Barclays Bank UK PLC
Interim Results Announcement

30 June 2018

Table of Contents

Notes

The term Barclays Bank UK Group refers to Barclays Bank UK PLC together with its subsidiaries. Unless otherwise stated, the income statement analysis compares the six months ended 30 June 2018 to the corresponding six months of 2017 and balance sheet analysis as at 30 June 2018 with comparatives relating to 31 December 2017. 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 date these interim results were approved.

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/results.

The information in this announcement, which was approved by the Board of Directors on 1 August 2018, does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Barclays Bank UK PLC statutory accounts for the year ended 31 December 2017 which contained an unqualified 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.

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

Forward-looking statements

Barclays Bank UK 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. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements sometimes use words such as 'may', 'will', 'seek', 'continue', 'aim', 'anticipate', 'target', 'projected', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', 'achieve' or other words of similar meaning. Examples of forward-looking statements include, among others, statements or guidance regarding or relating to the Barclays Bank UK Group's future financial position, income growth, assets, impairment charges, provisions, business strategy, capital, leverage and other regulatory ratios, projected levels of growth in the banking and financial markets, projected costs or savings, any commitments and targets, estimates of capital expenditures, plans and objectives for future operations and other statements that are not historical fact. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. These may be affected by changes in legislation, the development of standards and interpretations under International Financial Reporting Standards, evolving practices with regard to the interpretation and application of accounting and regulatory standards, the outcome of current and future legal proceedings and regulatory investigations, future levels of conduct provisions, the policies and actions of governmental and regulatory authorities, geopolitical risks and the impact of competition. In addition, factors including (but not limited to) the following may have an effect: capital, leverage and other regulatory rules applicable to past, current and future periods; macroeconomic and business conditions in the United Kingdom and in any systemically important economy which impacts the United Kingdom; the effects of any volatility in credit markets; market related risks such as changes in interest rates and foreign exchange rates; effects of changes in valuation of credit market exposures; changes in valuation of issued securities; volatility in capital markets; changes in credit ratings of any entities within the Barclays Bank UK Group or any securities issued by such entities; the potential for one or more countries exiting the Eurozone; the implications of the exercise by the United Kingdom of Article 50 of the Treaty of Lisbon and the disruption that may result in the United Kingdom from the withdrawal of the United Kingdom from the European Union; and the success of future acquisitions, disposals and other strategic transactions. A number of these influences and factors are beyond the Barclays Bank UK Group's control. As a result, the Barclays Bank UK Group's actual future results and capital and leverage ratios may differ materially from the plans, goals, expectations and guidance set forth in the Barclays Bank UK Group's forward-looking statements.

Subject to our obligations under any applicable laws and regulations 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

	30.06.18[1,2]
	£m
Total income	1,843
Credit impairment charges and other provisions	(213)
Net operating income	**1,630**
Operating expenses excluding litigation and conduct	(1,058)
Litigation and conduct	(3)
Operating expenses	**(1,061)**
Profit before tax	**569**
Tax charge	(135)
Profit after tax	**434**
Non-controlling interests	-
Other equity instrument holders	(35)
Attributable profit	**399**

1 *Barclays Bank UK PLC acquired the UK banking business from Barclays Bank PLC on 1 April 2018.*
2 *Comparatives for the half year ended 30 June 2017 round to £nil when presented in rounded millions and as such, have not been disclosed.*

Barclays Bank UK Group performance

Overview

Barclays Bank UK PLC is the UK ring-fenced bank which forms part of the new structure of the Barclays Group. Following the court approval of the ring-fencing transfer scheme on 9 March 2018, the UK banking business largely comprising Personal Banking, Barclaycard Consumer UK and Business Banking was transferred from Barclays Bank PLC on 1 April 2018, to meet the regulatory ring-fencing requirement in accordance with the Financial Services (Banking Reform) Act 2013 and related legislation.

Income statement

- Profit before tax was £569m and comprised of Personal Banking profit of £289m, Barclaycard Consumer UK profit of £212m and Business Banking profit of £119m, partially offset by a loss in Head Office of £51m
- Total income was £1,843m and comprised of Personal Banking income of £1,063m, Barclaycard Consumer UK income of £504m and Business Banking income of £320m. This was partially offset by an expense of £44m in Head Office due to hedge arrangements
- Credit impairment charges were £213m and comprised of Personal Banking charges of £48m, Barclaycard Consumer UK charges of £139m, and Business Banking charges of £26m which included a one-off charge
- Operating expenses were £1,061m and comprised of £726m in Personal Banking, £153m in Barclaycard Consumer UK, £175m in Business Banking and £7m in Head Office. Operating expenses included investment in digitising the bank, with inflationary pressures offset by efficiency savings

Risk management and Principal Risks

The roles and responsibilities of the business groups, Risk and Compliance, in the management of risk in Barclays Bank UK Group are defined in the Barclays Group's Enterprise Risk Management Framework. The purpose of the framework is to identify the Principal Risks of the Barclays Group, the process by which the Barclays Group sets its appetite for these risks in its business activities, and the consequent limits which it places on related risk taking. The Barclays Group framework identifies eight Principal Risks: Credit risk; Market risk; Treasury and Capital risk; Operational risk; Conduct risk; Reputation risk; Model risk; and Legal risk.

The following section gives an overview of Treasury and Capital risk, and Credit risk for the period, and details the material existing and emerging risks which may impact Barclays Bank UK Group's future financial condition and performance.

Capital and leverage

Barclays Bank UK PLC is currently regulated by the Prudential Regulation Authority (PRA) on an individual basis. The disclosures below provide key capital metrics for Barclays Bank UK PLC on an individual basis with further information on its risk profile to be included in the Barclays PLC Pillar 3 Report H1 2018. The Barclays Bank UK Group is expected to become regulated by the PRA from 1 January 2019.

Capital ratios[1,2]	As at 30.06.18
Common equity tier 1 (CET1)	14.1%
Tier 1 (T1)	16.8%
Total regulatory capital	21.2%

Capital resources[1,2]	£bn
CET1 capital	10.7
T1 capital	12.7
Total regulatory capital	16.1
Total risk weighted assets (RWAs)	75.6

Capital Requirements Regulation (CRR) leverage ratio[1]	
CRR leverage ratio	5.1%
T1 capital	12.7
CRR leverage exposure	252

1 *Capital, RWAs and leverage are calculated applying the transitional arrangements of the CRR. This includes IFRS 9 transitional arrangements.*
2 *The fully loaded CET1 ratio was 13.8%, with £10.4bn of CET1 capital and £75.8bn of RWAs, calculated without applying the transitional arrangements under the CRR.*

Funding and liquidity

Barclays Bank UK Group has adopted the Barclays Group liquidity risk management policies. The Barclays Bank UK PLC Board sets the liquidity risk appetite (LRA) based on the internal liquidity risk model and external regulatory requirements, namely the liquidity coverage ratio (LCR). The Treasury and Capital risk function is responsible for the management and governance of the liquidity risk mandate defined by the Barclays Bank UK PLC Board and the production of the internal liquidity adequacy assessment process (ILAAP). Treasury has the primary responsibility for managing liquidity risk within the set LRA.

The liquidity risk stress tests assess 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 Barclays Bank UK Group maintains a range of management actions for use in a liquidity stress, which are documented in the Barclays Group recovery plan.

As at 30 June 2018, Barclays Bank UK Group held eligible liquidity assets in excess of 100% of the 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 30.06.18
	£bn
Barclays Bank UK Group liquidity pool	43
	%
Barclays Bank UK Group CRD IV liquidity coverage ratio	144

Barclays Bank UK PLC has adopted IFRS 9, Financial Instruments effective from 1 January 2018, which determines the classification and measurement of financial assets and the quantification of impairment allowances based on expected credit losses (ECLs).

Within this document, the disclosure of the accounting policies, key concepts and judgements used in the application of expected credit loss methodology is included in Note 1, Basis of preparation on pages 22 to 29. The information as at 31 December 2017 is not considered directly comparable as it represents credit risk prior to the transfer of the UK banking business into Barclays Bank UK Group and is pre-adoption of IFRS 9.

Loans and advances at amortised cost by product

The table below presents a breakdown of loans and advances at amortised cost and the impairment allowance with stage allocation by asset classification:

		Stage 2					
As at 30.06.18	Stage 1	Not past due	<=30 days past due	>30 days past due	Total	Stage 3	Total
Gross exposure	£m	£m	£m	£m	£m	£m	£m
Home loans	116,534	15,026	1,824	722	17,572	1,309	135,415
Credit cards, unsecured loans and other retail lending	15,586	7,315	271	196	7,782	1,810	25,178
Corporate loans	23,926	4,294	14	18	4,326	1,172	29,424
Total	**156,046**	**26,635**	**2,109**	**936**	**29,680**	**4,291**	**190,017**
Impairment allowance							
Home loans	6	43	3	4	50	44	100
Credit cards, unsecured loans and other retail lending	137	1,171	71	89	1,331	1,156	2,624
Corporate loans	26	75	1	2	78	150	254
Total	**169**	**1,289**	**75**	**95**	**1,459**	**1,350**	**2,978**
Net exposure							
Home loans	116,528	14,983	1,821	718	17,522	1,265	135,315
Credit cards, unsecured loans and other retail lending	15,449	6,144	200	107	6,451	654	22,554
Corporate loans	23,900	4,219	13	16	4,248	1,022	29,170
Total	**155,877**	**25,346**	**2,034**	**841**	**28,221**	**2,941**	**187,039**
Coverage ratio	%	%	%	%	%	%	%
Home loans	-	0.3	0.2	0.6	0.3	3.4	0.1
Credit cards, unsecured loans and other retail lending	0.9	16.0	26.2	45.4	17.1	63.9	10.4
Corporate loans	0.1	1.7	7.1	11.1	1.8	12.8	0.9
Total	**0.1**	**4.8**	**3.6**	**10.1**	**4.9**	**31.5**	**1.6**

The impairment allowance related to loans and advances at amortised cost increased to £2,978m at H118 (31 December 2017: £nil) incorporating the impact of the transition of the UK banking business of £2,936m, Q218 impairment charges of £213m, offset by other movements of £171m including write-offs.

Other financial assets on balance sheet subject to impairment include accrued income and sundry debtors with gross exposure of £705m and impairment allowance of £2m. In addition, there are off-balance sheet loan commitments and financial guarantee contracts with a gross exposure of £68,858m and a provision of £87m.

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

Material risks are those to which senior management pay particular attention and which could cause the delivery of Barclays Bank UK Group's strategy, results of operations, financial condition and/or prospects to differ materially from current expectations.

Emerging risks are those that have largely unknown components, the impact of which could crystallise over a longer time horizon. These could currently be considered immaterial, but over time may individually or cumulatively affect Barclays Bank UK Group's strategy and cause the same outcomes as detailed above regarding material risks. In addition, certain factors beyond Barclays Bank UK Group's control, including escalation of terrorism or political conflicts, natural disasters and similar calamities, although not detailed below, could have a similar impact on Barclays Bank UK Group.

Material existing and emerging risks potentially impacting more than one Principal Risk

i) Business conditions, general economy and geopolitical issues

Barclays Bank UK Group offers a broad range of services, including business banking and banking services to individuals in the UK. The breadth of these operations means that deterioration in the economic environment in the UK, or in any systemically important economy which impacts the UK, could adversely affect Barclays Bank UK Group's operating performance, financial condition and prospects.

Although economic activity continued to strengthen globally in 2018, a change in global/UK economic conditions and the reversal of the improving trend and/or the rising consumer debt environment may result in lower client activity, including lower demand for borrowing from creditworthy customers and/or a reduction in the value of related collateral and/or an increase in Barclays Bank UK Group's default rates, delinquencies, write-offs, provisions for bad and doubtful debts and impairment charges. Deteriorating economic conditions could also impact the ability of Barclays Bank UK Group to raise funding from other external investors. All of the above impacts could adversely affect Barclays Bank UK Group's performance and prospects.

