(0.5)	(5.0)	(0.4)	2.5	1.9
UK unemployment[2]	4.4	7.8	8.3	7.7	7.1
UK HPI[3]	(10.2)	(20.5)	(17.7)	5.6	8.2
UK bank rate	5.5	8.0	7.3	6.1	4.8
Downside 1					
UK GDP[1]	(0.1)	(2.1)	0.6	2.2	1.9
UK unemployment[2]	4.2	6.1	6.2	5.9	5.6
UK HPI[3]	(8.1)	(11.3)	(8.2)	5.0	7.0
UK bank rate	5.2	6.1	5.6	4.8	4.1
Upside 2					
UK GDP[1]	1.2	4.1	3.2	2.6	2.3
UK unemployment[2]	3.9	3.6	3.5	3.6	3.6
UK HPI[3]	0.4	10.6	4.8	4.2	3.8
UK bank rate	4.4	3.3	2.5	2.5	2.5
Upside 1					
UK GDP[1]	0.8	2.5	2.4	2.2	2.1
UK unemployment[2]	4.0	4.0	3.9	3.9	3.9
UK HPI[3]	(2.9)	4.5	3.4	4.3	4.7
UK bank rate	4.6	4.0	3.1	3.0	3.0

1 *Average Real GDP seasonally adjusted change in year.*
2 *Average UK unemployment rate 16-year+.*
3 *Change in year end UK HPI = Halifax All Houses, All Buyers index, relative to prior year end.*

Macroeconomic variables used in the calculation of ECL

As at 31.12.22	2022	2023	2024	2025	2026
Baseline	%	%	%	%	%
UK GDP[1]	3.3	(0.8)	0.9	1.8	1.9
UK unemployment[2]	3.7	4.5	4.4	4.1	4.2
UK HPI[3]	8.4	(4.7)	(1.7)	2.2	2.2
UK bank rate	1.8	4.4	4.1	3.8	3.4
Downside 2					
UK GDP[1]	3.3	(3.4)	(3.8)	2.0	2.3
UK unemployment[2]	3.7	6.0	8.4	8.0	7.4
UK HPI[3]	8.4	(18.3)	(18.8)	(7.7)	8.2
UK bank rate	1.8	7.3	7.9	6.6	5.5
Downside 1					
UK GDP[1]	3.3	(2.1)	(1.5)	1.9	2.1
UK unemployment[2]	3.7	5.2	6.4	6.0	5.8
UK HPI[3]	8.4	(11.7)	(10.6)	(2.8)	5.2
UK bank rate	1.8	5.9	6.1	5.3	4.6
Upside 2					
UK GDP[1]	3.3	2.8	3.7	2.9	2.4
UK unemployment[2]	3.7	3.5	3.4	3.4	3.4
UK HPI[3]	8.4	8.7	7.5	4.4	4.2
UK bank rate	1.8	3.1	2.6	2.5	2.5
Upside 1					
UK GDP[1]	3.3	1.0	2.3	2.4	2.1
UK unemployment[2]	3.7	4.0	3.9	3.8	3.8
UK HPI[3]	8.4	1.8	2.9	3.3	3.2
UK bank rate	1.8	3.5	3.3	3.0	2.8

1 *Average Real GDP seasonally adjusted change in year.*
2 *Average UK unemployment rate 16-year+.*
3 *Change in year end UK HPI = Halifax All Houses, All Buyers index, relative to prior year end.*

Scenario probability weighting

	Upside 2	Upside 1	Baseline	Downside 1	Downside 2
	%	%	%	%	%
As at 30.06.23					
Scenario probability weighting	13.0	24.7	40.2	15.2	6.9
As at 31.12.22					
Scenario probability weighting	10.9	23.1	39.4	17.6	9.0

Specific bases show the most extreme position of each variable in the context of the downside/upside scenarios, for example, the highest unemployment for downside scenarios, average unemployment for baseline scenarios and lowest unemployment for upside scenarios. GDP and HPI downside and upside scenario data represents the lowest and highest cumulative position relative to the start point in the 20 quarter period.

Macroeconomic variables (specific bases)[1]

As at 30.06.23	Upside 2 %	Upside 1 %	Baseline %	Downside 1 %	Downside 2 %
UK GDP[2]	15.1	11.2	1.3	(2.7)	(6.9)
UK unemployment[3]	3.5	3.9	4.2	6.5	8.5
UK HPI[4]	25.8	14.6	0.8	(25.2)	(41.5)
UK bank rate[3]	2.5	3.0	4.1	6.3	8.0
As at 31.12.22					
UK GDP[2]	13.9	9.4	1.4	(3.2)	(6.8)
UK unemployment[3]	3.4	3.6	4.2	6.6	8.5
UK HPI[4]	37.8	21.0	1.2	(17.9)	(35.0)
UK bank rate[3]	0.5	0.5	3.5	6.3	8.0

1 *UK GDP = Real GDP growth seasonally adjusted; UK unemployment = UK unemployment rate 16-year+; UK HPI = Halifax All Houses, All Buyers Index. 20 quarter period starts from Q123 (2022: Q122).*
2 *Maximum growth relative to Q422 (2022: Q421), based on 20 quarter period in Upside scenarios; 5-year yearly average Compound Annual Growth Rate (CAGR) in Baseline; minimum growth relative to Q422 (2022: Q421), based on 20 quarter period in Downside scenarios.*
3 *Lowest quarter in 20 quarter period in Upside scenarios; 5-year average in Baseline; highest quarter in 20 quarter period in Downside scenarios.*
4 *Maximum growth relative to Q422 (2022: Q421), based on 20 quarter period in Upside scenarios; 5-year quarter end CAGR in Baseline; minimum growth relative to Q422 (2022: Q421), based on 20 quarter period in Downside scenarios.*

Average basis represents the average quarterly value of variables in the 20 quarter period with GDP and HPI based on yearly average and quarterly CAGRs respectively.

