



**Barclays Capital
Securities Limited**
Pillar 3 Report
31 December 2022



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Introduction (continued)

Notes on Basis of Preparation

Disclosure Background

Barclays Capital Securities Limited is a large non-listed subsidiary of Barclays PLC and is required by PRA to provide information about its risk profile, including its regulatory capital, RWAs and leverage exposures.

The Pillar 3 report is prepared in accordance with the Capital Requirements Regulation and Capital Requirements Directive ('CRR' and 'CRD V'). In particular articles 431 to 455 of CRR specify the requirements of the Pillar 3 framework. The regulations came into force on 1 January 2022, and were implemented by the PRA via the PRA Rulebook. The Pillar 3 disclosures have also been prepared in accordance with the updated PRA Rulebook.

References to CRR, as amended by CRR II mean, unless otherwise specified, CRR as amended by CRR II, as it forms part of UK law pursuant to the European Union (Withdrawal) Act 2018. On 31 March 2022, the temporary transitional powers (TTP) available to UK regulators to delay or phase in on-shoring of European Union legislation into UK law ended with full compliance of the on-shored regulations required from 1 April 2022.

The disclosures included in this report reflect the Bank's interpretation of the current rules and guidance.

New disclosures and any new data points will not have comparatives.

For the purpose of liquidity management, Barclays Bank PLC and its subsidiary Barclays Capital Securities Limited, are monitored on a combined basis by the PRA under a Domestic Liquidity Sub-Group (Barclays Bank PLC DoLSub) arrangement permission. The liquidity disclosures (LCR and NSFR) are disclosed at the Domestic Liquidity Subgroup level which are published in the Barclays Bank PLC Pillar 3 disclosures.

The disclosures provided in this document for Barclays Capital Securities Limited are based on this regulatory scope of consolidation, unless otherwise specified.

Key regulatory changes during 2022

Capital and RWAs

On 1 January 2022, the PRA implemented Internal Rating-Based (IRB) roadmap changes which includes revisions to the criteria for definition of default, probability of default (PD) and loss given default (LGD) estimation to ensure supervisory consistency and increase transparency of IRB models.

On 14 October 2021, the PRA finalised their implementation of Basel standards through Policy Statement (PS) 22/21, and were implemented from 1 January 2022. The finalised requirements included the introduction of the Standardised Approach for Counterparty Credit Risk (SA-CCR) which replaces the Current Exposure Method (CEM) for Standardised derivative exposures as a more risk sensitive approach.

On 13 December 2021, the Financial Policy Committee (FPC) announced that a Countercyclical Capital Buffer (CCyB) rate of 1% for UK exposures has been re-introduced and was applicable from 13 December 2022.

UK Leverage Ratio Framework

From 1 January 2022, UK banks have been subject to a single UK leverage ratio requirement meaning that the CRR leverage ratio no longer applies. Under the revised UK leverage ratio framework (UKLRF), central bank claims can be excluded from the UK leverage ratio measure as long as they are matched by qualifying liabilities (rather than deposits). Minimum requirements for Barclays Capital Securities Limited are applicable from 1 January 2023 at the individual level.

Future regulatory changes

Capital and RWAs

On 5 July 2022, the FPC announced a further increase in the CCyB rate to 2% applicable from 5 July 2023.

On 30 November, the PRA published its consultation paper 'Implementation of the Basel 3.1 standards', which covers the remaining parts of the Basel III standards to be implemented in the UK. Changes are expected to come in to force from 1 January 2025, other than those areas subject to transitional provisions.

For definitions of terms, refer to the Glossary available on home.barclays/investor-relations/reports-and-events/financial-results-archive/

Analysis of treasury and capital risk

Table 1: KM1 - Key metrics - Part 1^{a,b}

This table shows key regulatory metrics and ratios as well as related components such as own funds, RWAs, capital ratios, additional requirements based on Supervisory Review and Evaluation Process (SREP), capital buffer requirements and leverage ratio.

KM1 ref		As at 31.12.22	As at 31.12.21
		€ 000's	€ 000's
Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital	1,610,198	1,389,531
2	Tier 1 capital	2,110,198	1,589,531
3	Total capital	2,410,198	1,889,531
Risk-weighted exposure amounts			
4	Total risk-weighted exposure amount	10,990,325	8,167,669
Capital ratios (as a percentage of risk-weighted exposure amount)			
5	Common Equity Tier 1 ratio (%)	14.7%	17.0 %
6	Tier 1 ratio (%)	19.2%	19.5 %
7	Total capital ratio (%)	21.9%	23.1 %
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)			
UK 7a	Additional CET1 SREP requirements (%)	1.5%	
UK 7b	Additional AT1 SREP requirements (%)	0.5%	
UK 7c	Additional T2 SREP requirements (%)	0.7%	
UK 7d	Total SREP own funds requirements (%)	10.7%	
Combined buffer requirement (as a percentage of risk-weighted exposure amount)			
8	Capital conservation buffer (%)	2.5%	2.5 %
9	Institution specific countercyclical capital buffer (%)	0.3%	0.0 %
10	Global Systemically Important Institution buffer (%)	—	—
11	Combined buffer requirement (%)	2.8%	2.5 %
UK 11a	Overall capital requirements (%)	13.5%	
12	CET1 available after meeting the total SREP own funds requirements (%)	8.6%	
Leverage ratio			
13	Total exposure measure excluding claims on central banks ^a	52,687,321	
14	Leverage ratio excluding claims on central banks (%) ^a	4.0 %	
Additional leverage ratio disclosure requirements			
UK 14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	4.0%	
UK 14b	Leverage ratio including claims on central banks (%)	4.0%	

Notes

a. Barclays Capital Securities Limited does not have any transitional arrangements of the CRR as amended by CRR II.

b. LCR and NSFR ratios are not applicable on standalone basis as liquidity for the entity is managed as part of a single sub-group (UK DoLSUB).

The CET1 ratio decreased to 14.7% (December 2021: 17.0%)

- RWAs increased £2,822m to £10,990m (December 2021: £8,168m) primarily due to an increase in market volatility and business activity within Modelled Market risk and client and trading activity across other risk types.
- CET1 capital increased by £221m to £1,610m (December 2021: £1,389m) due to attributable profit for the year.

Analysis of treasury and capital risk (continued)

Table 2: CC1 – Composition of regulatory own funds

This table shows the components of regulatory capital presented on a fully loaded basis as at 31 December 2022.

		As at 31.12.22	
		Ref [†]	€ 000's
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	a	571,070
	of which: Instrument type 1		—
2	Retained earnings	b	670,660
3	Accumulated other comprehensive income (and other reserves)	c	250,000
UK-5a	Independently reviewed interim profits net of any foreseeable charge or dividend ^a	b	238,401
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments		1,730,131
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments		(118,685)
8	Intangible assets (net of related tax liability)		—
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met)		—
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value		—
12	Negative amounts resulting from the calculation of expected loss amounts		(1,248)
13	Any increase in equity that results from securitised assets (negative amount)		—
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		—
15	Defined-benefit pension fund assets		—
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)		—
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)		—
22	Amount exceeding the 17.65% threshold		—
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		—
25	of which: deferred tax assets arising from temporary differences		—
27a	Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments when relevant)		—
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)		(119,933)
29	Common Equity Tier 1 (CET1) capital		1,610,198

† The references identify balance sheet components in Table 3: CC2 – Reconciliation of regulatory capital to balance sheet on page 6 which is used in the calculation of regulatory capital.

a. Includes Audited profit for the period.