New entrants to the UK financial services market, the implementation of Open Banking (see (iv) Regulatory change agenda and impact on business model) and the requirement to reflect and lead on new and emerging technologies may result in increased competition, lower client activity due to market dilution and increased costs.

In the UK, the vote in favour of leaving the European Union (EU) (see Process of UK withdrawal from the European Union, below) has given rise to political uncertainty with attendant consequences for investment and market confidence. The initial impact was a depreciation of Sterling, resulting in higher costs for companies exposed to imports and a more favourable environment for exporters. Rising domestic costs resulting from higher import prices may impact household incomes and the affordability of consumer loans and mortgages. In turn, this may affect businesses dependent on consumers for revenue. There has also been a reduction in activity in both commercial and residential real estate markets which has the potential to impact the value of real estate assets and adversely affect mortgage assets.

ii) Interest rate rises adversely impacting credit conditions

To the extent that the Bank of England increase interest rates in the UK, there could be an impact on consumer debt affordability and corporate profitability. Consumer affordability has been further impacted by household borrowing overtaking savings for the first time since the late 1980s.

While interest rate rises could positively impact Barclays Bank UK Group's profitability due to margin de-compression, future interest rate increases, if larger or more frequent than expectations, could cause stress in the lending portfolio. Higher credit losses driving an increased impairment allowance would most notably impact retail unsecured portfolios.

iii) Process of UK withdrawal from the European Union

The uncertainty and increased market volatility following the UK's decision to leave the EU in 2019 are likely to continue until the exact nature of the future trading relationship with the EU becomes clear. The potential risks associated with an exit from the EU include:

- Potential for credit spread widening for UK institutions, which could lead to reduced investor appetite for Barclays Bank UK Group's debt securities, which could negatively impact the cost of and/or access to funding. Potential for continued market and interest rate volatility could affect the interest rate risk underlying, and potentially affect the value of the assets in the banking book, as well as securities held by Barclays Bank UK Group for liquidity purposes
- Increased risk of a UK recession with lower growth, higher unemployment and falling UK house prices. This would likely negatively impact Barclays Bank UK Group portfolios, notably: higher loan to value mortgages, UK unsecured lending including credit cards, and commercial real estate exposures

- The ability to attract, or prevent the departure of, qualified and skilled employees may be impacted by the UK's and the EU's future approach to the EU freedom of movement and immigration from the EU countries and this may impact Barclays Bank UK Group's access to the EU talent pool
- The legal framework within which Barclays Bank UK Group operates could change and become more uncertain as the UK takes steps to replace or repeal certain laws currently in force, which are based on EU legislation and regulation (including EU regulation of the banking sector). Certainty of existing contracts, enforceability of legal obligations and uncertainty around the outcome of disputes may be affected until the impacts of the loss of the current jurisdictional arrangements between UK and EU courts and the universal enforceability of judgements across the EU (including the status of existing EU case law) are fully known

iv) Regulatory change agenda and impact on business model

Barclays Bank UK Group remains subject to ongoing significant levels of regulatory change and scrutiny. As a result, regulatory risk will remain a focus for senior management and consume significant levels of business resources. Furthermore, a more intensive regulatory approach and enhanced requirements, together with the uncertainty (particularly in light of the UK's decision to withdraw from the EU) may adversely affect Barclays Bank UK Group's business, capital and risk management strategies and/or may result in Barclays Bank UK Group deciding to modify its capital and funding structures and business mix or to exit certain business activities altogether or not to expand in areas despite otherwise attractive potential.

Barclays Bank UK Group was established on 1 April 2018 as the ring-fenced entity under Barclays PLC. The relevant rules required to implement and comply with the UK ring-fencing regime are complex and will continue to entail significant costs and operational and legal risks resulting from its ongoing execution.

There is also a risk associated with the uncertainty around the interpretation, administration and enforcement of the ring-fencing regime as the regulatory requirements become clear. This risk is compounded by the potential for different regulatory interpretation as standards are developed, the impact of the UK's withdrawal from the EU and internal factors, such as Barclays Bank UK Group's strategy.

Given Barclays Bank UK Group is now a ring-fenced entity, its risk-profile and key risk drivers support the assessment of credit rating agencies. Following the restructuring of the Barclays Group to establish Barclays Bank UK Group, Barclays PLC and its subsidiaries are assessed by the credit rating agencies at their respective legal entity level which can result in differing credit ratings. The differences in credit ratings between the legal entities, could impact access and cost of funding for Barclays Bank UK Group in relation to the Barclays Group.

In addition to ring-fencing there are several significant pieces of legislation/areas of focus which will require significant management attention, cost and resource, including:

- Changes in prudential requirements, including the proposals for amendment of the Capital Requirements Directive (CRD IV) and the Bank Recovery and Resolution Directive (BRRD) (as part of the EU's risk reduction measures package), may impact minimum requirements for own funds and eligible liabilities (MREL), leverage, liquidity or funding requirements, applicable buffers and/or add-ons to such minimum requirements and risk weighted assets calculation methodologies as may be set by EU or national authorities. Such or similar changes to prudential requirements or additional supervisory and prudential expectations, either individually or in aggregate, may result in, among other things, a need for further management actions to meet the changed requirements, such as: increasing capital, MREL or liquidity resources, reducing leverage and risk weighted assets; restricting distributions on capital instruments; modifying the terms of outstanding capital instruments; modifying legal entity structure (including with regard to issuance and deployment of capital, MREL and funding); changing the business mix or exiting other businesses; and/or undertaking other relevant actions to strengthen Barclays Bank UK Group's position
- The Barclays Group is subject to supervisory stress testing of which Barclays Bank UK Group forms a component part. These exercises currently include the programmes of the Bank of England and the European Banking Authority (EBA). These exercises are designed to assess the resilience of banks to adverse economic or financial developments and enforce robust, forward-looking capital and liquidity management processes that account for the risks associated with their business profile. Assessment by regulators is on both a quantitative and qualitative basis, the latter focusing on the Barclays Group or certain of its members' business model, data provision, stress testing capability and internal management processes and controls. The stress testing requirements to which the Barclays Group and its members are subject are becoming increasingly stringent. Failure to meet requirements of regulatory stress tests, or the failure by regulators to approve the stress test results and capital plans of the Barclays Group, could result in the Barclays Group being required to enhance its capital position, limit capital distributions or position additional capital in specific subsidiaries
- The introduction and implementation of both Payments Service Directive 2 (PSD2) and the Open API standards and data sharing remedy imposed by the UK Competition and Markets Authority following its Retail Banking Market Investigation Order (together "Open Banking") from January 2018 is anticipated to transform the traditional UK banking model and conventional relationship between a customer and their bank. It will do this by providing customers with the ability to

share their transactional data with authorised third party service providers either for aggregation or payment services. It is anticipated that these aggregation or payment services will be offered by third parties to Barclays Bank UK Group customers. Barclays Bank UK Group will be able to offer these same services to customers of other banks. A failure to comply with Open Banking requirements could expose Barclays Bank UK Group to regulatory sanction. Further, the new regime could mean that actions or omissions by third party service providers could expose Barclays Bank UK Group to potential financial loss from third party fraud, misuse of customer data, litigation and reputational detriment, amongst other things

- In addition to the above, Barclays Bank UK Group is also subject to increasing technical regulation from both existing and new legislation, including but not limited to, the Consumer Credit Act and Consumer Credit Sourcebook Interpretation Manual and Regulatory Developments, the EU Benchmark Regulation, the EU General Data Protection Regulation (GDPR), the Payment Account Directive 2, The Wire Transfer Regulation, the revised Markets in Financial Instruments Directive (MiFID2) and the Anti Money Laundering Directives. Barclays Bank UK Group may be subject to enforcement or reputation risk from failure to properly implement or embed such legislation either due to process or legislative interpretation failures. Such risk could give rise to regulatory fines or sanctions, financial loss, litigation and reputational detriment, amongst other things

Material existing and emerging risks impacting individual Principal Risks

i) Credit risk

a) Impairment

The introduction of the impairment requirements of IFRS 9, Financial Instruments, implemented on 1 January 2018, results in impairment loss allowances that are recognised earlier, on a more forward-looking basis and on a broader scope of financial instruments than is the case under IAS 39 and, will have a material impact on Barclays Bank UK Group's financial condition.

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

In addition, the move from incurred to expected credit losses (ECL's) has the potential to impact Barclays Bank UK Group's performance under stressed economic conditions or regulatory stress tests.

b) Specific sectors

Barclays Bank UK Group is subject to risks arising from changes in credit quality and recovery rate of loans and advances due from borrowers and counterparties in a specific portfolio. Any deterioration in credit quality could lead to lower recoverability and higher impairment in a specific sector. The following are areas of uncertainties to Barclays Bank UK Group's portfolio which could have a material impact on performance:

- UK real estate market. With UK property representing a significant portion of the overall Barclays Bank UK Group credit exposure, Barclays Bank UK lending portfolios are at risk from a fall in property prices in both the residential and commercial sectors in the UK
- Consumer affordability has remained a key area of focus for regulators, particularly in unsecured lending, driven by the rapid growth in levels of borrowing over the last 2 years. Any new regulations in this area may impact the way in which the consumer credit cards business operates and may ultimately impact its performance. Macroeconomic factors, such as rising unemployment, that impact a customer's ability to service unsecured debt payments could lead to increased arrears in unsecured products

ii) Treasury and Capital risk

Barclays Bank UK Group may not be able to achieve its business plans due to, among other things: a) being unable to maintain appropriate capital ratios; b) being unable to meet its obligations as they fall due; c) rating agency downgrades; d) adverse changes in foreign exchange rates on capital ratios; e) non-traded market risk/interest rate risk in the banking book.

a) Inability to maintain prudential ratios and other regulatory requirements

Inability to maintain appropriate prudential ratios could lead to: an inability to support business activity; a failure to meet regulatory capital requirements, including any additional capital add-ons or the requirements set for regulatory stress tests; increased cost of funding due to deterioration in investor appetite or credit ratings; restrictions on distributions including the ability to meet dividend targets; and/or the need to take additional measures to strengthen Barclays Bank UK Group's capital or leverage position.

b) Inability to manage liquidity and funding risk effectively

Inability to manage liquidity and funding risk effectively may result in Barclays Bank UK Group either not having sufficient financial resources to meet its payment obligations as they fall due or, although solvent, only being able to meet these obligations at excessive cost. This could cause Barclays Bank UK Group to fail to meet regulatory liquidity standards, be unable to support day-to-day banking activities (including meeting deposit withdrawals or funding new loans) or no longer be a going concern.

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

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

c) Credit rating changes and the impact on funding costs
Any potential or actual credit rating agency downgrades could significantly increase Barclays Bank UK Group borrowing costs, credit spreads and materially adversely affect Barclays Bank UK Group's interest margins and liquidity position which may, as a result, significantly diverge from current expectations. Such adverse changes would also have a negative impact on Barclays Bank UK Group's overall performance.

d) Adverse changes in foreign exchange rates impacting capital ratios
Barclays Bank UK Group equity is held in Sterling. However, some capital resources (e.g. MREL) are denominated in foreign currencies, and therefore their Sterling equivalent values are adversely impacted by Sterling appreciation. As a result, some Barclays Bank UK Group's regulatory capital ratios are sensitive to foreign currency movements, and any failure to appropriately manage Barclays Bank UK Group's balance sheet to take account of foreign currency movements could result in an adverse impact on regulatory capital.

e) Non-traded market risk/interest rate risk in the banking book
Barclays Bank UK Group's structural hedge programmes for interest rate risk in the banking book rely on behavioural assumptions. As a result, the success of the hedging strategy is not guaranteed. A potential mismatch between the expectations for balance and duration of assets/liabilities used within hedge assumptions and actual performance could lead to earnings deterioration. A liquidity buffer investment return shortfall could impact capital ratios.

iii) Operational risk

a) Cyber threat
The frequency of cyber-attacks continues to grow on an annual basis and is a global threat which is inherent across all industries, including the financial sector. As the financial sector remains a primary target for cyber criminals, 2017 and the first half of 2018 saw a number of highly publicised attacks involving ransomware, theft of intellectual property, customer data and service unavailability across a wide range of organisations.