Macroeconomic variables (5-year averages)[1]

As at 30.06.23	Upside 2 %	Upside 1 %	Baseline %	Downside 1 %	Downside 2 %
UK GDP[2]	2.7	2.0	1.3	0.5	(0.3)
UK unemployment[3]	3.6	3.9	4.2	5.6	7.0
UK HPI[4]	4.7	2.8	0.8	(3.4)	(7.6)
UK bank rate[3]	3.0	3.6	4.1	5.2	6.4
As at 31.12.22					
UK GDP[2]	3.0	2.2	1.4	0.7	0.0
UK unemployment[3]	3.5	3.8	4.2	5.4	6.7
UK HPI[4]	6.6	3.9	1.2	(2.6)	(6.4)
UK bank rate[3]	2.5	2.9	3.5	4.7	5.8

1 *UK GDP = Real GDP growth seasonally adjusted; UK unemployment = UK unemployment rate 16-year+; UK HPI = Halifax All Houses, All Buyers Index.*
2 *5-year yearly average CAGR, starting 2022 (2022: 2021).*
3 *5-year average. Period based on 20 quarters from Q123 (2022: Q122).*
4 *5-year quarter end CAGR, starting Q422 (2022: Q421).*

Funding and liquidity

Overview

The Barclays Bank UK Group liquidity pool decreased to £69bn (December 2022: £81bn) and the LCR reduced to 175% (December 2022: 183%), driven by lower customer deposits and expected covered bond maturities.

The Internal Liquidity Stress Tests (ILST) measure the potential contractual and contingent stress outflows under a range of 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 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 30 June 2023, the Barclays Bank UK Group held eligible liquid assets well above 100% of net stress outflows to its internal and 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 30.06.23	As at 31.12.22
	£bn	£bn
Barclays Bank UK Group liquidity pool	69	81
	%	%
Barclays Bank UK Group liquidity coverage ratio	175%	183%

Capital and leverage

The disclosures below provide key capital metrics for the Barclays Bank UK Group with further information on its risk profile to be included in the Barclays Bank UK PLC Interim 2023 Pillar 3 Report, expected to be published on 11 August 2023, and which will be available at home.barclays/investor-relations/reports-and-events.

In the disclosures that follow, references to CRR, as amended by CRR II, mean the capital regulatory requirements, as they form part of domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended.

As at 30 June 2023, the Barclays Bank UK Group CET1 ratio was 14.9%, which is above its minimum regulatory requirement of 11.8%.

Capital ratios[1,2]	As at 30.06.23	As at 31.12.22
CET1	14.9%	14.7%
Tier 1 (T1)	18.3%	18.2%
Total regulatory capital	22.2%	21.8%
Capital resources	£m	£m
CET1 capital	10,628	10,701
T1 capital	13,057	13,261
Total regulatory capital	15,866	15,828
Risk weighted assets (RWAs)	71,489	72,719

1 *Capital and RWAs are calculated applying the IFRS 9 transitional arrangements of the CRR as amended by CRR II.*
2 *The fully loaded CET1 ratio was 14.9%, with £10.6bn of CET1 capital and £71.5bn of RWAs, calculated without applying the transitional arrangements of the CRR as amended by CRR II.*

The Barclays Bank UK Group is required to disclose a UK leverage ratio based on capital and exposure on the last day of the quarter. Additionally, it is also required to disclose an average UK leverage ratio based on capital on the last day of each month in the quarter and an exposure measure for each day in the quarter.

As at 30 June 2023, the Barclays Bank UK Group UK leverage ratio was 5.2% which is above the leverage ratio requirement.

Leverage ratios[1]	As at 30.06.23 £m	As at 31.12.22 £m
UK leverage ratio[2]	5.2%	5.3%
T1 capital	13,057	13,261
UK leverage exposure	252,442	250,092
Average UK leverage ratio	5.2%	5.3%
Average T1 capital	12,975	13,270
Average UK leverage exposure	250,964	251,425

1 *Capital and leverage are calculated applying the IFRS 9 transitional arrangements of the CRR as amended by CRR II.*
2 *The CET1 capital held against the 0.35% other systemically important institutions (O-SII) additional leverage ratio buffer was £0.9bn and against the 0.3% countercyclical leverage ratio buffer was £0.8bn.*

Statement of Directors' Responsibilities

The Directors (the names of whom are set out below) are required to prepare the financial statements on a going concern basis unless it is not appropriate to do so. In making this assessment, the Directors have considered information relating to present and future conditions. Each of the Directors (the names of whom are set out below) confirm that to the best of their knowledge, the condensed consolidated interim financial statements set out on pages 22 to 25 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as adopted by the UK, and that the interim management report herein includes a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.7R namely:

- *an indication of important events that have occurred during the six months ended 30 June 2023 and their impact on the condensed consolidated interim financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year.*

Signed on 26 July 2023 on behalf of the Board by

Matt Hammerstein
Barclays Bank UK Group Chief Executive

Rupert Fowden
Barclays Bank UK Group Interim Chief Financial Officer

Barclays Bank UK PLC Board of Directors:

Chair
Sir John Kingman

Executive Directors
Matt Hammerstein
Rupert Fowden

Non-Executive Directors
Vanessa Bailey
Tracy Corrigan
Avid Larizadeh Duggan
Michael Jary
John Liver
Chris Pilling
Andrew Ratcliffe
Bernadette Wightman

Conclusion

We have been engaged by Barclays Bank UK PLC ("the Company" or "the Group") to review the condensed set of financial statements in the Interim Results Announcement for the six months ended 30 June 2023 which comprises:

- the condensed consolidated income statement and condensed consolidated statement of comprehensive income for the period then ended;
- the condensed consolidated balance sheet as at 30 June 2023;
- the condensed consolidated statement of changes in equity for the period then ended;
- the condensed consolidated cash flow statement for the period then ended; and
- the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Interim Results Announcement for the six months ended 30 June 2023 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted for use in the UK and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* ("ISRE (UK) 2410") issued for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the Interim Results Announcement and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention that causes us to believe that the directors have inappropriately adopted the going concern basis of accounting, or that the directors have identified material uncertainties relating to going concern that have not been appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the Group to cease to continue as a going concern, and the above conclusions are not a guarantee that the Group will continue in operation.

Directors' responsibilities

The Interim Results Announcement is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Results Announcement in accordance with the DTR of the UK FCA.

As disclosed in Note 1, the annual financial statements of the Barclays Bank UK Group are prepared in accordance with UK-adopted international accounting standards.

The directors are responsible for preparing the condensed set of financial statements included in the Interim Results Announcement in accordance with IAS 34 as adopted for use in the UK.

In preparing the condensed set of financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the Interim Results Announcement based on our review. Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion section of this report.

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

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Michael McGarry
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London, E14 5GL

26 July 2023

Condensed consolidated income statement (unaudited)

	Notes[1]	Half year ended 30.06.23 £m	Half year ended 30.06.22 £m
Interest and similar income		5,012	3,059
Interest and similar expense		(1,653)	(359)
Net interest income		**3,359**	**2,700**
Fee and commission income	3	830	815
Fee and commission expense	3	(189)	(148)
Net fee and commission income	**3**	**641**	**667**
Other (expense)/income		(3)	30
Total income		**3,997**	**3,397**
Staff costs		(633)	(588)
Infrastructure, administration and general expenses		(1,627)	(1,614)
Litigation and conduct		3	(24)
Operating expenses		**(2,257)**	**(2,226)**
Loss on disposal of subsidiaries	14	(124)	—
Profit before impairment		**1,616**	**1,171**
Credit impairment charges		(213)	(51)
Profit before tax		**1,403**	**1,120**
Tax charge		(398)	(405)
Profit after tax		**1,005**	**715**
Attributable to:			
Equity holders of the parent		916	629
Other equity instrument holders		89	86
Profit after tax		**1,005**	**715**

1 *For notes to the Financial Statements see pages 26 to 36.*

Condensed consolidated statement of comprehensive income (unaudited)

	Notes[1]	Half year ended 30.06.23 £m	Half year ended 30.06.22 £m
Profit after tax		**1,005**	**715**
Other comprehensive loss that may be recycled to profit or loss:[2]			
Fair value through other comprehensive income reserve	9	21	(115)
Cash flow hedging reserve	9	(340)	(1,106)
Other comprehensive loss that may be recycled to profit or loss		**(319)**	**(1,221)**
Total comprehensive (loss)/ income for the period		**686**	**(506)**

1 *For notes to the Financial Statements see pages 26 to 36.*
2 *Reported net of tax.*

Condensed consolidated balance sheet (unaudited)

Assets	Notes[1]	As at 30.06.23 £m	As at 31.12.22 £m
Cash and balances at central banks		41,185	54,208
Cash collateral and settlement balances		6,791	5,194
Debt securities at amortised cost		18,123	18,537
Loans and advances at amortised cost to banks		1,207	1,391
Loans and advances at amortised cost to customers		204,268	203,279
Reverse repurchase agreements and other similar secured lending		2,222	477
Trading portfolio assets		773	54
Financial assets designated at fair value		1,782	1,980
Derivative financial instruments		1,348	611
Financial assets at fair value through other comprehensive income		19,031	19,970
Goodwill and intangible assets	6	3,874	3,528
Property, plant and equipment		326	382
Deferred tax assets		2,020	1,916
Other assets		559	652
Total assets		**303,509**	**312,179**
Liabilities			
Deposits at amortised cost from banks		22	59
Deposits at amortised cost from customers		249,709	258,058
Cash collateral and settlement balances		1,176	553
Repurchase agreements and other similar secured borrowing		17,765	17,702
Debt securities in issue		2,257	8,009
Subordinated liabilities	7	9,858	8,268
Trading portfolio liabilities		711	464
Financial liabilities designated at fair value		3,966	—
Derivative financial instruments		481	962
Current tax liabilities		351	578
Other liabilities		1,637	1,775
Provisions	8	402	338
Total liabilities		**288,335**	**296,766**
Equity			
Called up share capital and share premium		5	5
Other reserves	9	(2,598)	(2,279)
Retained earnings		15,338	15,127
Shareholders' equity attributable to ordinary shareholders of the parent		**12,745**	**12,853**
Other equity instruments		2,429	2,560
Total equity		**15,174**	**15,413**
Total liabilities and equity		**303,509**	**312,179**