Analysis of treasury and capital risk (continued)

Table 2: CC1 – Composition of regulatory own funds – continued

		As at 31.12.22	
		Ref ^f	€ 000's
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	d	500,000
31	of which: classified as equity under applicable accounting standards	d	500,000
36	Additional Tier 1 (AT1) capital before regulatory adjustments		500,000
Additional Tier 1 (AT1) capital: regulatory adjustments			
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions)		—
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital		—
44	Additional Tier 1 (AT1) capital		500,000
45	Tier 1 capital (T1 = CET1 + AT1)		2,110,198
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts		300,000
UK-47b	Amount of qualifying items referred to in Article 494b (2) CRR subject to phase out from T2		—
50	Credit risk adjustments		—
51	Tier 2 (T2) capital before regulatory adjustments		300,000
Tier 2 (T2) capital: regulatory adjustments			
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans		—
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions)		—
57	Total regulatory adjustments to Tier 2 (T2) capital		—
58	Tier 2 (T2) capital		300,000
59	Total capital (TC = T1 + T2)		2,410,198
60	Total Risk exposure amount		10,990,325
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)		14.7 %
62	Tier 1 (as a percentage of total risk exposure amount)		19.2 %
63	Total capital (as a percentage of total risk exposure amount)		21.9 %
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount		8.8 %
65	of which: capital conservation buffer requirement		2.5 %
66	of which: countercyclical buffer requirement		0.3 %
67	of which: systemic risk buffer requirement		—
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)		1.5 %
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		82,171
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)		—
74	Empty set in the UK		—
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)		—
Applicable caps on the inclusions of provisions in Tier 2			
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		6,504
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		8,000

Analysis of treasury and capital risk (continued)

Table 3: CC2 – Reconciliation of regulatory own funds to balance sheet in the audited financial statements

These tables show the reconciliation between the balance sheet prepared for statutory and regulatory scope of consolidation. The amount shown under the regulatory scope of consolidation is not a RWA measure; it is based on an accounting measure and cannot be directly reconciled to other tables in this report.

As at 31 December 2022		Balance sheet as in published financial statements	Under regulatory scope of consolidation
		Ref [†]	€ 000's
Assets			
1	Cash and balances at central banks ^a	849,606	849,606
2	Trading portfolio assets	28,235,245	28,235,245
3	Derivative financial instruments	15,113,686	15,113,686
4	Financial assets mandatorily at fair value	61,352,059	61,352,059
5	Loans and other receivables at amortised cost	35,774,308	35,774,308
6	Other assets	379,194	379,194
7	Total assets	141,704,098	141,704,098
Liabilities			
1	Trading portfolio liabilities	27,552,261	27,552,261
2	Derivative financial instruments	15,749,979	15,749,979
3	Repurchase agreements at amortised cost	4,974,494	4,974,494
4	Financial liabilities designated at fair value	47,134,709	47,134,709
5	Borrowings	43,470,154	43,470,154
6	Deferred tax liabilities	329	329
7	Current tax liabilities	68,645	68,645
8	Other liabilities	521,820	521,820
9	Total liabilities	139,472,391	139,472,391
Equity			
1	Called up share capital and share premium ^b	571,071	571,070
2	- Of which: amount eligible for CET1	a 571,071	571,070
3	- Of which: amount eligible for AT1	—	—
4	Other equity instruments	d 500,000	500,000
5	Other reserves	c 250,000	250,000
6	Retained earnings	b 910,636	910,636
7	Total equity excluding non-controlling interests	2,231,707	2,231,706
8	Non-controlling interests	—	—
9	Total equity	2,231,707	2,231,706
10	Total liabilities and equity	141,704,098	141,704,097

Note

[†] The references (a) – (d) identify balance sheet components that are used in the calculation of regulatory capital in Table 2. Composition of regulatory capital on page 4.

a. Cash and balances at central banks includes other demand deposits

b. Share capital under regulatory scope of consolidation excludes €1000 of disclaimed preference shares

Analysis of treasury and capital risk (continued)

Table 4: RWAs by risk type

This table shows RWAs by risk type.

	Credit risk		Counterparty credit risk				Market risk		Operational risk	Total RWAs
	Std	AIRB	Std	AIRB	Settlement risk	CVA	Std	IMA		
As at 31 December 2022	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's
Barclays Capital Securities Limited	56,341	199,028	463,983	1,134,289	104,475	843	1,551,845	5,944,581	1,534,941	10,990,325

Table 5: OV1 – Overview of risk weighted exposure amounts

The table shows RWAs and minimum capital requirement by risk type and approach.

		Risk weighted exposure amounts (RWEAs)		Total own funds requirements	
		As at 31.12.2022		As at 31.12.2022	
		€ 000's		€ 000's	
1	Credit risk (excluding CCR)	255,369	20,429		
2	Of which the standardised approach	56,341	4,507		
3	Of which the foundation IRB (FIRB) approach	—	—		
4	Of which: slotting approach	—	—		
UK 4a	Of which: equities under the simple risk weight approach	—	—		
5	Of which the advanced IRB (AIRB) approach	199,028	15,922		
6	Counterparty credit risk - CCR	1,599,115	127,929		
7	Of which the standardised approach	9,618	769		
8	Of which internal model method (IMM)	1,143,420	91,474		
UK 8a	Of which exposures to a CCP	12,819	1,026		
UK 8b	Of which credit valuation adjustment - CVA	843	67		
9	Of which other CCR	432,414	34,593		
15	Settlement risk	104,475	8,358		
16	Securitisation exposures in the non-trading book (after the cap)	—	—		
17	Of which SEC-IRBA approach	—	—		
18	Of which SEC-ERBA (including IAA)	—	—		
19	Of which SEC-SA approach	—	—		
UK 19a	Of which 1250%/ deduction	—	—		
20	Position, foreign exchange and commodities risks (Market risk)	7,496,426	599,714		
21	Of which the standardised approach	1,551,845	124,148		
22	Of which IMA	5,944,581	475,567		
UK 22a	Large exposures	—	—		
23	Operational risk	1,534,941	122,795		
UK 23a	Of which basic indicator approach	—	—		
UK 23b	Of which standardised approach	1,534,941	122,795		
UK 23c	Of which advanced measurement approach	—	—		
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	—	—		
29	Total	10,990,325	879,226		

Analysis of treasury and capital risk (continued)

Tables 6, 7 and 8 below show a subset of the information included in table 5, focused on positions captured under modelled treatment.