The cyber threat increases the inherent risk to the availability of Barclays Bank UK Group services and to Barclays Bank UK Group's data (whether it is held by Barclays Bank UK Group or in its supply chain), to the integrity of financial transactions of Barclays Bank UK Group, its clients, counterparties and customers. Failure to adequately manage this threat and to continually evolve enterprise security and provide an active cyber security response capability could result in increased fraud losses, inability to perform critical economic functions, customer detriment, potential regulatory censure or penalties, legal liability, reduction in shareholder value and reputational damage.

b) Service resilience
Loss of or disruption to Barclays Bank UK Group business processing, whether arising through impacts on technology systems, real estate services, personnel availability or the support of major suppliers, represents a material inherent risk theme for Barclays Bank UK Group.

Failure to build resilience into business processes or into the services of technology, real estate or suppliers on which those processes depend may result in significant customer detriment, costs to reimburse losses incurred by our customers, potential regulatory censure or penalties, and reputational damage.

c) Outsourcing
Barclays Bank UK Group depends on suppliers, including Barclays Services Limited, for the provision of many of its services and the development of future technology driven product propositions, though Barclays Bank UK Group continues to be accountable for risks arising from the actions of such suppliers. Failure to monitor and control Barclays Bank UK Group's suppliers could potentially lead to client information, or critical infrastructures and services, not being adequately protected or available when required.

The dependency on suppliers and sub-contracting of outsourced services introduces concentration risk where the failure of specific suppliers could have an impact on our ability to continue to provide services that are material to Barclays Bank UK Group.

Failure to adequately manage outsourcing risk through control environments which remain robust to ever changing threats and challenges could result in increased losses, inability to perform critical economic functions, customer detriment, potential regulatory censure and penalty, legal liability and reputational damage.

d) Operational precision and payments
The risk of material errors in operational processes, including payments, are exacerbated during the present period of significant levels of structural and regulatory change, the evolving technology landscape, and a transition to digital channel capabilities.

Material operational or payment errors could disadvantage Barclays Bank UK Group customers, clients or counterparties and could result in regulatory censure or penalties, legal liability, reputational damage and financial loss by Barclays Bank UK Group.

e) New and emergent technology
Technological advancements present opportunities to develop new and innovative ways of doing business across Barclays Bank UK Group, with new solutions being developed both in-house and in association with third party companies. Introducing new forms of technology has the potential to increase inherent risk.

Failure to closely monitor risk exposure could lead to customer detriment, loss of business, regulatory censure, missed business opportunity and reputational damage.

f) Fraud
Fraud is a constantly evolving risk to Barclays Bank UK Group. This is exacerbated during periods of significant change, including the digitisation of products, which carry higher levels of inherent risk. As Barclays Bank UK Group continues to invest in new and upgraded fraud systems, criminals continually adapt and become ever more sophisticated in their approach. Risks from social engineering and attempts to trick customers into authorising payments, together with card fraud continue to grow and increasing regulatory focus is placing more responsibility on the industry to protect consumers.

In addition, internal fraud in Barclays Bank UK Group could result in high profile material losses together with regulatory censure or penalties and significant reputational damage.

g) Ability to hire and retain appropriately qualified employees
Barclays Bank UK Group has resource requirements to support existing revenue streams, moves into new business models and to deliver complex multi-year regulatory commitments and mandatory change. These commitments require diversified and specialist skilled colleagues and Barclays Bank UK Group's ability to attract, develop and retain such a diverse mix of talent is key to the delivery of its core business activity and strategy. This is impacted by a range of external and internal factors. External regulation such as the introduction of the Individual Accountability Regime and the required deferral and clawback provisions of our compensation arrangements may make Barclays Bank UK Group a less attractive proposition relative to both its international competitors and other industries, who do not have to comply with such regulation. Similarly, the impact of exit of the UK from the EU, in March 2019 (see (iii) Process of UK withdrawal from the European Union on page 7), could potentially have a more immediate impact on its ability to hire and retain key employees.

Failure to attract or prevent the departure of appropriately qualified and skilled employees who are dedicated to overseeing and managing current and future regulatory standards and expectations, or who have the necessary diversified skills required to deliver Barclays Bank UK Group's strategy, could negatively impact our financial performance, control environment and level of employee engagement. Additionally, this may result in disruption to service which could in turn lead to disenfranchising certain customer groups, customer detriment and reputational damage.

h) Tax risk
Barclays Bank UK Group is required to comply with domestic and international tax laws and practices. There is a risk that Barclays Bank UK Group could suffer losses due to additional tax charges, other financial costs or reputational damage as a result of failing to comply with such laws and practice, or by failing to manage its tax affairs in an appropriate manner. In addition, increasing customer tax reporting requirements and the digitisation of the administration of tax has potential to increase Barclays Bank UK Group's tax compliance burden further.

i) Critical accounting estimates and judgements
The preparation of financial statements in accordance with IFRS requires the use of estimates. It also requires management to exercise judgement in applying relevant accounting policies. The key areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the consolidated and individual financial statements include credit impairment charges for amortised cost assets, taxes, fair value of financial instruments, and provisions including conduct and legal, competition and regulatory matters. There is a risk that if the judgement exercised, or the estimates or assumptions used, subsequently turn out to be incorrect, this could result in significant loss to Barclays Bank UK Group, beyond what was anticipated or provided for.

The further development of standards and interpretations under IFRS could also significantly impact the financial results, condition and prospects of Barclays Bank UK Group.

j) Data management and information protection
Barclays Bank UK Group holds and processes large volumes of data, including personally identifiable information, intellectual property, and financial data. Failure to accurately collect and maintain this data, protect it from breaches of confidentiality and interference with its availability exposes Barclays Bank UK Group to the risk of loss or unavailability of data (including customer data covered under data protection and privacy below), data integrity issues. This could result in regulatory censure, legal liability and reputational damage, including the risk of substantial fines under the GDPR, which strengthens the data protection rights for customers and increases the accountability of Barclays Bank UK Group in its management of that data.

iv) Model risk

Enhanced model risk management requirements
Barclays Bank UK Group relies on models to support a broad range of business and risk management activities, including informing business decisions and strategies, measuring and limiting risk, valuing exposures (including the calculation of impairment), conducting stress testing, assessing capital adequacy, supporting new business acceptance and risk/reward evaluation, managing client assets, and meeting reporting requirements.

Models are, by their nature, imperfect and incomplete representations of reality because they rely on assumptions and inputs, and so they may be subject to errors affecting the accuracy of their outputs. For instance, the quality of the data used in models across Barclays Bank UK Group has a material impact on the accuracy and completeness of our risk and financial metrics.

Models may also be misused. Model errors or misuse may result in Barclays Bank UK Group making inappropriate business decisions and being subject to financial loss, regulatory risk, reputational risk and/or inadequate capital reporting.

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

a) Product governance and life cycle
Ineffective product governance, including design, approval and review of products, inappropriate controls over internal and third party sales channels, post sales services like complaints handling, collections and recoveries which could lead to poor customer outcomes, as well as regulatory sanctions, financial loss and reputational damage.

b) Financial crime
Barclays Bank UK Group may be adversely affected if it fails to effectively mitigate the risk that its employees or third parties facilitate, or that its products and services are used to facilitate financial crime (money laundering, terrorist financing, bribery and corruption and sanctions evasion). A major focus of US and UK government policy relating to financial institutions continues to be combating money laundering and enforcing compliance with US and EU economic sanctions. The failure to comply with such regulations may result in enforcement actions by the regulators and in the imposition of severe penalties, with a consequential impact on Barclays Bank UK Group's reputation and financial results.

c) Data protection and privacy
Proper handling of personal data is critical to sustaining long-term relationships with our customers and clients and to ensuring that we meet privacy laws and obligations. Failure to protect personal data can lead to potential detriment to our customers and clients, reputational damage, regulatory sanctions and financial loss, which under the GDPR may be substantial (see iii (j) Data management and information protection above).

d) Regulatory focus on culture and accountability
Regulators around the world continue to emphasise the importance of culture and personal accountability and the adoption and maintenance of adequate internal reporting and whistleblowing procedures in helping to ensure appropriate conduct and drive positive outcomes for customers, clients and markets. Failure to meet the requirements and expectations of the UK Senior Managers Regime, Certification Regime and Conduct Rules may lead to regulatory sanctions, both for the individuals and the firm.

vi) Reputation risk

Barclays Bank UK Group's association with sensitive sectors and its impact on reputation
A risk arising in one business area can have an adverse effect upon Barclays Bank UK Group's overall reputation; any one transaction, investment or event that, in the perception of key stakeholders reduces their trust in the firm's integrity and competence, has the potential to give rise to reputation risk for Barclays Bank UK Group and may result in loss of business, regulatory censure and missed business opportunity.

Barclays Bank UK Group's association with sensitive sectors is an area of concern for stakeholders and the following topics, which have the potential to impact upon Barclays Bank UK Group, are of regular interest:

- Climate risks and opportunities, including the activities of certain sections of the client base
- The risks of association with human rights violations through the perceived indirect involvement in human rights abuses committed by clients and customers
- Supporting the manufacture and export of military and riot control goods and services

In addition to the above, Reputation risk has the potential to arise from operational issues or conduct matters which cause detriment to customers, clients, market integrity, effective competition or Barclays Bank UK Group (see iii a) Cyber threat, iii j) Data management and information protection, and v) Conduct risk, above).

vii) Legal risk and legal, competition and regulatory matters

Legal disputes, regulatory investigations, fines and other sanctions relating to conduct of business and breaches of legislation and/or regulations may negatively affect Barclays Bank UK Group's results, reputation and ability to conduct its business. Legal outcomes can arise as a consequence of legal risk or because of past and future actions, behaviours and business decisions as a result of other Principal Risks.

Barclays Bank UK Group conducts diverse activities in a highly regulated market and therefore is exposed to the risk of fines and other sanctions relating to the conduct of its business. In recent years, authorities have increasingly investigated past practices, pursued alleged breaches and imposed heavy penalties on financial services firms. This trend is expected to continue. A breach of applicable legislation and/or regulations could result in Barclays Bank UK Group or its staff being subject to criminal prosecution, regulatory censure, fines and other sanctions in the jurisdictions in which it operates. Where clients, customers or other third parties are harmed by Barclays Bank UK Group's conduct, this may also give rise to legal proceedings, including class actions. Other legal disputes may also arise between Barclays Bank UK Group and third parties relating to matters such as breaches, enforcement of legal rights or obligations arising under contracts, statutes or common law. Adverse findings in any such matters may result in Barclays Bank UK Group being liable to third parties seeking damages, or may result in Barclays Bank UK Group's rights not being enforced as intended.

Details of legal, competition and regulatory matters to which Barclays Bank UK Group is currently exposed are set out in Note 12, Legal, competition and regulatory matters. In addition to matters specifically described in Note 12, Barclays Bank UK Group is engaged in various other legal proceedings which arise in the ordinary course of business and may from time to time also be subject to requests for information, investigations and other reviews by regulators, governmental and other public bodies in connection with business activities in which Barclays Bank UK Group is or has been engaged. In such cases Barclays Bank UK Group cooperates with the relevant authorities and keeps all relevant agencies briefed as appropriate in relation to such matters and any others described in Note 12 on an ongoing basis.