1 *For notes to the Financial Statements see pages 26 to 36.*
2 *For the fair value of debt securities at amortised cost see page 32.*

Condensed consolidated statement of changes in equity (unaudited)

Half year ended 30.06.23	Called up share capital and share premium £m	Other equity instruments[1] £m	Other reserves[2] £m	Retained earnings £m	Total equity £m
Balance as at 1 January 2023	**5**	**2,560**	**(2,279)**	**15,127**	**15,413**
Profit after tax	—	89	—	916	1,005
Fair value through other comprehensive income reserve	—	—	21	—	21
Cash flow hedges	—	—	(340)	—	(340)
Total comprehensive loss for the period	**—**	**89**	**(319)**	**916**	**686**
Issue of shares under employee share schemes	—	—	—	13	13
Issue and exchange of other equity instruments	—	(131)	—	—	(131)
Coupons paid on other equity instruments	—	(89)	—	—	(89)
Vesting of employee share schemes	—	—	—	(16)	(16)
Dividends paid	—	—	—	(705)	(705)
Other movements	—	—	—	3	3
Balance as at 30 June 2023	**5**	**2,429**	**(2,598)**	**15,338**	**15,174**

Half year ended 31.12.22					
Balance as at 1 July 2022	**5**	**2,560**	**(1,587)**	**14,817**	**15,795**
Profit after tax	—	87	—	1,005	1,092
Fair value through other comprehensive income reserve	—	—	(83)	—	(83)
Cash flow hedges	—	—	(609)	—	(609)
Total comprehensive income for the period	**—**	**87**	**(692)**	**1,005**	**400**
Issue of shares under employee share schemes	—	—	—	10	10
Coupons paid on other equity instruments	—	(87)	—	—	(87)
Dividends paid	—	—	—	(705)	(705)
Other movements	—	—	—	—	—
Balance as at 31 December 2022	**5**	**2,560**	**(2,279)**	**15,127**	**15,413**

Half year ended 30.06.22					
Balance as at 1 January 2022	**5**	**2,560**	**(366)**	**15,201**	**17,400**
Profit after tax	—	86	—	629	715
Fair value through other comprehensive income reserve	—	—	(115)	—	(115)
Cash flow hedges	—	—	(1,106)	—	(1,106)
Total comprehensive income for the period	**—**	**86**	**(1,221)**	**629**	**(506)**
Issue of shares under employee share schemes	—	—	—	12	12
Coupons paid on other equity instruments	—	(86)	—	—	(86)
Vesting of employee share schemes	—	—	—	(14)	(14)
Dividends paid	—	—	—	(1,010)	(1,010)
Other movements	—	—	—	(1)	(1)
Balance as at 30 June 2022	**5**	**2,560**	**(1,587)**	**14,817**	**15,795**

1 *Other equity instruments of £2,429m (December 2022: £2,560m) comprise AT1 securities issued to Barclays PLC. Barclays PLC uses funds from market issuances to purchase AT1 securities from Barclays Bank UK PLC. There was an issuance in the form of Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities for £619m including issuance cost of £6m and a redemption for £750m for the period ended 30 June 2023. There were no issuances or redemption during the period ended 31 December 2022.*

2 *Details of other reserves are shown on page 33.*

Condensed consolidated cash flow statement (unaudited)

	Half year ended 30.06.23	Half year ended 30.06.22
	£m	£m
Profit before tax	1,403	1,120
Adjustment for non-cash items	1,997	(1,042)
Net decrease in loans and advances at amortised cost	931	2,147
Net(decrease)/ increase in deposits at amortised cost	(8,509)	437
Net (decrease)/ increase in debt securities in issue	(5,752)	369
Net movement in repurchase and reverse repurchase agreements	(1,682)	(477)
Changes in other operating assets and liabilities	3,301	697
Corporate income tax paid	(586)	(160)
Net cash from operating activities	**(8,897)**	**3,091**
Net cash from investing activities	(1,728)	(7,417)
Net cash from financing activities	891	(2,561)
Net decrease in cash and cash equivalents	**(9,734)**	**(6,887)**
Cash and cash equivalents at beginning of the period	59,080	73,376
Cash and cash equivalents at end of the period	**49,346**	**66,489**

1. Basis of preparation

These condensed consolidated interim financial statements for the six months ended 30 June 2023 have been prepared in accordance with the Disclosure Guidance and Transparency Rules (DTR) of the UK's Financial Conduct Authority (FCA) and IAS 34, Interim Financial Reporting, as published by the International Accounting Standards Board (IASB) and adopted by the UK.

The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2022. The annual financial statements for the year ended 31 December 2022 were prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with International Financial Reporting Standards (IFRS) and interpretations (IFRICs) as issued by the IASB and adopted by the UK.

The accounting policies and methods of computation used in these condensed consolidated interim financial statements are the same as those used in the Barclays Bank UK PLC Annual Report for the financial year ended 31 December 2022.

1. Going concern

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Barclays Bank UK Group and parent company have the resources to continue in business for a period of at least 12 months from approval of the interim financial statements. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including a review of a working capital report (WCR). The WCR is used by the Directors to assess the future performance of the business and that it has the resources in place that are required to meet its ongoing regulatory requirements. The WCR also includes an assessment of the impact of internally generated stress testing scenarios on the liquidity and capital requirement forecasts. The stress tests used were based upon an assessment of reasonably possible downside economic scenarios that the Barclays Bank UK Group could experience.