Table 6: CR8 – RWEA flow statements of credit risk exposures under the advanced IRB approach

The total in this table shows the contribution of credit risk RWAs under the advanced Internal Ratings Based (AIRB) approach and will not directly reconcile to the Credit Risk (CR) AIRB RWAs in table 4.

		Twelve months ended 31.12.2022
		€ 000's
1	Risk weighted exposure amount as at the end of the previous reporting period	118,041
2	Asset size	(108,339)
3	Asset quality	67,823
4	Model updates	—
5	Methodology and policy	—
6	Acquisitions and disposals	—
7	Foreign exchange movements	42,741
8	Other	—
9	Risk weighted exposure amount as at the end of the reporting period	120,266

Twelve months ended advanced credit risk RWAs remains stable at £120m primarily driven by:

- A £108m decrease in asset size primarily driven by an increase in the parental guarantee facility
- A £67m increase in RWAs due to asset quality primarily driven by movements in risk parameters

Table 7: CCR7– RWEA flow statements of CCR exposures under the IMM

The total in this table shows the contribution of Internal Model Method (IMM) exposures to CCR RWAs (under both standardised and AIRB).

		Twelve months ended 31.12.2022
		€ 000's
1	Risk weighted exposure amount as at the end of the previous reporting period	690,225
2	Asset size	425,941
3	Credit quality of counterparties	(25,242)
4	Model updates (IMM only)	—
5	Methodology and policy (IMM only)	52,496
6	Acquisitions and disposals	—
7	Foreign exchange movements	—
8	Other	—
9	Risk weighted exposure amount as at the end of the reporting period	1,143,420

Twelve months ended Internal Model Method RWAs increased by £453m to £1.143m primarily driven by:

- A £426m increase in asset size primarily driven by increased client and trading activities

Analysis of treasury and capital risk (continued)

Table 8: MR2-B – RWA flow statements of market risk exposures under the IMA

This table shows the contribution of market risk RWA covered by internal models (i.e. value at risk, stressed value at risk and incremental risk charge).

		Twelve month ended 31.12.2022					Total own funds requirements
		VaR	SVaR	IRC	Other	Total RWEAs	€ 000's
		€ 000's	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's
1	RWAs at previous period end	1,352,302	2,134,879	5,537	537,873	4,030,591	322,447
1a	Regulatory adjustment ^a	(857,537)	(832,926)	(86)	—	(1,690,549)	(135,244)
1b	RWAs at the end of previous reporting period (end of the day)	494,765	1,301,953	5,450	537,873	2,340,042	187,203
2	Movement in risk levels	78,519	530,208	(835)	240,159	848,052	67,844
3	Model updates/changes	—	—	—	—	—	—
4	Methodology and policy	—	—	—	—	—	—
5	Acquisitions and disposals	—	—	—	—	—	—
6	Foreign exchange movements	—	—	—	—	—	—
7	Other	—	—	—	—	—	—
8a	RWAs at the end of the reporting period (end of the day)	573,285	1,832,161	4,616	778,032	3,188,094	255,047
8b	Regulatory adjustment ^b	732,519	2,023,064	905	—	2,756,488	220,519
8	RWAs at the end of the disclosure period	1,305,803	3,855,224	5,521	778,032	5,944,581	475,567

Notes

a. Row 1a reflects the difference between reported RWA (row 1) and the relevant spot measure (row 1b) for the previous period.

b. Row 8b reflects the difference between the relevant spot measure (row 8a) and reported RWA (row 8) for the current period.

Model Market risk RWAs increased by £1,913m to £5,945m primarily driven by an increase in market volatility and business activity during the period.

Leverage ratio and exposures

The following leverage tables show the components of the leverage ratio using the UK LRF definition for leverage exposure and Tier 1 capital as at 31 December 2022.

Table 9: LR1 - Summary of reconciliation of accounting assets and leverage ratio exposures^a

This table is a summary of the total leverage exposures and comprises total IFRS assets used for statutory purposes, regulatory consolidation and other leverage adjustments.

		As at 31st December 2022
		£ 000's
1	Total assets as per published financial statements	141,704,098
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential	—
3	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	—
4	Adjustment for exemption of exposures to central banks	—
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	(10,545,290)
8	Adjustments for derivative financial instruments	53,848,077
9	Adjustment for securities financing transactions (SFTs)	6,002,467
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	189,171
11	Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	(118,685)
UK-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1))	(138,386,396)
UK-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	—
12	Other adjustments	(6,121)
13	Total exposure measure	52,687,321

a. Barclays Capital Securities Limited does not have any transitional arrangements of the CRR as amended by CRR II.

Leverage ratio and exposures (continued)

Table 10: LR2 - Leverage ratio common disclosure^a

This table shows the leverage ratio calculation and includes additional breakdowns for the leverage exposure measure.

		As at 31st December 2022
		€ 000's
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	55,051,866
3	Deductions of receivables assets for cash variation margin provided in derivatives transactions	(4,872)
6	Asset amounts deducted in determining tier 1 capital (leverage)	(119,934)
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	54,927,060
Derivative exposures		
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	1,144,266
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	67,817,498
10	Exempted CCP leg of client-cleared trade exposures (SA-CCR)	—
11	Adjusted effective notional amount of written credit derivatives	69,714
12	Adjusted effective notional offsets and add-on deductions for written credit derivatives	(69,714)
13	Total derivatives exposures	68,961,764
Securities financing transaction (SFT) exposures		
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	60,993,256
15	Netted amounts of cash payables and cash receivables of gross SFT assets	—
16	Counterparty credit risk exposure for SFT assets	6,002,466
18	Total securities financing transaction exposures	66,995,722
Other off-balance sheet exposures		
19	Off-balance sheet exposures at gross notional amount	945,853
20	Adjustments for conversion to credit equivalent amounts	(756,682)
21	General provisions deducted in determining tier 1 capital (leverage) and specific provisions associated with off-balance sheet exposures	—
22	Off-balance sheet exposures	189,171
Excluded exposures		
UK-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR)	(138,386,396)
UK-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) of the CRR (on- and off- balance sheet))	—
Capital and total exposure measure		
23	Tier 1 capital (leverage)	2,110,199
24	Total exposure measure including claims on central banks	52,687,321
UK-24a	(-) Claims on central banks excluded	—
UK-24b	Total exposure measure excluding claims on central banks	52,687,321
Leverage ratio		
25	Leverage ratio excluding claims on central banks (%)	4.0%
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	4.0%
UK-25b	Leverage ratio excluding central bank reserves as if the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income had not been applied (%)	4.0%
UK-25c	Leverage ratio including claims on central banks (%)	4.0%

a. Barclays Capital Securities Limited does not have any transitional arrangements of the CRR as amended by CRR II.

Leverage ratio and exposures (continued)

Table 11: LR3 - Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

The table shows a breakdown of the on-balance sheet exposures excluding derivatives, SFTs and exempted exposures, by regulatory asset class.