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

In January 2017, the Barclays Group was sentenced to serve three years of probation from the date of the sentencing order in accordance with the terms of its May 2015 plea agreement with the US Department of Justice (DoJ). During the term of probation, the Barclays Group must among other things, (i) commit no crime whatsoever in violation of the federal laws of the US, (ii) implement and continue to implement a compliance program designed to prevent and detect the conduct that gave rise to the plea agreement and (iii) strengthen its compliance and internal controls as required by relevant regulatory or enforcement agencies. Potential consequences of the Barclays Group and/or Barclays Bank UK Group breaching the plea agreement include the imposition of additional terms and conditions on the Barclays Group, an extension of the agreement, or the criminal prosecution of the Barclays Group and/or Barclays Bank UK Group, which could, in turn, entail further financial penalties and collateral consequences and have a material adverse effect on the Barclays Group's and/or Barclays Bank UK Group's business, operating results or financial position.

There is also a risk that the outcome of any legal, competition or regulatory matters in which Barclays Bank UK Group is involved may give rise to changes in law or regulation as part of a wider response by relevant law makers and regulators. A decision in any matter, either against Barclays Bank UK Group or another financial institution facing similar claims, could lead to further claims against Barclays Bank UK Group.

Statement of Directors' Responsibilities

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 17 to 21 have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union (EU), and that the interim management report herein includes a fair review of the information required by Disclosure Guidance and Transparency Rules ("DTR") 4.2.7R namely:

- *an indication of important events that have occurred during the six months ended 30 June 2018 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*

The information required by DTR 4.2.8R is not mandatory for Barclays Bank UK Group as it is not an issuer of listed shares. However, the Directors have determined to disclose equivalent information regarding related party transactions on a voluntarily basis. Barclays Bank UK Group was not required to file an annual report in 2017, accordingly the related party confirmation is given in respect of the six months ended 30 June 2018 and does not refer to previous disclosure. Accordingly, each of the Directors (the names of whom are set out below) confirm that to the best of their knowledge that the interim management report herein includes a fair review of the following information:

- *any related party transactions in the six months ended 30 June 2018 that have materially affected the financial position or performance of Barclays Bank UK Group during that period*

Signed on 1 August 2018 on behalf of the Board by

Ashok Vaswani
Barclays Bank UK Group Chief Executive

Angela Anna Cross
Barclays Bank UK Group Chief Financial Officer

Barclays Bank UK PLC Board of Directors:

Chairman
Sir Ian Cheshire

Executive Directors
Ashok Vaswani
Angela Anna Cross

Non-executive Directors
Avid Larizadeh Duggan
Michael Jary
Kathryn Matthews
Chris Pilling
Andrew Ratcliffe
David Thorburn
Sir John Timpson

Independent Review Report to Barclays Bank UK PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the Interim Results Announcement for the six months ended 30 June 2018 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 2018;
- 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 2018 is not prepared, in all material respects, in accordance with IAS 34, Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board 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.

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.

The annual financial statements of the Barclays Bank UK Group will be prepared in accordance with International Financial Reporting Standards as adopted by the EU. 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 by the EU.

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.

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.

KPMG LLP
Chartered Accountants
15 Canada Square
London, E14 5GL

1 August 2018

Condensed consolidated income statement (unaudited)

Continuing operations	Notes[1]	Half year ended 30.06.18[2] £m	Half year ended 30.06.17[3] £m
Net interest income		1,446	-
Net fee and commission income	4	371	-
Net investment income		26	-
Total income		**1,843**	**-**
Credit impairment charges and other provisions		(213)	-
Net operating income		**1,630**	**-**
Staff costs		(322)	-
Administration and general expenses		(739)	-
Operating expenses		**(1,061)**	**-**
Profit before tax		**569**	-
Tax charge		(135)	-
Profit after tax		**434**	**-**
Attributable to:			
Equity holders of the parent		399	-
Other equity instrument holders		35	-
Total equity holders of the parent		**434**	**-**
Non-controlling interests		-	-
Profit after tax		**434**	**-**

1 *For notes to the Financial Statements see pages 22 to 40.*
2 *Barclays Bank UK PLC acquired the UK banking business from Barclays Bank PLC on 1 April 2018.*
3 *Comparatives for the half year ended 30 June 2017 round to £nil when presented in rounded millions.*

Condensed consolidated statement of comprehensive income (unaudited)

	Notes[1]	Half year ended 30.06.18[2] £m	Half year ended 30.06.17[3] £m
Profit after tax		**434**	**-**
Other comprehensive income that may be recycled to profit or loss[4]:			
Fair value through other comprehensive income reserve	10	4	-
Cash flow hedging reserve	10	11	-
Other comprehensive income that may be recycled to profit or loss		**449**	**-**
Total comprehensive income for the period		**449**	**-**
Attributable to:			
Equity holders of the parent		449	-
Non-controlling interests		-	-
Total comprehensive income for the period		**449**	**-**

1 *For notes to the Financial Statements see pages 22 to 40.*
2 *Barclays Bank UK PLC acquired the UK banking business from Barclays Bank PLC on 1 April 2018.*
3 *Comparatives for the half year ended 30 June 2017 round to £nil when presented in rounded millions.*
4 *Reported net of tax.*

Condensed consolidated balance sheet (unaudited)

Assets	Notes[1]	As at 30.06.18[2] £m	As at 31.12.17 £m
Cash and balances at central banks		38,890	-
Cash collateral and settlement balances		3,057	-
Loans and advances at amortised cost[3]		187,039	53
Reverse repurchase agreements and other similar secured lending		995	-
Financial assets at fair value through the income statement		4,172	-
Derivative financial instruments		182	-
Financial investments		-	5
Financial assets at fair value through other comprehensive income[4]		6,787	-
Goodwill and intangible assets		3,536	-
Property, plant and equipment		503	-
Deferred tax assets		721	-
Other assets		1,442	2
Total assets		**247,324**	**60**
Liabilities			
Deposits at amortised cost		194,629	-
Cash collateral and settlement balances		229	-
Repurchase agreements and other similar secured borrowing		12,221	-
Debt securities in issue		13,612	-
Subordinated liabilities		3,134	-
Trading portfolio liabilities		1,403	-
Derivative financial instruments		430	-
Current tax liabilities		767	5
Other liabilities		2,236	8
Provisions	7	1,932	1
Total liabilities		**230,593**	**14**
Equity			
Called up share capital and share premium	8	13,049	5
Other reserves	10	87	20
Retained earnings		1,524	21
Shareholders' equity attributable to ordinary shareholders of the parent		**14,660**	**46**
Other equity instruments	9	2,070	-
Total equity excluding non-controlling interests		**16,730**	**46**
Non-controlling interests		1	-
Total equity		**16,731**	**46**
Total liabilities and equity		**247,324**	**60**

1 *For notes to the Financial Statements see pages 22 to 40.*
2 *Barclays Bank UK PLC acquired the UK banking business from Barclays Bank PLC on 1 April 2018.*
3 *On 1 January 2018, £53m of loans and advances to banks were reclassified to loans and advances at amortised cost, due to changes to the balance sheet presentation as at 31 December 2017. Further detail on the adoption of new accounting policies can be found in Note 1, Basis of preparation on pages 22 to 29 and the Credit risk disclosure on page 6.*
4 *Following the adoption of IFRS 9 on 1 January 2018 the transitional impact of which was immaterial, £5m of financial investments were reclassified to financial assets at fair value through other comprehensive income. Further detail on the adoption of new accounting policies can be found in Note 1, Basis of preparation on pages 22 to 29 and the Credit risk disclosure on page 6.*

Condensed consolidated statement of changes in equity (unaudited)

Half year ended 30.06.18[1]	Called up share capital and share premium[2] £m	Other equity instruments[2] £m	Other reserves[2] £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
Balance as at 1 January 2018	**5**	**-**	**20**	**21**	**46**	**-**	**46**
Profit after tax	-	35	-	399	434	-	434
Fair value through other comprehensive income reserve	-	-	4	-	4	-	4
Cash flow hedges	-	-	11	-	11	-	11
Total comprehensive income for the period	**-**	**35**	**15**	**399**	**449**	**-**	**449**
Issue of new ordinary shares	13,044	-	-	-	13,044	-	13,044
Equity settled share schemes	-	-	-	6	6	-	6
Net equity impact of Barclays Bank UK PLC transfer	-	2,070	52	46	2,168	-	2,168
Other equity instruments coupons paid	-	(35)	-	9	(26)	-	(26)
Vesting of employee share schemes	-	-	-	(9)	(9)	-	(9)
Capital contribution from Barclays Bank PLC	-	-	-	1,049	1,049	-	1,049
Other movements	-	-	-	3	3	1	4
Balance as at 30 June 2018	**13,049**	**2,070**	**87**	**1,524**	**16,730**	**1**	**16,731**
Half year ended 31.12.17							
Balance as at 1 July 2017	**5**	**-**	**-**	**6**	**11**	**-**	**11**
Profit after tax	-	-	-	15	15	-	15
Total comprehensive income for the period	**-**	**-**	**-**	**15**	**15**	**-**	**15**
Other movements	-	-	20	-	20	-	20
Balance as at 31 December 2017	**5**	**-**	**20**	**21**	**46**	**-**	**46**
Half year ended 30.06.17							
Balance as at 1 January 2017	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit after tax	-	-	-	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Issue of new ordinary shares	5	-	-	-	5	-	5
Capital contribution from Barclays PLC	-	-	-	6	6	-	6
Balance as at 30 June 2017	**5**	**-**	**-**	**6**	**11**	**-**	**11**

1 *Barclays Bank UK PLC acquired the UK banking business from Barclays Bank PLC on 1 April 2018.*
2 *Details of share capital, other equity instruments and other reserves are shown on page 37.*

Condensed consolidated cash flow statement (unaudited)

	Half year ended 30.06.18[1] £m	Half year ended 30.06.17 £m
Profit before tax	569	-
Adjustment for non-cash items	100	-
Changes in operating assets and liabilities[2]	4,713	-
Net cash from operating activities	**5,382**	**-**
Net cash acquired from the acquisition of the UK banking business	37,331	-
Other investing activities	(1,046)	-
Net cash from investing activities	**36,285**	**-**
Net cash from financing activities	(9)	6
Net increase in cash and cash equivalents	**41,658**	**6**
Cash and cash equivalents at beginning of the period	53	-
Cash and cash equivalents at end of the period	**41,711**	**6**

1 *Barclays Bank UK PLC acquired the UK banking business from Barclays Bank PLC on 1 April 2018.*
2 *Includes cash equivalents relating to the transfer of the UK banking business.*

1. Basis of preparation

These condensed consolidated interim financial statements for the six months ended 30 June 2018 have been prepared in accordance with the DTR of the UK's Financial Conduct Authority (the UK FCA) and with IAS 34, Interim Financial Reporting, as published by the International Accounting Standards Board (IASB) and adopted by the EU.

The consolidated interim financial statements have been prepared under the historical cost convention modified to include the fair valuation of particular financial instruments, to the extent required or permitted under International Financial Reporting Standards (IFRS) as set out in the relevant accounting policies. They are stated in millions of Pounds Sterling (£m), the functional currency of Barclays Bank UK Group.

The significant accounting policies are consistent with those of the Barclays Bank UK PLC accounting policies as published in the 31 December 2017 financial statements in addition to and except as disclosed below.

1. Consolidation
Barclays Bank UK Group applies IFRS 10, Consolidated Financial Statements.

The consolidated financial statements combine the financial statements of Barclays Bank UK PLC and all its subsidiaries. Subsidiaries are entities over which Barclays Bank UK PLC has control. The Barclays Bank UK Group has control over another entity when the Barclays Bank UK Group has all of the following:

1) power over the relevant activities of the investee, for example through voting or other rights;
2) exposure to, or rights to, variable returns from its involvement with the investee; and
3) the ability to affect those returns through its power over the investee.

The assessment of control is based on the consideration of all facts and circumstances. The Barclays Bank UK Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Intra-group transactions and balances are eliminated on consolidation. Consistent accounting policies are used throughout Barclays Bank UK Group for the purposes of consolidation.