The WCR indicated that the Barclays Bank UK Group had sufficient capital in place to support its future business requirements and remained above its regulatory minimum requirements in the internal stress scenarios.

2. Other disclosures

The Credit risk disclosures on pages 5 to 16 form part of these interim financial statements.

2. Segmental reporting

Analysis of results by business

Half year ended 30.06.23	Personal Banking £m	Barclaycard Consumer UK £m	Business Banking £m	Head Office £m	Barclays Bank UK Group £m
Total income	**2,549**	**484**	**946**	**18**	**3,997**
Operating costs	(1,512)	(291)	(481)	24	(2,260)
Litigation and conduct	1	(1)	3	—	3
Total operating expenses	**(1,511)**	**(292)**	**(478)**	**24**	**(2,257)**
Other net expenses [1]	(124)	—	—	—	(124)
Profit/(loss) before impairment	**914**	**192**	**468**	**42**	**1,616**
Credit Impairment (charges)/release	(124)	(118)	29	—	(213)
Profit/(loss) before tax	**790**	**74**	**497**	**42**	**1,403**
As at 30.06.23	£bn	£bn	£bn	£bn	£bn
Total assets	**225.6**	**9.9**	**68.0**	**—**	**303.5**
Total liabilities	**228.0**	**0.5**	**59.6**	**0.2**	**288.3**

Half year ended 30.06.22	Personal Banking £m	Barclaycard Consumer UK £m	Business Banking £m	Head Office £m	Barclays Bank UK Group £m
Total income	**2,199**	**542**	**733**	**(77)**	**3,397**
Operating costs	(1,498)	(264)	(419)	(21)	(2,202)
Litigation and conduct	1	(12)	(13)	—	(24)
Total operating expenses	**(1,497)**	**(276)**	**(432)**	**(21)**	**(2,226)**
Other net income/(expenses) [1]	—	—	—	—	—
Profit/(loss) before impairment	**702**	**266**	**301**	**(98)**	**1,171**
Credit Impairment (charges)/release	(25)	40	(67)	1	(51)
Profit/(loss) before tax	**677**	**306**	**234**	**(97)**	**1,120**
As at 31.12.22	£bn	£bn	£bn	£bn	£bn
Total assets	**230.4**	**9.8**	**72.0**	**—**	**312.2**
Total liabilities	**232.8**	**0.5**	**63.2**	**0.3**	**296.8**

1. *Other net expenses represents the share of post-tax results of associates and joint ventures and profit (or loss) on disposal of subsidiaries, associates and joint ventures.*

Income by geographic region

The Barclays Bank UK Group generates income from business activities in the United Kingdom.

3. Net fee and commission income

Fee and commission income is disaggregated below and includes a total for fees in scope of IFRS 15, Revenue from Contracts with Customers:

Half year ended 30.06.23	Personal Banking £m	Barclaycard Consumer UK £m	Business Banking £m	Head Office £m	Barclays Bank UK Group £m
Fee type					
Transactional	387	97	76	—	560
Advisory	57	—	—	—	57
Brokerage and execution	69	—	53	—	122
Other	10	—	67	14	91
Fee and commission income	**523**	**97**	**196**	**14**	**830**
Fee and commission expense	(158)	(25)	(6)	—	(189)
Net fee and commission income	**365**	**72**	**190**	**14**	**641**

Half year ended 30.06.22	Personal Banking £m	Barclaycard Consumer UK £m	Business Banking £m	Head Office £m	Barclays Bank UK Group £m
Fee type					
Transactional	353	79	83	—	515
Advisory	83	—	—	—	83
Brokerage and execution	73	—	52	—	125
Other	32	—	49	11	92
Fee and commission income	**541**	**79**	**184**	**11**	**815**
Fee and commission expense	(129)	(15)	(4)	—	(148)
Net fee and commission income	**412**	**64**	**180**	**11**	**667**

Transactional fees are service charges on deposit accounts, cash management services and transactional processing fees. These include interchange and merchant fee income generated from credit and bank card usage.

Advisory fees are generated from wealth management services.

Brokerage and execution fees are earned for facilitating foreign exchange transactions for spot/forward contracts.

Other relates to various fee types which individually do not amount to 10% or greater of the Barclays Bank UK Group total fee and commission income.

4. Dividends on ordinary shares

Dividends paid during the period	Half year ended 30.06.23 £m	Half year ended 30.06.22 £m
Full year dividend paid during period	705	1,010

An interim dividend in respect of the six months ended 30 June 2023 of £600m was declared on 26 July 2023.

5. Fair value of financial instruments

This section should be read in conjunction with Note 15, Fair value of financial instruments of the Barclays Bank UK PLC Annual Report 2022, which provides more detail about accounting policies adopted, valuation methodologies used in calculating fair value and the valuation control framework which governs oversight of valuations. There have been no changes in the accounting policies adopted or the valuation methodologies used.