		As at 31st December 2022
		€ 000's
UK-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	29,741,611
UK-2	Trading book exposures	28,966,984
UK-3	Banking book exposures, of which:	774,627
UK-4	Covered bonds	—
UK-5	Exposures treated as sovereigns	61,822
UK-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	—
UK-7	Institutions	476,009
UK-8	Secured by mortgages of immovable properties	—
UK-9	Retail exposures	—
UK-10	Corporates	152,535
UK-11	Exposures in default	5,499
UK-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	78,762

Analysis of credit risk

Analysis of capital requirements and exposures for credit risk

Table 12: CR4 - Standardised approach - Credit risk exposure and CRM effects

This table shows the impact of CRM and credit conversion factors (CCF) on exposure values, broken down by regulatory exposure class. This table includes exposures subject to the standardised approach only.

The term 'before CCF and CRM' means the original gross exposures before the application of credit conversion factor and before the application of risk mitigation techniques.

		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
		€ 000's	€ 000's	€000's	€ 000's	€ 000's	%
As at 31 December 2022							
1	Central governments or central banks	61,822	—	61,822	—	40,645	66%
2	Regional governments or local authorities	—	—	—	—	—	—
3	Public sector entities	—	—	—	—	—	—
4	Multilateral development banks	—	—	—	—	—	—
5	International organisations	—	—	—	—	—	—
6	Institutions	24,762,589	—	24,789,495	150,483	5	0%
7	Corporates	15,702	—	15,691	—	15,691	100%
8	Retail	—	—	—	—	—	—
9	Secured by mortgages on immovable property	—	—	—	—	—	—
10	Exposures in default	5,499	—	—	—	0	0%
11	Exposures associated with particularly high risk	—	—	—	—	—	—
12	Covered bonds	—	—	—	—	—	—
13	Institutions and corporates with a short-term credit	—	—	—	—	—	—
14	Collective investment undertakings	—	—	—	—	—	—
15	Equity	—	—	—	—	—	—
16	Other items	—	—	—	—	—	—
17	Total	24,845,611	—	24,867,008	150,483	56,341	—

Analysis of credit risk (continued)

Table 13: CR7 – IRB approach – Effect on the RWEAs of credit derivatives used as CRM techniques

This table shows the effect of credit derivatives on the AIRB credit risk approach and will not directly reconcile to the CR AIRB RWAs in table 4.

	Pre-credit derivatives risk weighted exposure amount	Actual risk weighted exposure amount
	As at 31 December 2022	As at 31 December 2022
	€ 000's	€ 000's
5 Exposures under AIRB	120,266	120,266
6 Central governments and central banks	—	—
7 Institutions	77,894	77,894
8 Corporates	42,373	42,373
8.1 <i>of Corporates - which SMEs</i>	—	—
8.2 <i>of which Corporates - Specialised lending</i>	—	—
9 Retail	—	—
9.1 <i>of which Retail – SMEs - Secured by immovable property collateral</i>	—	—
9.2 <i>of which Retail – non-SMEs - Secured by immovable property collateral</i>	—	—
9.3 <i>of which Retail – Qualifying revolving</i>	—	—
9.4 <i>of which Retail – SMEs - Other</i>	—	—
9.5 <i>of which Retail – Non-SMEs - Other</i>	—	—
10 TOTAL (including FIRB exposures and AIRB exposures)	120,266	120,266

Analysis of credit risk (continued)

Table 14: CR7-A – IRB approach – Disclosure of the extent of the use of CRM techniques

This table shows the extent of the use of CRM techniques broken down by exposure classes under the IRB approach. The exposure classes capture both secured and unsecured balances, resulting in the CRM coverage percentages being calculated on an aggregate basis.

		Credit risk Mitigation techniques											Credit risk Mitigation methods in the calculation of RWEAs	
		Funded credit Protection (FCP)							Unfunded credit Protection (UFCP)				RWEA post all CRM assigned to the obligor exposure class	RWEA with substitution effects
		Total exposures	Part of exposures covered by Financial Collaterals	Part of exposures covered by Other eligible collaterals	Part of exposures covered by Immovable property Collaterals	Part of exposures covered by Receivables	Part of exposures covered by Other physical collateral	Part of exposures covered by Other funded credit protection	Part of exposures covered by Cash on deposit	Part of exposures covered by Life insurance policies	Part of exposures covered by Instruments held by a third party	Part of exposures covered by Guarantees		
A-IRB		£ 000's	%	%	%	%	%	%	%	%	%	%	£ 000's	£ 000's
As at 31 December 2022														
1	Central governments and central banks	—	—	—	—	—	—	—	—	—	—	—	—	—
2	Institutions	473,404	—	—	—	—	—	—	—	—	—	—	77,894	77,894
3	Corporates	290,800	—	—	—	—	—	—	—	—	—	—	42,373	42,373
3.1	<i>Of which Corporates – SMEs</i>	—	—	—	—	—	—	—	—	—	—	—	—	—
3.2	<i>Of which Corporates – Specialised lending</i>	—	—	—	—	—	—	—	—	—	—	—	—	—
3.3	<i>Of which Corporates – Other</i>	290,800	—	—	—	—	—	—	—	—	—	—	42,373	42,373
4	Retail	—	—	—	—	—	—	—	—	—	—	—	—	—
4.1	<i>Of which Retail – Immovable property SMEs</i>	—	—	—	—	—	—	—	—	—	—	—	—	—
4.2	<i>Of which Retail – Immovable property non-SMEs</i>	—	—	—	—	—	—	—	—	—	—	—	—	—
4.3	<i>Of which Retail – Qualifying revolving</i>	—	—	—	—	—	—	—	—	—	—	—	—	—
4.4	<i>Of which Retail – Other SMEs</i>	—	—	—	—	—	—	—	—	—	—	—	—	—
4.5	<i>Of which Retail – Other non-SMEs</i>	—	—	—	—	—	—	—	—	—	—	—	—	—
5	Total	764,205	—	—	—	—	—	—	—	—	—	—	120,266	120,266

Analysis of credit risk (continued)

Table 15: CR1 - Performing and non-performing exposures and related provisions

This table provides an overview of the credit quality of on and off balance sheet non-performing exposures and related impairments, provisions and valuation adjustments by portfolio and exposure class.