Changes in ownership interests in subsidiaries are accounted for as equity transactions if they occur after control has already been obtained and they do not result in loss of control.

2. IFRS 9 Financial instruments
IFRS 9, Financial Instruments, which replaced IAS 39, Financial Instruments: Recognition and Measurement, has been applied effective from 1 January 2018, including the early adoption of 'Prepayment Features with Negative Compensation (Amendments to IFRS 9)' which was endorsed by the EU in March 2018. IFRS 9 includes an accounting policy choice to continue to apply hedge accounting in accordance with IAS 39, which Barclays Bank UK Group has decided to apply.

IFRS 9 was applied retrospectively by adjusting the opening balance sheet at the date of initial application, and comparative periods have not been restated. The transitional impact of IFRS 9 on 1 January 2018 was deemed immaterial.

(i) Changes in presentation
The following voluntary changes in presentation have been made as a result of the review of accounting presentation following the adoption of IFRS 9, and is expected to provide more relevant information to the users of the financial statements. These presentational changes have no effect on the measurement of these items and therefore had no impact on retained earnings or profit for any period. The effect of these presentational changes on transition are included in the condensed consolidated balance sheet on page 19 and are noted below:

- 'Loans and advances to banks' and 'loans and advances to customers' have been disaggregated and are now reported in 'loans and advances at amortised cost' and 'cash collateral and settlement balances'; and
- The available for sale assets which were previously reported in 'financial investments/available for sale investments' are now reported in 'financial assets at fair value through other comprehensive income'.

(ii) Application of IFRS 9

The accounting policies which have been applied effective from 1 January 2018 as a result of adopting IFRS 9 are as follows.

IFRS 9 requires financial assets to be classified on the basis of two criteria:
i) the business model within which financial assets are managed; and
ii)their contractual cash flow characteristics (whether the cash flows represent 'solely payments of principal and interest'(SPPI))

Business models were determined on initial application of IFRS 9. Barclays Bank UK Group assesses the business model criteria at a portfolio level. Information that is considered in determining the applicable business model includes (i) policies and objectives for the relevant portfolio, (ii) how the performance and risks of the portfolio are managed, evaluated and reported to management, and (iii) the frequency, volume and timing of sales in prior periods, sales expectation for future periods, and the reasons for such sales.

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

(iii) Financial instruments measured at amortised cost

Financial assets that are held in a business model to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are SPPI, are measured at amortised cost. The carrying value of these financial assets at initial recognition includes any directly attributable transaction costs.

In determining whether the business model is a 'hold to collect' model, the objective of the business model must be to hold the financial asset to collect contractual cash flows rather than holding the financial asset for trading or short-term profit taking purposes. While the objective of the business model must be to hold the financial asset to collect contractual cash flows this does not mean Barclays Bank UK Group is required to hold the financial assets until maturity. When determining if the business model objective is to collect contractual cash flows Barclays Bank UK Group will consider past sales and expectations about future sales.

Most financial liabilities are measured at amortised cost.

(iv) Financial assets measured at fair value through other comprehensive income ('FVOCI')

Financial assets that are debt instruments held in a business model that is achieved by both collecting contractual cash flows and selling, and that contain contractual terms that give rise on specified dates to cash flows that are SPPI, are measured at FVOCI. They are subsequently remeasured at fair value and changes therein (except for those relating to impairment, interest income, and foreign currency exchange gains and losses) are recognised in other comprehensive income until the assets are sold. Upon disposal, the cumulative gains and losses in other comprehensive income are recognised in the income statement in net investment income.

In determining whether the business model is achieved by both collecting contractual cash flows and selling financial assets, it is determined that both collecting contractual cash flows and selling financial assets are integral to achieving the objective of the business model. When determining if the business model is achieved by both collecting contractual cash flows and selling financial assets, Barclays Bank UK Group will consider past sales and expectations about future sales.

(v) Equity securities

For equity securities that are not held for trading, Barclays Bank UK Group may make an irrevocable election to present subsequent changes in the fair value of the instrument in other comprehensive income, (except for dividend income which is recognised in profit or loss). Gains or losses on the derecognition of these equity securities are not transferred to profit or loss. These assets are also not subject to the impairment requirements and therefore no amounts are recycled to the income statement. Where Barclays Bank UK Group has not made the irrevocable election to present subsequent changes in the fair value of the instrument in other comprehensive income, equity securities are measured at fair value through profit or loss.

(vi) Financial instruments designated at fair value through profit or loss

Financial assets, other than those held for trading, are classified in this category if they are so irrevocably designated at inception and the use of the designation removes or significantly reduces an accounting mismatch.

Subsequent changes in fair value are recognised in the income statement in net investment income.
Financial liabilities can be designated at fair value through profit or loss if they meet one or more of the criteria set out below and are so designated irrevocable at inception:

- the use of the designation removes or significantly reduces an accounting mismatch;
- when a group of financial assets and liabilities or a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- where the financial liability contains one or more non-closely related embedded derivatives.

Subsequent changes in fair value, other than changes in fair value due to own credit which are reported through other comprehensive income, are recognised in the income statement in net investment income, except if reporting it in trading income reduces an accounting mismatch.

(vii) Financial assets at fair value through profit or loss
Financial assets that are held for trading are recognised at fair value through profit or loss.

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

(viii) Derivatives
Derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices defined in the contract. All derivative instruments are held at fair value through profit or loss, except for derivatives that are in a designated cash flow or net investment hedge accounting relationship. This includes terms included in a contract or financial liability (the host), which, had it been a standalone contract, would have met the definition of a derivative. If these are separated from the host, i.e. when the economic characteristics of the embedded derivative are not closely related with those of the host contract and the combined instrument is not measured at fair value through profit or loss, then they are accounted for in the same way as derivatives. For financial assets, the requirements are whether the financial asset contains contractual terms that give rise on specified dates to cash flows that are SPPI, and consequently the requirements for accounting for embedded derivatives are not applicable to financial assets.

(ix) Hedge accounting
The Barclays Bank UK Group applies hedge accounting to represent, to the maximum possible extent permitted under accounting standards, the economic effects of its interest and currency risk management strategies. Where derivatives are held for risk management purposes, and when transactions meet the required criteria for documentation and hedge effectiveness, the Barclays Bank UK Group applies fair value hedge accounting or cash flow hedge accounting as appropriate to the risks being hedged.

Fair value hedge accounting
Changes in fair value of derivatives that qualify and are designated as fair value hedges are recorded in the income statement, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The fair value changes adjust the carrying value of the hedged asset or liability held at amortised cost.

If hedge relationships no longer meet the criteria for hedge accounting, hedge accounting is discontinued. For fair value hedges of interest rate risk, the fair value adjustment to the hedged item is amortised to the income statement over the period to maturity of the previously designated hedge relationship using the effective interest method. If the hedged item is sold or repaid, the unamortised fair value adjustment is recognised immediately in the income statement.

Cash flow hedge accounting
For qualifying cash flow hedges, the fair value gain or loss associated with the effective portion of the cash flow hedge is recognised initially in other comprehensive income, and then recycled to the income statement in the periods when the hedged item will affect profit or loss. Any ineffective portion of the gain or loss on the hedging instrument is recognised in the income statement immediately.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged item is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in equity is immediately transferred to the income statement.

(x) Impairment
Entities are required to recognise expected credit losses (ECLs) based on unbiased forward-looking information for all financial assets at amortised cost, lease receivables, debt financial assets at fair value through other comprehensive income, loan commitments and financial guarantee contracts. Intercompany exposures, including loan commitments and financial guarantee contracts, are also in scope under IFRS 9.

At the reporting date, an allowance (or provision for loan commitments and financial guarantees) is required for the 12 month ECLs. If the credit risk has significantly increased since initial recognition (Stage 1), an allowance (or provision) should be recognised for the lifetime ECLs for financial instruments for which the credit risk has increased significantly since initial recognition (Stage 2) or which are credit impaired (Stage 3).

The measurement of ECL is calculated using three main components: (i) probability of default (PD), (ii) loss given default (LGD) and (iii) the exposure at default (EAD).

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

Determining a significant increase in credit risk since initial recognition:

Barclays Bank UK Group assesses when a significant increase in credit risk has occurred based on quantitative and qualitative assessments. Exposures are considered to have resulted in a significant increase in credit risk and are moved to Stage 2 when:

i) Quantitative test
The annualised cumulative weighted average lifetime PD has increased by more than an agreed threshold relative to the equivalent at origination. PD deterioration thresholds are defined as percentage increases, and are set at an origination score band and segment level to ensure the test appropriately captures significant increases in credit risk at all risk levels. Generally, thresholds are inversely correlated to the origination PD, i.e. as the origination PD increases, the threshold value reduces.

The assessment of materiality, i.e. at what point a PD increase is deemed 'significant', is based upon analysis of the portfolios' risk profile against a common set of principles and performance metrics, incorporating expert credit judgement where appropriate.

For existing/historic exposures where origination point scores/data are no longer available or do not represent a comparable estimate of lifetime PD, a proxy origination score is defined, based upon:
- Back-population of the approved lifetime PD score either to origination date or, where this is not feasible, as far back as possible, (subject to a data start point no later than 1 January 2015); or
- Use of available historic account performance data and other customer information, to derive a comparable 'proxy' estimation of origination PD

ii) Qualitative test
Accounts meet the portfolio's 'high risk' criteria and are subject to closer credit monitoring.
High risk customers may not be in arrears but either through an event or an observed behaviour, exhibit potential credit distress. The definition and assessment of high risk includes as wide a range of information as reasonably available, including industry and Barclays Group wide customer level data wherever possible or relevant.

Whilst the high risk populations applied for IFRS 9 impairment purposes are aligned with risk management processes, they are also regularly reviewed and validated to ensure that they capture any incremental segments where there is evidence of credit deterioration.

iii) Backstop criteria
Accounts that are 30 calendar days or more past due. The 30 days past due criteria is a backstop rather than a primary driver of moving exposures into Stage 2.

Exposures will move back to Stage 1 once they no longer meet the criteria for a significant increase in credit risk and when any cure criteria used for credit risk management are met. This is subject to all payments being up to date and the customer evidencing ability and willingness to maintain future payments.

Barclays Bank UK Group does not rely on the low credit risk exemption which would assume facilities of investment grade are not significantly deteriorated. Determining the PD at initial recognition requires management estimates.

Management overlays and other exceptions to model outputs are applied only if consistent with the objective of identifying significant increases in credit risk.

(xi) Forward-looking information

Credit losses are the expected cash shortfalls from what is contractually due over the expected life of the financial instrument, discounted at the original effective interest rate (EIR). ECLs are the unbiased probability-weighted credit losses determined by evaluating a range of possible outcomes and considering future economic conditions. When there is a non-linear relationship between forward-looking economic scenarios and their associated credit losses, five forward-looking economic scenarios are considered to ensure a sufficient unbiased representative sample of the complete distribution is included in determining the expected loss. Stress testing methodologies are leveraged within forecasting economic scenarios.

The measurement of ECL involves increased complexity and judgement, including estimation of PD, LGD, a range of unbiased future economic scenarios, estimation of expected lives, and estimation of EAD and assessing significant increases in credit risk. Impairment charges will tend to be more volatile and will be recognised earlier. Unsecured products with longer expected lives, such as revolving credit cards, are the most impacted.