Valuation

The following table shows the 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:

	Valuation technique using			
	Quoted market prices (Level 1)	Observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
As at 30.06.23	£m	£m	£m	£m
Trading portfolio assets	771	2	—	773
Financial assets designated at fair value through income statement	—	95	1,687	1,782
Derivative financial instruments	—	1,348	—	1,348
Financial assets designated at fair value through other comprehensive income	5,794	13,179	58	19,031
Total assets	**6,565**	**14,624**	**1,745**	**22,934**
Trading portfolio liabilities	(711)	—	—	(711)
Financial liabilities designated at fair value	—	(3,966)	—	(3,966)
Derivative financial instruments	—	(481)	—	(481)
Total liabilities	**(711)**	**(4,447)**	**—**	**(5,158)**
As at 31.12.22				
Trading portfolio assets	9	45	—	54
Financial assets designated at fair value through income statement	—	136	1,844	1,980
Derivative financial instruments	—	611	—	611
Financial assets designated at fair value through other comprehensive income	5,675	14,295	—	19,970
Total assets	**5,684**	**15,087**	**1,844**	**22,615**
Trading portfolio liabilities	(448)	(16)	—	(464)
Financial liabilities designated at fair value	—	—	—	—
Derivative financial instruments	—	(962)	—	(962)
Total liabilities	**(448)**	**(978)**	**—**	**(1,426)**

Assets and liabilities reclassified between Level 1 and Level 2

During the period, there were no material transfers between Level 1 and Level 2 (period ended 31 December 2022: no material transfers between Level 1 and Level 2).

Level 3 movement analysis

The following table summarises the movements in the balances of Level 3 assets and liabilities during the period. The table shows gains and losses and includes amounts for all financial assets and liabilities that are held at fair value transferred to and from Level 3 during the period. Transfers have been reflected as if they had taken place at the beginning of the period.

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

	As at 01.01.23 £m	Purchases £m	Sales £m	Issues £m	Settle-ments £m	Total gains and (losses) in the period recognised in the income statement: Trading income[1] £m	Other income £m	Transfers: In £m	Out £m	As at 30.06.23 £m
Non-asset backed loans	1,844	—	—	—	(158)	(13)	—	22	(8)	1,687
Financial assets at fair value through the income statement	**1,844**	**—**	**—**	**—**	**(158)**	**(13)**	**—**	**22**	**(8)**	**1,687**
Corporate debt	—	12	—	—	—	—	—	46	—	58
Financial assets designated at fair value through other comprehensive income	**—**	**12**	**—**	**—**	**—**	**—**	**—**	**46**	**—**	**58**

	As at 01.01.22 £m	Purchases £m	Sales £m	Issues £m	Settle-ments £m	Total gains and (losses) in the period recognised in the income statement: Trading income[1] £m	Other income £m	Transfers: In £m	Out £m	As at 30.06.22 £m
Non-asset backed loans	2,662	—	—	—	(169)	(258)	—	—	(9)	2,226
Financial assets at fair value through the income statement	**2,662**	**—**	**—**	**—**	**(169)**	**(258)**	**—**	**—**	**(9)**	**2,226**

1 *Trading income represents losses on Level 3 financial assets which is offset by gains on derivative hedges disclosed within Level 2.*

Unrealised gains and losses on Level 3 financial assets and liabilities

The following table discloses the unrealised gains and losses recognised in the period arising on Level 3 financial assets and liabilities held at the period end:

	Half year ended 30.06.23			Half year ended 30.06.22		
	Income statement			Income statement		
	Trading income £m	Other income £m	Total £m	Trading income £m	Other income £m	Total £m
Financial assets at fair value through the income statement	(13)	—	(13)	(258)	—	(258)

Valuation techniques and sensitivity analysis

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

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

Current year valuation and sensitivity methodologies are consistent with those described within Note 15, Fair value of financial instruments in the Barclays Bank UK PLC Annual Report 2022.

Sensitivity analysis of valuations using unobservable inputs

The following table discloses the sensitivity to changes in credit spreads used in determining the fair value of non-asset backed loans:

	As at 30.06.23		As at 31.12.22	
	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
	£m	£m	£m	£m
Non-asset backed loans	65	(56)	71	(68)

The effect of stressing unobservable inputs to a range of reasonably possible alternatives, alongside considering the impact of using alternative models, would be to increase fair values by up to £65m (FY22: £71m) or to decrease fair values by up to £56m (FY22: £68m) with substantially all the potential effect impacting profit and loss rather than reserves. 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.

Significant unobservable inputs

The valuation techniques and significant unobservable inputs for assets recognised at fair value and classified as Level 3 are consistent with Note 15, Fair value of financial instruments in the Barclays Bank UK PLC Annual Report 2022.

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 £9m (December 2022: £10m) for financial instruments measured at fair value and £185m (December 2022: £191m) for financial instruments carried at amortised cost. The decrease of £1m (December 2022: £2m) in financial instruments measured at fair value is driven by amortisation and releases of £1m (December 2022: £2m). The decrease of £6m (December 2022: £11m) in financial instruments carried at amortised cost is driven by amortisation and releases of £6m (December 2022: £11m).

Portfolio exemption

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.

Comparison of carrying amounts and fair values for assets and liabilities not held at fair value

Valuation methodologies employed in calculating the fair value of financial assets and liabilities measured at amortised cost are consistent with those described within Note 15, Fair value of financial instruments in the Barclays Bank UK PLC Annual Report 2022.