	Gross carrying amount/nominal						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
	Of which Stage 1	Of which Stage 2		Of which Stage 2	Of which Stage 3		Of which Stage 1	Of which Stage 2		Of which Stage 2	Of which Stage 3				
€ 000's	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's	
As at 31 December 2022															
Cash balances at central banks and other demand deposits	849,014	849,014	—	5,499	—	5,499	—	—	—	(4,907)	—	(4,907)	—	—	—
005															
010 Loans and advances	96,898,709	35,774,494	—	—	—	—	(185)	(185)	—	—	—	—	—	60,993,648	—
020 Central banks	133,524	2,017	—	—	—	—	—	—	—	—	—	—	—	131,507	—
030 General governments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
040 Credit institutions	72,366,484	27,277,757	—	—	—	—	(185)	(185)	—	—	—	—	—	44,958,168	—
050 Other financial corporations	24,353,973	8,470,611	—	—	—	—	—	—	—	—	—	—	—	15,883,354	—
060 Non-financial corporations	44,728	24,109	—	—	—	—	—	—	—	—	—	—	—	20,619	—
070 <i>Of which SMEs</i>	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
080 Households	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
090 Debt securities	227,844	—	—	—	—	—	—	—	—	—	—	—	—	—	—
100 Central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
110 General governments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
120 Credit institutions	227,844	—	—	—	—	—	—	—	—	—	—	—	—	—	—
130 Other financial corporations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
140 Non-financial corporations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
150 Off-balance-sheet exposures	945,856	187,528	758,328	—	—	—	—	—	—	—	—	—	—	—	—
160 Central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
170 General governments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
180 Credit institutions	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
190 Other financial corporations	945,856	187,528	758,328	—	—	—	—	—	—	—	—	—	—	—	—
200 Non-financial corporations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
210 Households	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
220 Total	98,921,423	36,811,036	758,328	5,499	—	5,499	(185)	(185)	—	(4,907)	—	(4,907)	—	60,993,648	—

Analysis of credit risk (continued)

Table 16: CR1-A - Maturity of exposures

This table shows the on and off balance sheet net credit risk exposures by residual contractual maturity, split by either loans and advances or debt securities. The amounts shown are based on IFRS accounting values according to the regulatory scope of consolidation.

		Net Exposure Value					Total
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	
As at 31 December 2022		€ 000's	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's
1	Loans and advances	945,856	95,744,969	1,139,967	13,587	—	97,844,379
2	Debt securities	—	119,043	107,454	1,348	—	227,844
3	Total	945,856	95,864,012	1,247,421	14,935	—	98,072,223

Table 17: CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

This table shows a breakdown of on balance sheet unsecured and secured credit risk exposures secured by various methods of collateral for both loans and advances and debt securities. The amounts shown are based on IFRS accounting values according to the regulatory scope of consolidation.

As at 31 December 2022		Unsecured carrying amount	Secured carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
		€ 000's	€ 000's	€ 000's	€ 000's	€ 000's
1	Loans and advances	35,904,875	60,993,648	60,993,648	—	—
2	Debt securities	227,844	—	—	—	—
3	Total	36,132,719	60,993,648	60,993,648	—	—
4	<i>Of which non-performing exposures</i>	—	—	—	—	—
5	<i>Of which defaulted</i>	—	—	—	—	—

Analysis of credit risk (continued)

Table 18: CQ3 - Credit quality of performing and non-performing exposures by past due days

This table provides an overview of the credit quality of performing and non-performing exposures by past due days. The amounts shown are based on IFRS accounting values according to the regulatory scope of consolidation.

		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								Of which defaulted
		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days	Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 year ≤ 5 years	Past due > 5 year ≤ 7 years	Past due > 7 years			
€ 000's	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's		
As at 31 December 2022													
005	Cash balances at central banks and other demand deposits	849,014	849,014	—	5,499	—	—	5,499	—	—	—	—	5,499
010	Loans and advances	96,898,709	96,898,709	—	—	—	—	—	—	—	—	—	—
020	Central banks	133,524	133,524	—	—	—	—	—	—	—	—	—	—
030	General governments	—	—	—	—	—	—	—	—	—	—	—	—
040	Credit institutions	72,366,484	72,366,484	—	—	—	—	—	—	—	—	—	—
050	Other financial corporations	24,353,973	24,353,973	—	—	—	—	—	—	—	—	—	—
060	Non-financial corporations	44,728	44,728	—	—	—	—	—	—	—	—	—	—
070	<i>Of which SMEs</i>	—	—	—	—	—	—	—	—	—	—	—	—
080	Households	—	—	—	—	—	—	—	—	—	—	—	—
090	Debt securities	227,844	227,844	—	—	—	—	—	—	—	—	—	—
100	Central banks	—	—	—	—	—	—	—	—	—	—	—	—
110	General governments	—	—	—	—	—	—	—	—	—	—	—	—
120	Credit institutions	227,844	227,844	—	—	—	—	—	—	—	—	—	—
130	Other financial corporations	—	—	—	—	—	—	—	—	—	—	—	—
140	Non-financial corporations	—	—	—	—	—	—	—	—	—	—	—	—
150	Off-balance-sheet exposures	945,856		—									—
160	Central banks	—		—									—
170	General governments	—		—									—
180	Credit institutions	—		—									—
190	Other financial corporations	945,856		—									—
200	Non-financial corporations	—		—									—
210	Households	—		—									—
220	Total	98,921,423	97,975,567	—	5,499	—	—	5,499	—	—	—	—	5,499

Analysis of credit risk (continued)

Table 19: CQ4 - Quality of non-performing exposures by geography^a

This table shows the credit quality of on balance sheet and off balance sheet exposure for loans and advances, debt securities derivatives and equity instruments by geography. The amounts shown are based on IFRS accounting values according to the regulatory scope of consolidation.

As at 31 December 2022	€ 000's	Gross carrying/Nominal amount			Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantee given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		of which: non-performing		of which: subject to impairment			
		€ 000's	of which: defaulted				
On balance sheet exposures	97,126,553	—	—	35,774,494	(185)	—	
UNITED KINGDOM	76,814,430	—	—	28,755,568	(185)	—	
UNITED STATES	7,902,139	—	—	520,287	—	—	
JAPAN	5,079,560	—	—	3,804,176	—	—	
KOREA, REPUBLIC OF	1,550,651	—	—	774,363	—	—	
HONG KONG	1,489,032	—	—	461,834	—	—	
IRELAND	1,108,295	—	—	660,924	—	—	
OTHER COUNTRIES	3,182,446	0	0	797,342	0	—	
Off balance sheet exposures	945,856	—	—		—	—	
UNITED KINGDOM	774,946	—	—		—	—	
UNITED STATES	154,293	—	—		—	—	
NETHERLANDS	16,617	—	—		—	—	
Total	98,072,409	—	—	35,774,494	(185)	—	

Notes

a. Countries that have more than 1% of the total gross exposure are disclosed in the table and countries with <1% gross exposure are aggregated within "other countries".

Analysis of credit risk (continued)

Table 20: CQ5 - Credit quality of loans and advances to non-financial corporations by industry

This table shows the credit quality of loans and advances on balance sheet exposure to non-financial corporation by industry types. The amounts shown are based on IFRS accounting values according to the regulatory scope of consolidation.

	Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
	€ 000's	of which: non-performing		of which: loans and advances subject to impairment		
		€ 000's	of which: defaulted			
As at 31 December 2022	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's
010 Agriculture, forestry and fishing	—	—	—	—	—	—
020 Mining and quarrying	9	—	—	9	—	—
030 Manufacturing	4,747	—	—	4,747	—	—
040 Electricity, gas, steam and air conditioning supply	—	—	—	—	—	—
050 Water supply	—	—	—	—	—	—
060 Construction	—	—	—	—	—	—
070 Wholesale and retail trade	5,228	—	—	5,228	—	—
080 Transport and storage	—	—	—	—	—	—
090 Accommodation and food service activities	—	—	—	—	—	—
100 Information and communication	62	—	—	62	—	—
110 Financial and insurance activities	—	—	—	—	—	—
120 Real estate activities	—	—	—	—	—	—
130 Professional, scientific and technical activities	7,046	—	—	4,992	—	—
140 Administrative and support service activities	1,924	—	—	1,924	—	—
150 Public administration and defense, compulsory social security	—	—	—	—	—	—
160 Education	18,565	—	—	—	—	—
170 Human health services and social work activities	—	—	—	—	—	—
180 Arts, entertainment and recreation	—	—	—	—	—	—
190 Other services	7,147	—	—	7,147	—	—
200 Total	44,728	—	—	24,109	—	—

Management of counterparty credit risk and credit risk mitigation techniques

Credit risk mitigation

Barclays Capital Securities Limited employs a range of techniques and strategies to actively mitigate credit risks. These can broadly be divided into three types:

- netting and set-off
- collateral
- risk transfer

Barclays Capital Securities Limited has detailed policies in place to maintain that credit risk mitigation is appropriately recognised and recorded. The recognition of credit risk mitigation is subject to a number of considerations including legal certainty of enforceability and effectiveness, that the valuation and liquidity of the collateral is adequately monitored, and that the value of the collateral is not materially correlated with the credit quality of the counterparty.

All three types of credit risk mitigation may be used by different areas of Barclays Capital Securities Limited for exposures with a full range of counterparties. For instance, businesses may take property, cash or other physical assets as collateral for exposures to retailers, property companies or other client types.

Netting and set-off

In most jurisdictions in which Barclays Capital Securities Limited operates, credit risk exposures can be reduced by applying netting and set-off. In exposure terms, this credit risk mitigation technique has the largest overall impact on net exposure to derivative transactions, compared with other risk mitigation techniques.

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

Under IFRS, netting is permitted only if both of the following criteria are satisfied:

- the entity currently has a legally enforceable right to set off the recognised amounts
- the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously

Collateral

Barclays Capital Securities Limited has the ability to call on collateral in the event of default of the counterparty, comprising:

- home loans: a fixed charge over residential property in the form of houses, flats and other dwellings. The value of collateral is impacted by property market conditions which drive demand and therefore value of the property. Other regulatory interventions on ability to repossess, longer period to repossession and granting of forbearance may also affect the collateral value
- wholesale lending: a fixed charge over commercial property and other physical assets, in various forms
- other retail lending: includes second lien charges over residential property, which are subordinate to first charges held either by Barclays Capital Securities Limited or by another party; and finance lease receivables, for which typically Barclays Capital Securities Limited retains legal title to the leased asset and has the right to repossess the asset on the default of the borrower
- derivatives: Barclays Capital Securities Limited also often seeks to enter into a margin agreement (e.g. Credit Support Annex) with counterparties with which Barclays Capital Securities Limited has master netting agreements in place. These annexes to master agreements provide a mechanism for further reducing credit risk, whereby collateral (margin) is posted on a regular basis (typically daily) to collateralise the mark to market exposure of a derivative portfolio measured on a net basis. Barclays Capital Securities Limited may additionally negotiate the receipt of an independent amount further mitigating risk by collateralising potential mark to market exposure moves
- reverse repurchase agreements: collateral typically comprises highly liquid securities which have been legally transferred to Barclays Capital Securities Limited subject to an agreement to return them for a fixed price
- financial guarantees and similar off-balance sheet commitments: cash collateral may be held against these arrangements

Risk transfer

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

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

In order to transfer risk, Barclays Capital Securities Limited has contractual guarantees in place with the parent entity BB PLC. Further detail can be found on page 77 the 2022 BCSL Annual Report.

Risk transfer can also be used to reduce risk concentrations within portfolios lowering the impact of stress events.

Risk transfer transactions are undertaken with consideration to whether the collateral provider is correlated with the exposure, the credit worthiness of the collateral provider and legal certainty of enforceability and effectiveness. Where credit risk mitigation is deemed to transfer credit risk, this exposure is appropriately recorded against the credit risk mitigation provider.

In exposure terms, risk transfer is used most extensively as a credit risk mitigation technique for wholesale loans and derivative financial instruments.

Management of counterparty credit risk and credit risk mitigation techniques (continued)

Off-balance sheet risk mitigation

Barclays Capital Securities Limited applies fundamentally the same risk management policies for off-balance sheet risks as it does for its on-balance sheet risks. In the case of commitments to lend, counterparties/customers will be subject to the same credit management policies as for loans and advances. Collateral may be sought depending on the strength of the counterparty and the nature of the transaction.

Recognition of credit risk mitigation in capital calculations

Credit risk mitigation is used to reduce credit risk associated with an exposure, which may reduce potential losses in the event of obligor default or other specified credit events.

Credit risk mitigation that meets certain regulatory criteria may be used to improve risk parameters and reduce RWA consumption against a given obligor. Collateral that meets these regulatory conditions is referred to as eligible collateral. Eligibility criteria are specified in articles 195 to 204 of the CRR.

Barclays Capital Securities Limited's policies and standards set out criteria for the recognition of collateral as eligible credit risk mitigation and are designed to be fully consistent with all applicable local regulations and regulatory permissions.

Where regulatory capital is calculated under AIRB regulations, the benefit of collateral is generally taken by adjusting LGDs. For standardised portfolios, the benefit of collateral is taken using the financial collateral comprehensive method: supervisory volatility adjustments approach.

For instruments that are deemed to transfer credit risk, in AIRB portfolios the protection is generally recognised by using the PD and LGD of the protection provider.

For exposures treated under the standardised approach, the impact of eligible credit risk mitigation is primarily recognised by reducing the EAD associated with the exposure that benefits from the mitigation.

Managing concentrations within credit risk mitigation

Credit risk mitigation taken by Barclays Capital Securities Limited to reduce credit risk may result in credit or market risk concentrations.

Guarantees that are treated as eligible credit risk mitigation are marked as an exposure against the guarantor and aggregated with other credit exposure to the guarantor. Limit monitoring at the counterparty level is then used for monitoring of concentrations in line with Barclays Capital Securities Limited's policy.

Commercial real estate lending is another potential source of concentration risk arising from the use of credit risk mitigation. The portfolio is regularly reviewed to assess whether a concentration type exists, and portfolio limits are in place to control the level of exposure to commercial, residential, investment and development activity.

Counterparty credit risk

Counterparty credit exposures for derivatives and securities financing transactions

Barclays Capital Securities Limited enters into financial instruments through Barclays Capital Securities Limited's Treasury that are traded or cleared on an exchange, including interest rate swaps, futures and options on futures. Holders of exchange traded instruments provide daily margins with cash or other securities at the exchange, to which the holders look for ultimate settlement. Barclays Capital Securities Limited's Treasury enters into financial instruments taking into account regulatory exemption rules for the ring-fenced bank to manage predominantly hedging of interest rate in the banking book and cross currency exposures, with market counterparties.