Barclays Bank UK Group utilises an external consensus forecast as the baseline scenario. In addition, two adverse and two favourable scenarios are derived, with associated probability weightings. The adverse scenarios are calibrated to a similar severity to internal stress tests, whilst also incorporating IFRS 9 specific sensitivities and non-linearity. The most adverse scenarios are benchmarked to the Bank of England's annual cyclical scenarios and to the most severe scenarios from Moody's inventory, but are not designed to be the same. The favourable scenarios are calibrated to be symmetric to the adverse scenarios, subject to a ceiling calibrated to relevant recent favourable benchmark scenarios. The scenarios include six core variables, (GDP, unemployment and House Price Index in both the UK and US markets), and expanded variables using statistical models based on historical correlations. The probability weights of the scenarios are estimated such that the baseline (reflecting current consensus outlook) has the highest weight and the weights of adverse and favourable scenarios depend on the deviation from the baseline; the further from the baseline, the smaller the weight. A single set of five scenarios is used across all portfolios and all five weights are normalised to equate to 100%. The impacts across the portfolios are different because of the sensitivities of each of the portfolios to specific macro-economic variables, for example, mortgages are highly sensitive to house prices and base rates, and credit cards and unsecured consumer loans are highly sensitive to unemployment.

(xii) Definition of default, credit impaired assets, write-offs, and interest income recognition

The definition of default for the purpose of determining ECLs has been aligned to the Regulatory Capital CRR Article 178 definition of default, which considers indicators that the debtor is unlikely to pay, includes exposures in forbearance and is no later than when the exposure is more than 90 days past due or 180 days past due in the case of UK mortgages. When exposures are identified as credit impaired or purchased or originated as such, interest income is calculated on the carrying value net of the impairment allowance.

Credit impaired is when the exposure has defaulted, which is also anticipated to align to when an exposure is identified as individually impaired.

Uncollectible loans are written off against the related allowance for loan impairment on completion of the Barclays Bank UK Group's internal processes and when all reasonably expected recoverable amounts have been collected. Subsequent recoveries of amounts previously written off are credited to the income statement.

(xiii) Loan modifications and renegotiations that are not credit-impaired

When modification of a loan agreement occurs as a result of commercial restructuring activity rather than due to credit risk of the borrower, an assessment must be performed to determine whether the terms of the new agreement are substantially different from the terms of the existing agreement. This assessment considers both the change in cash flows arising from the modified terms as well as the change in overall instrument risk profile.

Where terms are substantially different, the existing loan will be derecognised and new loan recognised at fair value, with any difference in valuation recognised immediately within the income statement, subject to observability criteria.

Where terms are not substantially different, the loan carrying value will be adjusted to reflect the present value of modified cash flows discounted at the original EIR, with any resulting gain or loss recognised immediately within the income statement as a modification gain or loss.

(xiv) Expected life

Lifetime ECLs must be measured over the expected life. This is restricted to the maximum contractual life and takes into account expected prepayment, extension, call and similar options. The exceptions are certain revolver financial instruments, such as credit cards and bank overdrafts, that include both a drawn and an undrawn component where the entity's contractual ability to demand repayment and cancel the undrawn commitment does not limit the entity's exposure to credit losses to the contractual notice period. The expected life for these revolver facilities is expected to be behavioural life. Where data is insufficient or analysis inconclusive, an additional 'maturity factor' may be incorporated to reflect the full estimated life of the exposures, based upon experienced judgement and/or peer analysis. Potential future modifications of contracts are not taken into account when determining the expected life or EAD until they occur.

(xv) Discounting

ECLs are discounted at the EIR at initial recognition or an approximation thereof and consistent with income recognition. For loan commitments, the EIR is the rate that is expected to apply when the loan is drawn down and a financial asset is recognised. Issued financial guarantee contracts are discounted at the risk free rate. Lease receivables are discounted at the rate implicit in the lease. For variable/floating rate financial assets, the spot rate at the reporting date is used and projections of changes in the variable rate over the expected life are not made to estimate future interest cash flows or for discounting.

(xvi) Modelling techniques

ECLs are calculated by multiplying three main components, being the PD, LGD and the EAD, discounted at the original EIR. The regulatory Basel Committee of Banking Supervisors (BCBS) ECL calculations are leveraged for IFRS 9 modelling but adjusted for key differences which include:

- BCBS requires 12 month through the economic cycle losses whereas IFRS 9 requires 12 months or lifetime point in time losses based on conditions at the reporting date and multiple forecasts of the future economic conditions over the expected lives
- IFRS 9 models do not include certain conservative BCBS model floors and downturn assessments and require discounting to the reporting date at the original EIR rather than using the cost of capital to the date of default
- Management adjustments are made to modelled output to account for situations where known or expected risk factors and information have not been considered in the modelling process, for example forecast economic scenarios for uncertain political events; and
- ECL is measured at the individual financial instrument level, however a collective approach where financial instruments with similar risk characteristics are grouped together, with apportionment to individual financial instruments, is used where effects can only be seen at a collective level, for example for forward-looking information

For the IFRS 9 impairment assessment, Barclays Bank UK PLC risk models are used to determine the PD, LGD and EAD. For Stage 2 and 3, Barclays applies lifetime PDs but uses 12 month PDs for Stage 1. The ECL drivers of PD, EAD and LGD are modelled at an account level which considers vintage, among other credit factors. Also, the assessment of significant increase in credit risk is based on the initial lifetime PD curve, which accounts for the different credit risk underwritten over time.

(xvii) Forbearance

A financial asset is subject to forbearance when it is modified due to the credit distress of the borrower. A modification made to the terms of an asset due to forbearance will typically be assessed as a non-substantial modification that does not result in derecognition of the original loan, except in circumstances where debt is exchanged for equity.

Both performing and non-performing forbearance assets are classified as Stage 3 except where it is established that the concession granted has not resulted in diminished financial obligation and that no other regulatory definitions of default criteria has been triggered, in which case the asset is classified as Stage 2. The minimum probationary period for non-performing forbearance is 12 months and for performing forbearance, 24 months. Hence, a minimum of 36 months is required for non-performing forbearance to move out of a forborne state.

No financial instrument in forbearance can transfer back to Stage 1 until all of the Stage 2 thresholds are no longer met and can only move out of Stage 3 when no longer credit impaired.

3. Issued debt and equity instruments

The Barclays Bank UK Group applies IAS 32, Financial Instruments: Presentation, to determine whether funding is either a financial liability (debt) or equity.

Issued financial instruments or their components are classified as liabilities if the contractual arrangement results in the Barclays Bank UK Group having an obligation to either deliver cash or another financial asset, or a variable number of equity shares, to the holder of the instrument. If this is not the case, the instrument is generally an equity instrument and the proceeds included in equity, net of transaction costs. Dividends and other returns to equity holders are recognised when paid or declared by the members at the Annual General Meeting (AGM) and treated as a deduction from equity.

Where issued financial instruments contain both liability and equity components, these are accounted for separately. The fair value of the debt is estimated first and the balance of the proceeds is included within equity.

4. Common control transactions

Transactions under common control are transactions under which all the combining entities or businesses are ultimately controlled by the same party both before and after the transaction and that control is not transitory.

Barclays Bank UK Group has adopted predecessor book value accounting for common control transactions involving businesses. Acquisition accounting, which involves restatement at fair value of assets and liabilities of the business transferred, is therefore not applied.

Barclays Bank UK Group's application of predecessor book value accounting requires the acquiring entity's financial statements to be prepared using predecessor carrying values from the highest level of consolidation as at the date of the transaction. No adjustments are made to reflect fair values and no new goodwill is recognised. The comparative periods prior to the transaction date are not restated, such that the transferred businesses results and carrying amounts of assets and liabilities are reported prospectively from the date of the acquisition. The acquiring entity will also generally recognise the other comprehensive income reserves of the transferring entity, except in situations where the acquiring entity does not recognise the related underlying assets or liabilities.

Other transactions under common control not involving the acquisition of a business would be accounted for in accordance with IFRS's as applicable.

5. Revenue from contracts with customers

IFRS 15, Revenue from Contracts with Customers, which replaced IAS 18, Revenue and IAS 11, Construction Contracts, has been applied effective from 1 January 2018. It applies to all contracts with customers except leases, financial instruments and insurance contracts. The standard establishes a more systematic approach for revenue measurement and recognition by introducing a five-step model governing revenue recognition. The five-step model requires Barclays Bank UK Group to (i) identify the contract with the customer, (ii) identify each of the performance obligations included in the contract, (iii) determine the amount of consideration in the contract, (iv) allocate the consideration to each of the identified performance obligations and (v) recognise revenue as each performance obligation is satisfied.

There are no significant impacts from the adoption of IFRS 15 in relation to the timing of when Barclays Bank UK Group recognises revenues or when revenue should be recognised gross as a principal or net as an agent. Therefore, Barclays Bank UK Group will continue to recognise fee and commission income charged for services provided by the Barclays Bank UK Group as the services are provided (for example on completion of the underlying transaction). Revenue recognition for trading income and net investment income are recognised based on requirements of IFRS 9.

6. Financial assets and liabilities – fair values

All financial instruments are initially recognised at fair value on the date of initial recognition (including transaction costs, other than financial instruments held at fair value through profit or loss) and, depending on the classification of the asset or liability, may continue to be held at fair value either through profit or loss or other comprehensive income. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Wherever possible, fair value is determined by reference to a quoted market price for that instrument. For many of the Barclays Bank UK Group's financial assets and liabilities, especially derivatives, quoted prices are not available and valuation models are used to estimate fair value. The models calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value. These models use as their basis independently sourced market inputs including, for example, interest rate yield curves, equities and commodities prices, option volatilities and currency rates.
On initial recognition, it is presumed that the transaction price is the fair value unless there is observable information available in an active market to the contrary. The best evidence of an instrument's fair value on initial recognition is typically the transaction price. However, if fair value can be evidenced by comparison with other observable current market transactions in the same instrument, or is based on a valuation technique whose inputs include only data from observable markets, then the instrument should be recognised at the fair value derived from such observable market data.

For valuations that had made use of unobservable inputs, the difference between the model valuation and the initial transaction price ('day one profit') is recognised in profit or loss either: on a straight-line basis over the term of the transaction; or over the period until all model inputs will become observable where appropriate; or released in full when previously unobservable inputs become observable.

Various factors influence the availability of observable inputs and these may vary from product to product and change over time. Factors include the depth of activity in the relevant market, the type of product, whether the product is new and not widely traded in the marketplace, the maturity of market modelling and the nature of the transaction (bespoke or generic).

To the extent that valuation is based on models or inputs that are not observable in the market, the determination of fair value can be more subjective, dependent on the significance of the unobservable input to the overall valuation. Unobservable inputs are determined based on the best information available, for example by reference to similar assets, similar maturities or other analytical techniques.

7. Provisions

The Barclays Bank UK Group applies IAS 37, Provisions, Contingent Liabilities and Contingent Assets in accounting for non-financial liabilities.

Provisions are recognised for present obligations arising as consequences of past events where it is more likely than not that a transfer of economic benefit will be necessary to settle the obligation, which can be reliably estimated. Provision is made for the anticipated cost of restructuring, including redundancy costs when an obligation exists; for example, when the Barclays Bank UK Group has a detailed formal plan for restructuring a business and has raised valid expectations in those affected by the restructuring by announcing its main features or starting to implement the plan.

8. Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events, and present obligations where the transfer of economic resources is uncertain or cannot be reliably measured. Contingent liabilities are not recognised on the balance sheet but are disclosed unless the outflow of economic resources is remote.

9. Segmental reporting

The Barclays Bank UK Group's segmental reporting is presented in accordance with IFRS 8, Operating Segments. Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Committee, which is responsible for allocating resources and assessing performance of the operating segments, and has been identified as the chief operating decision maker. All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated in Head Office. Income and expenses directly associated with each segment are included in determining business segment performance.

10. Going concern

Having reassessed the Principal Risks, the directors considered it appropriate to adopt the going concern basis of accounting in preparing the interim financial information.

2. Acquisition of business

Following the court approval of the ring-fencing transfer scheme on 9 March 2018, the UK banking business of Barclays Bank PLC largely comprising Personal Banking, Barclaycard Consumer UK and Business Banking customers, and related assets and liabilities was acquired by Barclays Bank UK PLC on 1 April 2018, to meet the regulatory ring-fencing requirement under the Financial Services (Banking Reform) Act 2013 and related legislation.