The following table summarises the fair value of financial assets and liabilities measured at amortised cost on the Barclays Bank UK Group balance sheet:

	As at 30.06.23		As at 31.12.22	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets	£m	£m	£m	£m
Debt securities at amortised cost	18,123	17,966	18,537	18,162
Loans and advances at amortised cost	205,475	198,528	204,670	198,716
Reverse repurchase agreements and other similar secured lending	2,222	2,222	477	477
Financial liabilities				
Deposits at amortised cost	(249,731)	(249,648)	(258,117)	(257,886)
Repurchase agreements and other similar secured borrowing	(17,765)	(17,765)	(17,702)	(17,702)
Debt securities in issue	(2,257)	(2,397)	(8,009)	(8,163)
Subordinated liabilities	(9,858)	(10,033)	(8,268)	(8,370)

6. Goodwill and intangible assets

Goodwill has increased by £314m in the six months to 30th June 2023 as a result of the acquisition of KMC. The Barclays Bank UK Group performed an impairment review to assess the recoverability of its goodwill and intangible asset balances as at 31 December 2022. The outcome of this review is disclosed on pages 199 to 202 of the Barclays Bank UK PLC Annual Report 2022. No impairment was recognised as a result of the review as value in use exceeded carrying amount. A review of the Barclays Bank UK Group's goodwill and intangible assets as at 30 June 2023 did not identify the presence of impairment.

7. Subordinated liabilities

	Half year ended 30.06.23	Year ended 31.12.22
	£m	£m
Opening balance as at 1 January	8,268	9,516
Issuances	1,998	829
Redemptions	—	(2,017)
Other	(408)	(60)
Closing balance	**9,858**	**8,268**

Issuances comprise £1,998m of intra-group loans from Barclays PLC.

Other movements predominantly comprise foreign exchange movements and fair value hedge adjustments.

8. Provisions

	As at 30.06.23	As at 31.12.22
	£m	£m
Customer redress [1]	168	141
Redundancy and restructuring	62	40
Legal, competition and regulatory matters	4	4
Undrawn contractually committed facilities and guarantees	81	46
Sundry and other provisions	87	107
Total	**402**	**338**

1 As part of the acquisition of KMC, the Barclays Bank UK Group assumed provisions of £46m measured on a provisional basis. See note 13 for more information.

9. Other reserves

	As at 30.06.23 £m	As at 31.12.22 £m
Fair value through other comprehensive income reserve	(201)	(222)
Cash flow hedging reserve	(2,486)	(2,146)
Other reserves and other shareholders' equity	89	89
Total	**(2,598)**	**(2,279)**

Fair value through other comprehensive income reserve

The fair value through other comprehensive income reserve represents the cumulative unrealised gains and losses on fair value through other comprehensive income investments since initial recognition.

As at 30 June 2023, there was a cumulative loss of £201m (FY22: £222m loss) in the fair value through other comprehensive income reserve. The gain of £21m is principally driven by a £39m gain from the increase in fair value of bonds due to decreased bond yields which was partially offset by a net gain of £6m transferred to the income statement and a tax charge of £12m.

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.

As at 30 June 2023, there was a cumulative loss of £2,486m (FY22: £2,146m loss) in the cash flow hedging reserve. The loss in the period of £340m principally reflects a £623m loss from the fair value movement of interest rate swaps held for hedging purposes as major interest rate forward curves increased, partially offset by £151m of losses transferred to the income statement and a tax credit of £132m.

Other reserves and other shareholders' equity

Other reserves and other shareholders' equity relate to the merger reserve for the Barclays Bank UK Group and the Group Reconstruction Relief for Barclays Bank UK PLC, in respect of the transfer of the UK banking business, which occurred on 1 April 2018.

As at 30 June 2023, there were cumulative gains of £89m (FY22: £89m gain) in other reserves and other shareholders' equity. There has been no movement since FY22.

10. Contingent liabilities and commitments

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

Contingent liabilities and financial guarantees	As at 30.06.23 £m	As at 31.12.22 £m
Guarantees and letters of credit pledged as collateral security	400	660
Performance guarantees, acceptances and endorsements	150	150
Total	**550**	**810**

Commitments		
Standby facilities, credit lines and other commitments	53,528	58,072
Total	53,528	58,072

Further details on contingent liabilities, where it is not practicable to disclose an estimate of the potential financial effect on the Barclays Bank UK Group relating to legal, competition and regulatory matters, can be found in Note 11.

11. Legal, competition and regulatory matters

The Barclays Bank UK Group faces 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 applicable to Note 8 Provisions. We have not disclosed an estimate of the potential financial impact or effect on the Barclays Bank UK 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 Barclays Bank UK Group's potential financial exposure in respect of those matters.

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).

FCA investigation into transaction monitoring

The FCA has been investigating Barclays' compliance with UK money laundering regulations and the FCA's rules and Principles for Businesses in an investigation which is focussed on aspects of Barclays' transaction monitoring in relation to certain business lines now in Barclays Bank UK PLC. Barclays has been co-operating with the investigation and responding to information requests.

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, intellectual property, 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.

12. Related party transactions

Related party transactions in the half year ended 30 June 2023 were similar in nature to those disclosed in the Barclays Bank UK PLC Annual Report 2022. No related party transactions that have taken place in the half year ended 30 June 2023 have materially affected the financial position or performance of the Barclays Bank UK Group during this period.

During the six months ended 30 June 2023, Barclays Bank UK PLC sold the entire issued share capital of Barclays Asset Management Limited and Barclays Investment Solutions Limited along with certain other assets and liabilities, business guarantees and business contracts (together with the transfer of associated employees of Barclays Bank UK PLC) to Barclays Bank PLC. See Note 14 Barclays Bank UK PLC parent company information for further details.