Barclays Capital Securities Limited also enters into financial instruments that are traded over the counter, rather than on a recognised exchange. These instruments arise mainly from standardised transactions in derivative markets. In most cases, industry standard documentation is used, most commonly in the form of a master agreement, with individual transaction confirmations. The existence of a signed master agreement is intended to give Barclays Capital Securities Limited protection in situations where Barclays Capital Securities Limited's counterparty is in default.

Counterparty credit exposure arises from the risk that parties are unable to meet their payment obligations under certain financial contracts such as derivatives, securities financing transactions (SFTs) (e.g. repurchase agreements), or long settlement transactions.

A Monte Carlo simulation engine is used to estimate the Potential Future Exposure (PFE) to derivative and securities financing counterparties. The exposure simulation model simulates future market states and the MTM of the derivative transactions under those states. Simulated exposures including the effect of credit mitigants such as netting, collateral and mandatory break clauses can then be generated.

Credit limits for CCR are assessed and allocated using the PFE measure. A number of factors are taken into account when setting credit limits for individual counterparties, including but not limited to the credit quality and nature of the counterparty, the rationale for the trading activity entered into and any wrong-way risk considerations.

The expected exposures generated by this engine are also used as an input into both internal and regulatory capital calculations covering CCR.

'Wrong-way risk' in a derivative or SFT exposure arises when there is significant correlation between the underlying asset and the counterparty, which in the event of default would lead to a significant MTM loss to the counterparty. Specific wrong-way risk trades, which are self-referencing or reference to other entities within the same counterparty group, require approval by a senior credit officer. The exposure to the counterparty will reflect the additional risk generated by these transactions (the exposure will be consistent with jump-to-default of the reference asset assuming zero recovery).

Management of counterparty credit risk and credit risk mitigation techniques (continued)

Derivative CCR (credit value adjustments)

As Barclays Capital Securities Limited participates in derivative transactions it is exposed to CCR, which is the risk that a counterparty will fail to make the future payments agreed in the derivative contract. This is considered as a separate risk to the volatility of the MTM payment flows.

The counterparty risk arising under derivative transactions is taken into account when reporting the fair value of derivative positions. The adjustment to the value is known as credit value adjustment (CVA). It is the difference between the value of a derivative contract with a risk-free counterparty and that of a contract with the actual counterparty. This is equivalent to the cost of hedging the counterparty risk in the Credit Default Swap (CDS) market.

Barclays Capital Securities Limited uses the standardised approach to calculate CVA capital charge: This approach takes account of the external credit rating of each counterparty, and incorporates the effective maturity and EAD from the calculation of the CCR.

Netting and collateral arrangements for derivatives and SFTs

Credit risk from derivatives and securities financing transactions (SFTs) is mitigated where possible through netting agreements whereby assets and liabilities with the same counterparty can be offset. Barclays Capital Securities Limited policy requires all netting arrangements to be legally documented. The ISDA Master Agreement is Barclays Capital Securities Limited's preferred agreement for documenting Over the Counter (OTC) derivatives. It provides the contractual framework within which dealing activities across a full range of OTC products are conducted, and contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement if either party defaults or other predetermined events occur. The majority of Barclays Capital Securities Limited's OTC derivative exposures are covered by ISDA [master netting](#) and ISDA CSA collateral agreements. SFTs are documented under Global Master Repurchase agreement.

Collateral may be obtained against derivative and SFTs, depending on the creditworthiness of the counterparty and/or nature of the transaction. Any non-cash collateral taken in respect of OTC trading exposures will be subject to a 'haircut', which is negotiated at the time of signing the collateral agreement. A haircut is the valuation percentage applicable to each type of collateral and will be largely based on liquidity and price volatility of the underlying security. The collateral obtained for derivatives is predominantly either cash, direct debt obligation government (G14+) bonds denominated in the domestic currency of the issuing country or debt issued by supnationals. Where Barclays Capital Securities Limited has ISDA master agreements, the collateral document will be the ISDA CSA. The collateral document must give Barclays Capital Securities Limited the power to realise any collateral placed with it in the event of the failure of the counterparty.

Internal Capital Adequacy Assessment Process

Barclays Capital Securities Limited tests its capital adequacy through its annual planning cycle by verifying it complies with the minimum regulatory requirements during the Medium-Term Plan projection period (5 years) and under its Internal Stress Test. In addition, an annual assessment of Pillar 2A risks is also submitted to the PRA in order to support the PRA in setting the Barclays Capital Securities Limited-specific Individual Capital Requirements.

Appendix A – Countercyclical Capital Buffer

Table 21: CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

The below table shows the geographical distribution of credit exposures relevant to the calculation of the countercyclical buffer in line with CRR Article 440. Note that exposures in the below table are prepared in accordance with CRD Article 140 and as such exclude exposures to central governments/banks, regional governments, local authorities, public sector entities, multilateral development banks, international organisations and institutions and hence the exposure values differ to those found in the Analysis of credit risk section.

As at 31 December 2022	General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value	Own fund requirements			Risk-weighted exposure amounts	Own fund requirements weights	Counter-cyclical buffer rate (%)	
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book				Total
Breakdown by country	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's	€ 000's	%	%
DENMARK	—	—	2,256	—	—	2,256	—	180	—	180	2,256	0.11%	2.0%
NORWAY	8	1,770	1,997	—	—	3,774	9	160	—	169	2,114	0.11%	2.0%
CZECH REPUBLIC	—	—	26	—	—	26	—	2	—	2	26	—	1.5%
UNITED KINGDOM	55,254	1,539,735	97,674	1,701	—	1,694,364	30,948	9,458	—	40,406	505,073	25.45%	1.0%
HONG KONG	—	6,359	14,316	—	—	20,675	315	1,202	—	1,518	18,970	0.96%	1.0%
SWEDEN	4,454	22,125	10,478	281	—	37,338	471	853	—	1,325	16,557	0.83%	1.0%
LUXEMBOURG	10,510	368,450	11,960	762	—	391,683	2,363	1,896	—	4,258	53,231	2.68%	0.5%
ROMANIA	—	—	0	—	—	0	—	0	—	0	0	—	0.5%
Total (countries with existing CCyB rate)	70,226	1,938,439	138,707	2,744	—	2,150,117	34,107	13,751	—	47,858	598,227	30.14%	—
UNITED STATES	15,751	968,135	178,675	659	—	1,163,221	7,482	16,112	—	23,594	294,923	14.86%	—
TAIWAN	11,524	510,134	7,701	—	—	529,359	14,536	698	—	15,234	190,426	9.60%	—
FRANCE	1,339	64,911	93,562	1,650	—	161,462	363	7,299	—	7,662	95,773	4.83%	—
CHINA	—	104,570	55,366	129	—	160,065	2,655	4,484	—	7,139	89,239	4.50%	—
GERMANY	830	50,116	76,614	1,241	—	128,802	328	6,735	—	7,063	88,291	4.45%	—
JAPAN	1,363	363,565	41,068	—	—	405,996	3,107	3,532	—	6,639	82,988	4.18%	—
IRELAND	9,029	732,854	3,975	12	—	745,870	4,165	766	—	4,932	61,647	3.11%	—
NETHERLANDS	1,228	201,997	37,851	5,142	—	246,217	1,829	3,084	—	4,913	61,411	3.09%	—
UNITED ARAB EMIRATES	—	468,489	30,461	—	—	498,950	2,202	2,437	—	4,639	57,988	2.92%	—
SOUTH AFRICA	—	4,898	39,933	—	—	44,831	356	3,795	—	4,151	51,885	2.61%	—
KUWAIT	—	468,739	52	—	—	468,791	3,340	4	—	3,344	41,799	2.11%	—
SWITZERLAND	26	20,211	33,685	4,594	—	58,516	318	2,745	—	3,063	38,285	1.93%	—
SOUTH KOREA	1	173,242	20,669	—	—	193,911	1,118	1,297	—	2,415	30,187	1.52%	—
VIETNAM	—	19,101	225	—	—	19,325	2,012	18	—	2,030	25,379	1.28%	—
SINGAPORE	767	350,760	672	—	—	352,200	1,684	86	—	1,771	22,134	1.12%	—
AUSTRALIA	427	132,624	7,769	—	—	140,820	931	779	—	1,710	21,376	1.08%	—