The assets and liabilities, including goodwill were recognised by Barclays Bank UK PLC at their predecessor book values in the consolidated financial statements of Barclays PLC on the date of transfer. The total net assets transferred to Barclays Bank UK PLC were £16.3bn. Net assets of £13.0bn were transferred in exchange for three ordinary shares issued by Barclays Bank UK PLC and the remaining assets were transferred for no consideration. As a result of the transfer the share capital, reserves and other equity instruments of Barclays Bank UK PLC increased by £16.3bn.

The acquisition from Barclays Bank PLC has resulted in a material change to the financial position and results of Barclays Bank UK PLC in comparison to the prior period. The individual assets acquired and liabilities assumed as part of the acquisition are detailed below:

Assets	As at 01.01.18[1] £m	Acquisition of UK banking business £m	Movement for the period £m	As at 30.06.18 £m
Cash and balances at central banks	-	37,331	1,559	**38,890**
Cash collateral and settlement balances	-	8,649	(5,592)	**3,057**
Loans and advances at amortised cost	53	184,846	2,140	**187,039**
Reverse repurchase agreements and other similar secured lending	-	1,338	(343)	**995**
Financial assets at fair value through the income statement	-	5,616	(1,444)	**4,172**
Derivative financial instruments	-	2,777	(2,595)	**182**
Financial assets at fair value through other comprehensive income	5	5,539	1,243	**6,787**
Goodwill and intangible assets	-	3,537	(1)	**3,536**
Property, plant and equipment	-	510	(7)	**503**
Deferred tax assets	-	747	(26)	**721**
Other assets	2	2,890	(1,450)	**1,442**
Total assets	**60**	**253,780**	**(6,516)**	**247,324**
Liabilities				
Deposits at amortised cost	-	194,150	479	**194,629**
Cash collateral and settlement balances	-	432	(203)	**229**
Repurchase agreements and other similar secured borrowing	-	12,149	72	**12,221**
Debt securities in issue	-	12,303	1,309	**13,612**
Subordinated liabilities	-	3,019	115	**3,134**
Trading portfolio liabilities	-	1,765	(362)	**1,403**
Derivative financial instruments	-	8,809	(8,379)	**430**
Current tax liabilities	5	671	91	**767**
Other liabilities	8	1,933	295	**2,236**
Provisions	1	2,288	(357)	**1,932**
Total liabilities	**14**	**237,519**	**(6,940)**	**230,593**

1 *Barclays Bank UK Group acquired Barclays Insurance Services Company Limited on 31 August 2017. The total net assets transferred were £19.7m in exchange for one ordinary share of £0.01 issued to Barclays Bank PLC.*

The narrative below provides further granularity of the items transferred as part of the acquisition of the UK banking business from Barclays Bank PLC. The items transferred included (but were not limited to):

- Loans and advances at amortised cost of £184,846m relating to the UK banking business were transferred, including home loans of £133,641m, credit cards and unsecured loans of £22,621m, and corporate loans of £27,396m

- Derivative assets and liabilities consisted of hedges for assets held at fair value as well those designated in hedge accounting relationships. The fair value of the derivative assets was £2,777m and the fair value of the derivative liabilities was £8,809m. Subsequent to acquisition, the majority of the derivative hedge positions have been cleared through a central clearing house, also reducing the cash collateral and settlement balances

- Financial assets at fair value through other comprehensive income consisted of debt securities of £5,539m

- Property, plant and equipment relating to the UK banking business with a net book value of £510m (gross cost of £971m and accumulated depreciation of £461m)

- Goodwill relating to the UK banking business with a net book value of £3,526m and licences and other intangible assets with a net book value of £11m (gross cost of £90m and accumulated amortisation of £79m)

- Other assets of £2,890m consisted of sundry receivables of £2,050m predominately relating to balances held with Barclays Bank PLC, items in the course of collection of £588m, accrued income of £146m and prepayments of £106m

- Deposits at amortised cost of £194,150m consists of current, saving and time deposits of UK banking business customers, and deposits with banks

- Debt securities in issue consisted of covered bonds of £8,302m and other debt securities of £4,001m

- Other liabilities consisted of sundry creditors of £1,655m and accruals and deferred income of £278m

The share capital, share premium and reserves of Barclays Bank UK PLC have been impacted as follows as a result of the acquisition of the UK banking business: share capital and share premium have increased £13,044m, other equity instruments have increased £2,070m, other reserves and retained earnings have increased £1,147m.

3. Segmental reporting

Following the acquisition of the UK banking business on 1 April 2018 from Barclays Bank PLC, the Barclays Bank UK Group activities have been segmented into Personal Banking, Barclaycard Consumer UK and Business Banking.

Analysis of results by business[1]

Half year ended 30.06.18	Personal Banking £m	Barclaycard Consumer UK £m	Business Banking £m	Head Office £m	Barclays Bank UK Group £m
Total income	1,063	504	320	(44)	1,843
Credit impairment charges and other provisions	(48)	(139)	(26)	-	(213)
Net operating income/(expenses)	**1,015**	**365**	**294**	**(44)**	**1,630**
Operating expenses	(726)	(153)	(175)	(7)	(1,061)
Profit/(loss) before tax	**289**	**212**	**119**	**(51)**	**569**

1 *The UK banking business was acquired from Barclays Bank PLC on 1 April 2018. Refer to Note 2, Acquisition of business on pages 30 to 31 for further details.*

4. 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 30.06.18	Personal Banking £m	Barclaycard Consumer UK £m	Business Banking £m	Head Office £m	Barclays Bank UK Group £m
Fee type					
Transactional	167	56	44	-	267
Advisory	-	-	74	-	74
Other	51	4	12	-	67
Total revenue from contracts with customers	**218**	**60**	**130**	**-**	**408**
Other non-contract fee income	-	-	-	-	-
Fee and commission income	**218**	**60**	**130**	**-**	**408**
Fee and commission expense	(15)	(8)	(14)	-	(37)
Net fee and commission income	**203**	**52**	**116**	**-**	**371**

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

Advisory fees are generated from asset management services and advisory services related to mergers, acquisitions and financial restructuring.

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.

5. Fair value of financial instruments

This section should be read in conjunction with Note 1, Basis of preparation on pages 22 to 29, which provides more detail about accounting policies adopted and valuation methodologies used in calculating fair value.

Valuation

The following table shows Barclays Bank UK Group's assets and liabilities that are held at fair value disaggregated by valuation technique (fair value hierarchy) and balance sheet classification:

	Valuation technique using			
As at 30.06.18	Quoted market prices (Level 1) £m	Observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m	Total £m
Financial assets at fair value through the income statement	-	24	4,148	**4,172**
Derivative financial instruments	-	182	-	**182**
Financial assets at fair value through other comprehensive income	2,786	4,001	-	**6,787**
Total assets	**2,786**	**4,207**	**4,148**	**11,141**
Trading portfolio liabilities	(1,403)	-	-	**(1,403)**
Derivative financial instruments	-	(430)	-	**(430)**
Total liabilities	**(1,403)**	**(430)**	**-**	**(1,833)**

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 product type:

	Assets Valuation technique using			Liabilities Valuation technique using		
As at 30.06.18	Quoted market prices (Level 1) £m	Observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m	Quoted market prices (Level 1) £m	Observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m
Interest rate derivatives	-	71	-	-	(389)	-
Foreign exchange derivatives	-	111	-	-	(41)	-
Government and government sponsored debt	2,786	3,847	-	(1,403)	-	-
Corporate debt	-	104	-	-	-	-
Non-asset backed loans	-	24	4,148	-	-	-
Asset backed securities	-	50	-	-	-	-
Total	**2,786**	**4,207**	**4,148**	**(1,403)**	**(430)**	**-**

Assets and liabilities reclassified between Level 1 and Level 2

There were no material transfers between Level 1 and Level 2.

Level 3 movement analysis

The following table summarises the movements in the Level 3 balance 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.

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 01.01.18 £m	Purchases[1] £m	Sales £m	Issues £m	Settlements £m	Total gains and losses in the period recognised in the income statement: Trading Income[2] £m	Other income £m	Total gains or losses recognised in other comprehensive income £m	Transfers: In £m	Out £m	As at 30.06.18 £m
Non-asset backed loans	-	4,432	-	-	(272)	(12)	-	-	-		4,148
Financial assets at fair value through the income statement	**-**	**4,432**	**-**	**-**	**(272)**	**(12)**	**-**	**-**	**-**		**4,148**

1 *On 1 April 2018, £4.4bn of non-asset backed loans were transferred as part of the acquisition of the UK banking business.*

2 *Trading income is presented within net investment income in the consolidated income statement.*

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:

	Income statement			
	Trading[1] income	Other income	Other comprehensive income	Total
Half year ended 30.06.18	£m	£m	£m	£m
Financial assets at fair value through the income statement	(12)	-	-	(12)
Total	**(12)**	**-**	**-**	**(12)**

1 *Trading income is presented within net investment income in the consolidated income statement.*

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.

Sensitivity analysis of valuations using unobservable inputs

	Favourable changes		Unfavourable changes	
	Income statement	Equity	Income statement	Equity
As at 30.06.18	£m	£m	£m	£m
Non-asset backed loans	70	-	(267)	-
Total	**70**	**-**	**(267)**	**-**

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 £14m for financial instruments measured at fair value and £215m for financial instruments carried at amortised cost. The balance of £14m in financial instruments measured at fair value reflects a transfer in of £15m from Barclays Bank PLC, offset by £1m subsequent amortisation and releases. The balance of £215m in financial instruments carried at amortised cost reflects the transfer in of £222m from Barclays Bank PLC and subsequent additions of £5m, offset by subsequent amortisation and releases of £12m.

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

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 30.06.18	
Financial assets	Carrying amount £m	Fair Value £m
Cash collateral and settlement balances	3,057	3,057
Loans and advances to customers at amortised cost:		
-Home loans	135,315	134,476
-Credit cards, unsecured and other retail lending	22,554	23,108
-Corporate loans	29,170	27,724
Reverse repurchase agreements and other similar secured lending	995	995
Financial liabilities		
Deposits at amortised cost:		
- Banks	(1,878)	(1,878)
- Current and demand accounts	(70,348)	(70,348)
- Savings accounts	(108,078)	(108,078)
- Other time deposits	(14,325)	(14,341)
Cash collateral and settlement balances	(229)	(229)
Repurchase agreements and other similar secured borrowing	(12,221)	(12,221)
Debt securities in issue	(13,612)	(14,270)
Subordinated liabilities	(3,134)	(3,134)

6. Retirement benefits

As permitted under the Financial Services and Markets Act 2000 (Banking Reform) (Pensions) Regulations 2015, from 1 September 2017, until the end of 2025, Barclays Bank UK PLC will participate as an employer in the UK Retirement Fund (UKRF). Barclays Bank UK PLC will make contributions for the future service of its employees who are currently Afterwork members and, in the event of Barclays Bank PLC's insolvency during this period, Barclays Bank UK PLC would step in as principal employer of the UKRF. Barclays Bank PLC remains the sponsoring employer of the UKRF.

Under IAS 19, the defined benefit obligation remains with Barclays Bank PLC and Barclays Bank UK PLC recognises a cost equal to its contributions to the scheme. In accordance with accounting standards, Barclays Bank UK PLC does not account for any potential additional liability to the scheme at the end of the transitional phase.

The UKRF Trustee and Barclays Bank PLC have entered into an arrangement with effect from 5 July 2017, whereby a collateral pool has been put in place to provide security for 100% of the UKRF funding deficit as it increases or decreases over time, and associated deficit recovery contributions, with a cap of £9.0bn. The collateral pool is currently made up of government securities. The arrangement provides the UKRF Trustee with dedicated access to the pool of assets in the event of Barclays Bank PLC not paying a deficit reduction contribution to the UKRF or in the event of Barclays Bank PLC's insolvency.