13. Business acquisitions

On 1 March 2023, Barclays Bank UK PLC acquired Kensington Mortgage Company Limited (KMC) and a portfolio of UK mortgages consisting primarily of mortgages originated by KMC from October 2021 (Mortgage Assets). KMC is a leading UK specialist residential mortgage lender. The acquisition presents an opportunity to broaden Barclays Bank UK PLC's existing mortgage product range by adding a specialist mortgage lender with an established track record in the UK market, further enhancing its product capabilities consistent with Barclays' strategic priority to deliver next-generation, digitised consumer financial services. The acquisition consisted of 100% of the shares of KMC and £2,091m of Mortgage Assets for total consideration of £2,415m in cash. Consequently, Barclays Bank UK PLC recognised Investment in subsidiaries of £324m.

As part of the acquisition, Barclays Bank UK PLC also acquired 100% of the shares of Kensington Mortgage Services Limited (KMS), which provides mortgage related management services, and is an immaterial part of the acquisition.

Barclays Bank UK PLC will, in the 12 months following the acquisition, continually assess the fair values of the acquired balances for any impact of new information regarding conditions that existed as at the acquisition date that would result in a measurement period adjustment.

	Acquisition of KMC, KMS and Mortgage Assets [1]	
	Barclays Bank UK Group	Barclays Bank UK PLC
As at acquisition date	£m	£m
Assets		
Loans and advances at amortised cost [2]	2,126	2,091
Investment in subsidiaries	—	324
Goodwill and intangible assets [3]	348	—
Property, plant and equipment	3	—
Current tax assets	1	—
Deferred tax assets [4]	8	—
Other assets	9	—
Total Assets	2,495	2,415
Liabilities		
Other liabilities [5]	34	—
Provisions [6]	46	—
Total liabilities	80	—

1 *This financial information represents the acquisition of KMC, KMS and Mortgage Assets by the Barclays Bank UK Group and Barclays Bank UK PLC as at the acquisition date 1 March 2023.*
2 *Loans and advances at amortised cost acquired include total Mortgage Assets of £2,091m, recognised initially at fair value at the point of acquisition and subsequently measured at amortised cost. This represents a gross contractual amount receivable of £2,166m. As at the acquisition date, there was no impairment recognised. The amount in the Barclays Bank UK Group includes £35m cash balances KMC held with Barclays Bank PLC.*
3 *Goodwill represents the replacement cost of recreating the acquired KMC capabilities and cashflows and has a net book value of £314m. As goodwill arises on consolidation, none of the goodwill recognised is expected to be deductible for tax purposes. Refer to note 6 Goodwill and intangible assets for more information. Intangible assets include technology and software and brands value with a net book value of £34m.*
4 *Deferred tax assets of £8m include the result of the temporary difference arising from the fair value remeasurement of the assets and liabilities at acquisition.*
5 *Other liabilities of £34m comprise mainly of staff and other expense accruals.*
6 *Provisions of £46m represent possible outflows of economic benefits related to probable obligations for possible customer redress outflows estimated by Barclays Bank UK PLC at acquisition. Refer to note 8 Provisions.*

The Barclays Bank UK Group has accounted for the acquisition of KMC and KMS as a business combination using the acquisition method. Consequently, the Barclays Bank UK Group recognised at fair value all identifiable assets, including those not currently on the KMC and KMS balance sheets (such as brand value), and assumed liabilities of KMC and KMS, and the Mortgage Assets on its consolidated balance sheet. There were no contingent considerations or indemnification arrangements connected to the acquisition. The Barclays Bank UK Group recognised the Mortgage Assets as financial assets initially at fair value at the point of acquisition and subsequently at amortised cost. Fair valuation was performed based on the discounting of expected cash flows.

Since the acquisition date, total income of £45.5m and profit before tax of £7.9m from KMC, KMS and the Mortgage Assets have been recognised within the Consolidated income statement and the Consolidated statement of comprehensive income for the half year ended 30 June 2023. Had KMC, KMS and the Mortgage Assets been acquired from 1 January 2023, an additional income of £11.7m and loss before tax of £6.6m would have been recognised. Acquisition-related costs of £11.6m, mainly attributable to professional and legal fees, have been recognised as an expense in the Consolidated income statement mainly within Administrative and general expenses, £6.6m in the year ended 31 December 2022 and £5.0m in the half year ended 30 June 2023.

14. Barclays Bank UK PLC parent company information

Investment in subsidiaries

During the six months ended 30 June 2023, Barclays Bank UK PLC sold the entire issued share capital of Barclays Asset Management Limited and Barclays Investment Solutions Limited along with certain other assets and liabilities, business guarantees and business contracts (together with the transfer of associated employees of Barclays Bank UK PLC) to Barclays Bank PLC. The purchase price for the business transfer was a nominal consideration of £3 representing the fair value of the transferring business. The transfer resulted in a reduction in the Investment in subsidiaries and loss on disposal of £296m in Barclays Bank UK PLC. The loss on disposal for the Barclays Bank UK Group was £124m.

In March 2023, Barclays Bank UK PLC acquired KMC as a subsidiary increasing the Investment in subsidiaries by £374m which includes a £50m capital contribution post acquisition. For further details see note 13, Business acquisitions. Solution Personal Finance Limited was liquidated in the six months ended 30 June 2023 resulting in a reduction of Investment in subsidiaries of £9m.

The Investment in subsidiaries of £498m (FY22: £432m) predominantly relates to investments in Barclays Insurance Services Company Limited and KMC. Barclays Bank UK PLC considers the carrying value of its investment in subsidiaries to be fully recoverable.

Other Information

For further information please contact

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