Appendix A – Countercyclical Capital Buffer

Total (countries with own funds requirements weights 1% or above)	42,285	4,634,345	628,279	13,429	—	5,318,338	46,427	53,872	—	100,298	1,253,730	63.19%	—
Total (rest of the world less than 1% requirement)	1,275	149,811	110,626	9,794	—	271,506	1,399	9,196	—	10,595	132,439	6.66%	—
TOTAL	113,786	6,722,596	877,612	25,967	—	7,739,961	81,932	76,819	—	158,752	1,984,396	100.00%	—

Table 22: CCyB2 - Amount of institution-specific countercyclical capital buffer

This table shows an overview of institution specific countercyclical exposure and buffer requirements

As at 31 December 2022		
1	Total risk exposure amount	10,990,325
2	Institution specific countercyclical capital buffer rate	0.29%
3	Institution specific countercyclical capital buffer requirement	31,894

Appendix B – Disclosure on remuneration

The following disclosures are made by applying instructions provided in Annex XXXIV and the tables as presented in Annex XXXIII of the PRA Rulebook, Disclosure (CRR) Part in application of Article 450 CRR.

Remuneration Governance

Barclays Bank PLC ('BBPLC') is the parent company of Barclays Capital Securities Limited ('BCSL'). BCSL does not employ any individuals, although a number of BBPLC employees (including individuals identified as Material Risk Takers ('MRTs') of BBPLC) may provide services to BCSL from time to time. The remuneration decisions in respect of BBPLC employees are overseen by the Barclays PLC and BBPLC Board Remuneration Committees.

Decision-making processes for remuneration allow for appropriate consideration of the interests of BCSL and responsibilities related to BCSL in pay and performance outcomes for relevant individuals. Information on the remuneration of BBPLC employees (including BBPLC MRTs) is included in Appendix B of the BBPLC Pillar 3 disclosure. This includes an explanation of how Barclays has a holistic approach to performance management and managers consider risk, control and conduct issues arising within all areas of the organisation. These mechanisms ensure that any issues found within BCSL are factored into the performance ratings and pay outcomes for those individuals who provide services to BCSL. The BCSL Board Remuneration Committee is provided with information to satisfy themselves that the structure of remuneration for the BCSL Executive Committee members and Senior Managers providing services to BCSL is in line with applicable regulatory requirements.

Remuneration of MRTs in respect of the financial year

As BCSL has no employees, BCSL MRTs are limited to the Non-Executive Directors on the Board of BCSL. Decisions in respect of the fees payable to the Non-Executive Directors of BCSL for their services as members of the BCSL Board are made by the Barclays PLC Remuneration Committee. Executive Directors of BCSL are employees of BBPLC and they are not paid any remuneration by BCSL or in respect of their BCSL Board membership.

The following tables set out the remuneration disclosures for individuals identified as MRTs for BCSL in respect of the fees received by them for their services as members of the BCSL Board.

In the tables, the terms below mean:

- 'MB' means BCSL's management body (i.e. the BCSL Board); and
- 'MB Supervisory function' means those individuals who were Non-Executive Directors of BCSL during 2022.

Table 27: UK REM1 - Remuneration awarded for the financial year (all figures are in £000's except for "Number of identified staff")

		MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Number of identified staff	3	—	—	—
2	Total fixed remuneration	53.3	—	—	—
3	<i>Of which: cash-based</i>	53.3	—	—	—
4	(Not applicable in the UK)				
UK-4a	Fixed remuneration				
	<i>Of which: shares or equivalent ownership interests</i>	—	—	—	—
5	<i>Of which: share-linked instruments or equivalent non-cash instruments</i>	—	—	—	—
UK-5x	<i>Of which: other instruments</i>	—	—	—	—
6	(Not applicable in the UK)				
7	<i>Of which: other forms</i>	—	—	—	—
8	(Not applicable in the UK)				
9	Number of identified staff	—	—	—	—
10	Total variable remuneration	—	—	—	—
11	<i>Of which: cash-based</i>	—	—	—	—
12	<i>Of which: deferred</i>	—	—	—	—
UK-13a	<i>Of which: shares or equivalent ownership interests</i>	—	—	—	—
UK-14a	<i>Of which: deferred</i>	—	—	—	—
UK-13b	<i>Of which: share-linked instruments or equivalent non-cash instruments</i>	—	—	—	—
UK-14b	<i>Of which: deferred</i>	—	—	—	—
UK-14x	<i>Of which: other instruments</i>	—	—	—	—
UK-14y	<i>Of which: deferred</i>	—	—	—	—
15	<i>Of which: other forms</i>	—	—	—	—
16	<i>Of which: deferred</i>	—	—	—	—
17	Total remuneration (2 + 10)	53.3	—	—	—

Appendix B – Disclosure on remuneration (continued)

Table 28: UK REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

There are no special payments to disclose.

Table 29: UK REM3 - Deferred remuneration

There is no deferred remuneration to disclose.

Table 30: REM4 - Remuneration of 1 million EUR or more per year

There are no MRTs of BCSL who earn remuneration of 1 million EUR or more to include in this disclosure..

Table 31: REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff) (all figures are in €000's except for 'Total number of identified staff')

	Management body remuneration			Business areas						Total
	MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	
1	Total number of identified staff									3
2	Of which: members of the MB			3	—	3				
3	Of which: other senior management									
4	Of which: other identified staff									
5	Total remuneration of identified staff									53.3
6	Of which: variable remuneration			—	—	—	—	—	—	
7	Of which: fixed remuneration			53.3	—	53.3	—	—	—	