In the event of Barclays Bank PLC not paying a deficit reduction contribution payment required under the 2016 valuation recovery plan by a specified pre-payment date, Barclays PLC has entered into an arrangement with effect from 1 April 2018, whereby it will be required to use, in first priority, dividends received from Barclays Bank UK PLC (if any) to invest the proceeds in Barclays Bank PLC (up to the maximum amount of the deficit reduction contribution unpaid by Barclays Bank PLC). The proceeds of the investment will be used to discharge Barclays Bank PLC's unpaid deficit reduction contribution.

7. Provisions

	As at 30.06.18 £m
Payment Protection Insurance redress	1,374
Other customer redress	388
Legal, competition and regulatory matters	3
Redundancy and restructuring	14
Undrawn contractually committed facilities and guarantees[1]	87
Onerous contracts	43
Sundry provisions	23
Total	**1,932**

1 *Undrawn contractually committed facilities and guarantees provisions are accounted for under IFRS 9.*

Payment Protection Insurance (PPI) redress

As at 30 June 2018, the Barclays Bank UK Group held a provision totalling £1.4bn against the cost of PPI redress and associated processing costs.

The Barclays Group has recognised cumulative provisions totalling £9.6bn (December 2017: £9.2bn), £0.4bn of which was recognised in Q118 against the cost of PPI redress and associated processing costs with utilisation of £8.2bn (December 2017: £7.6bn), £0.6bn of which was utilised in H118.

Through to 30 June 2018, 2.3m (December 2017: 2.1m) customer initiated claims[1] had been received and processed by the Barclays Group.

The current provision reflects the estimate of costs of PPI redress primarily relating to customer initiated complaints and on-going remediation programmes, based on information at H118. This also includes liabilities managed by third parties arising from portfolios previously sold where the Barclays Bank UK Group remains liable.

As at 30 June 2018, the provision of £1.4bn represents Barclays' best estimate of expected PPI redress reflecting the complaints deadline implemented by the Financial Conduct Authority (FCA) of 29 August 2019. However, it is possible the eventual cumulative provision outcome may differ from the current estimate. The Barclays Bank UK Group will continue to review the adequacy of provision level in respect of the future impacts.

The PPI provision is calculated using a number of key assumptions which continue to involve significant modelling and management judgement:

- Customer initiated claim volumes – claims received but not yet processed plus an estimate of future claims initiated by customers, where the volume is anticipated to cease after the PPI deadline
- Average claim redress – the expected average payment to customers for upheld claims based on the type and age of the policy/policies
- Processing cost per claim – the cost to Barclays of assessing and processing each valid claim

These assumptions remain subjective, mainly due to the uncertainty associated with future claims levels, which include complaints driven by claims management company (CMC) activity and the FCA advertising campaign.

The following table details key forecast assumptions used in the provision calculation as at 30 June 2018 and a sensitivity analysis illustrating the impact on the provision if the future expected assumptions prove too high or too low.

Assumption	Future expected policy claims	Sensitivity analysis increase/ decrease in provision
Customer initiated claims received and processed (thousands)[1]	480	50k = £116m
Average uphold rate per claim (%)[2]	90	1% = £10m
Average redress per valid claim (£)[3]	2,181	£100 = £43m

1 *Total mis-selling claims received directly by Barclays to date, including those received via CMCs but excluding those for which no PPI policy exists and excluding responses to proactive mailing. The sensitivity analysis has been calculated to show the impact a 50,000 increase or decrease in the number of customer initiated mis-selling policy claims would have on the provision level inclusive of operational processing costs.*

2 *Average uphold rate per customer initiated mis-selling claims received directly by Barclays and proactive mailings, excluding those for which no PPI policy exists. The sensitivity analysis has been calculated to show the impact a 1% change in the average uphold rate per claim would have on the provision level.*

3 *Average redress stated on a per policy basis for future customer initiated mis-selling complaints received directly by Barclays. The sensitivity analysis has been calculated to show the impact a £100 increase or decrease in the average redress per claim would have on the provision level.*

8. Called up share capital

As at 30 June 2018, the issued ordinary share capital of Barclays Bank UK PLC comprised 505m (December 2017: 505m) ordinary shares of £0.01 each.

The increase of £13,044m in share capital and share premium is due to the issuance of 3 ordinary shares to enable the transfer of the assets and liabilities of the UK banking business from Barclays Bank PLC to Barclays Bank UK PLC, as well as the transfer of liquidity.

Half year ended 30.06.2018	Ordinary share capital £m	Share premium £m	Total £m
Opening balance	5	-	5
Movement	-	13,044	13,044
Closing balance	**5**	**13,044**	**13,049**

9. Other equity instruments

Other equity instruments of £2,070m (December 2017: £nil) included Additional Tier 1 (AT1) securities issued by Barclays PLC, which were transferred from Barclays Bank PLC to Barclays Bank UK PLC.

The AT1 securities are perpetual securities with no fixed maturity and are structured to qualify as AT1 instruments under CRD IV.

10. Other reserves

	As at 30.06.18 £m	As at 31.12.17 £m
Fair value through other comprehensive income reserve	(13)	-
Cash flow hedging reserve	11	-
Merger reserve	89	20
Total	**87**	**20**

11. 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	As at 30.06.18 £m
Guarantees and letters of credit pledged as collateral security	793
Performance guarantees, acceptances and endorsements	150
Total	**943**
Commitments	
Standby facilities, credit lines and other commitments	67,915

12. Legal, competition and regulatory matters

Barclays Bank UK PLC and the Barclays Bank UK Group face legal, competition and regulatory challenges, many of which are beyond our control. The extent of the impact on Barclays 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.

In connection with the implementation of structural reform in the UK, on 1 April 2018, the UK banking business was transferred from Barclays Bank PLC to Barclays Bank UK PLC. This transfer included the rights and liabilities in respect of the matters described below, although Barclays Bank PLC may remain the party on record to the relevant proceedings.

Investigations relating to retail structured deposits and capital protected structured notes

In 2015, the FCA commenced an enforcement investigation relating to the design, manufacture and sale of structured deposits by Barclays from November 2009. The investigation is at an advanced stage. In January 2018, the FCA also commenced an enforcement investigation relating to the design, manufacture and sale of capital protected structured notes by Barclays from June 2008 to July 2014.

Claimed amounts/Financial impact

It is not currently practicable to provide an estimate of the financial impact of the investigations on Barclays or what effect they might have upon Barclays' operating results, cash flows or financial position in any particular period.

Investigation into collections and recoveries relating to unsecured lending

In February 2018, the FCA commenced an enforcement investigation in relation to whether or not Barclays, from July 2015, implemented effective systems and controls with respect to collections and recoveries and whether or not it paid due consideration to the interests of customers in default and arrears.

Claimed amounts/Financial impact

It is not currently practicable to provide an estimate of the financial impact of the investigation on Barclays or what effect that it might have upon Barclays' operating results, cash flows or financial position in any particular period.

HM Revenue & Customs (HMRC) assessments concerning UK Value Added Tax

In March 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 unless withdrawn by HMRC would correspond to assessments of approximately £184m, inclusive of interest, of which Barclays would expect to attribute an amount of approximately £130m to Barclays Bank UK PLC and £54m to Barclays Bank PLC. At Barclays' request, HMRC is conducting a further review, and if the assessments are not withdrawn Barclays is able to challenge the assessments by initiating proceedings with the First Tier Tribunal (Tax Chamber).

Claimed amounts/Financial impact

The total amount of the HMRC assessments is approximately £184m, inclusive of interest.

CCUK Finance Limited and CIAC Corporation

In May 2017, Barclays was served with a civil claim by CCUK Finance Limited and CIAC Corporation issued in the English High Court alleging breach of a contractual indemnity, fraudulent misrepresentation and breach of warranty arising out of the sale of a portfolio of credit cards in 2007. Barclays has filed a defence and counterclaim.

Claimed amounts/Financial impact

The claim seeks damages of not less than £1bn plus interest and costs. The damages claimed do not necessarily reflect Barclays' potential financial exposure if a ruling were to be made against it. Barclays does not expect the financial impact of the action described above to be material to Barclays' operating results, cash flows or financial position.

General

Barclays Bank UK PLC and its subsidiaries are engaged in various other legal, competition and regulatory matters in the jurisdictions in which they operate. The Barclays Bank UK Group is subject to legal proceedings brought by and against Barclays 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 protection, money laundering, financial crime, employment, environmental and other statutory and common law issues.
The Barclays Bank UK Group is also subject to enquiries and examinations, requests for information, audits, investigations and legal and other proceedings by regulators, governmental and other public bodies in connection with (but not limited to)

consumer protection measures, compliance with legislation and regulation, wholesale trading activity and other areas of banking and business activities in which Barclays is or has been engaged. Barclays 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 will not be material to Barclays Bank UK PLC's results, operations or cash flow for a particular period, depending on, amongst other things, the amount of the loss resulting from the matter(s) and the amount of profit otherwise reported for the reporting period.

13. Related party transactions

The acquisition of the UK banking business from Barclays Bank PLC has materially affected the financial position and the performance of the Barclays Bank UK Group during this period with regards to its related party transactions. Refer to Note 2, Acquisition of business for details of the business acquisition, including intra-group balances.

Parent company
The parent company, which is also the ultimate parent company, is Barclays PLC, which holds 100% of the issued ordinary shares of Barclays Bank UK PLC.

Fellow subsidiaries
Transactions between the Barclays Bank UK Group and other subsidiaries of the parent company meet the definition of related party transactions.

Amounts included in the Barclays Bank UK Group's financial statements with other Barclays Group companies are as follows:

Half year ended 30.06.18	Parent £m	Fellow subsidiaries £m
Total income	(59)	(45)
Operating expenses	(22)	(554)
As at 30.06.18		
Total assets	1	1,765
Total liabilities	6,656	2,619

Except for the above, no related party transactions that have taken place in the half year ended 30 June 2018 have materially affected the financial position or performance of the Barclays Bank UK Group during this period.

14. Barclays Bank UK PLC parent condensed balance sheet

Assets	As at 30.06.18 £m	As at 31.12.17 £m
Cash and balances at central banks	38,884	-
Cash collateral and settlement balances	3,080	-
Loans and advances at amortised cost	187,247	33
Reverse repurchase agreements and other similar secured lending	995	-
Financial assets at fair value through the income statement	4,172	-
Derivative financial instruments	83	-
Financial investments	-	5
Financial assets at fair value through other comprehensive income	6,787	-
Investments in subsidiaries	463	122
Goodwill and intangible assets	3,388	-
Property, plant and equipment	503	-
Deferred tax assets	721	-
Other assets	1,251	-
Total assets	**247,574**	**160**
Liabilities		
Deposits at amortised cost	195,061	-
Cash collateral and settlement balances	229	-
Repurchase agreements and other similar secured borrowing	12,221	-
Debt securities in issue	13,611	-
Subordinated liabilities	3,134	-
Trading portfolio liabilities	1,403	-
Derivative financial instruments	430	-
Current tax liabilities	778	-
Other liabilities	2,109	-
Provisions	1,875	1
Total liabilities	**230,851**	**1**
Equity		
Called up share capital and share premium	13,049	5
Other reserves	189	121
Retained earnings	1,415	33
Other equity instruments	2,070	-
Total equity	**16,723**	**159**
Total liabilities and equity	**247,574**	**160**

Other Information

Results timetable[1]	Date
2018 Annual Report	21 February 2019

For further information please contact

Investor relations	Media relations
Lisa Bartrip +44 (0) 20 7773 0708	Thomas Hoskin +44 (0) 20 7116 4755

More information on Barclays Bank UK PLC can be found on our website: home.barclays.

Registered office

1 Churchill Place, London, E14 5HP, United Kingdom. Tel: +44 (0) 20 7116 1000. Company number: 9740322.

1 *Note that this date is provisional and subject to change.*