Glossary of Risk Terms

Risk Glossary

ABS CDO Super Senior – *to* – Bankruptcy Charge-Offs

ABS CDO Super Senior:
Super senior tranches of debt linked to collateralised debt obligations of asset backed securities (defined below). Payment of super senior tranches takes priority over other obligations.

Alt-A:
Loans regarded as lower risk than sub-prime, but with higher risk characteristics than lending under normal criteria.

Aggregate Stress:
A point in time estimate of the total trading loss that may occur under stressed conditions. It is derived by combining Asset Class Stress estimates using conservative correlation assumptions.

Annual Earnings at Risk:
The sensitivity of annual earnings to shocks in market rates, at approximately 99th percentile for change over one year. For interest rates this equates to a 2% parallel shift in rates. For equity indices, it equates to a 25% change from one-year end to the next, or 15% from one-year end to the next year's average.

Approval Rate:
For retail credit products, the approval rate measures approved applications as a percentage of total applications. A rising approval rate may indicate a better quality of 'through the door' applicant population or a relaxation of our underwriting criteria, be this policy rules or scorecard cut off changes.

Arrears:
Customers in arrears are behind in fulfilling their obligations with the result that an outstanding loan commitment is unpaid or overdue. Such a customer is also said to be in a state of delinquency. When a customers is in arrears, his entire outstanding balance is delinquent, meaning that delinquent balances are the total outstanding loans on which payments are overdue.

Application Score:
Applicants for retail credit products receive a score based on demographic data contained in their application form and in most cases bureau data. In most portfolios, the higher the score the better applicant quality and hence lower risk. Occasionally scorecards are developed where a lower score indicates a better quality applicant. On going model validation is needed to ensure application scores continue to give a consistent view of credit quality (see also Behavioural score).

Asset Backed Securities (ABS):
Securities that represent an interest in an underlying pool of referenced assets. The referenced pool can comprise any assets which attract a set of associated cash flows but are commonly pools of residential or commercial mortgages and, in the case of collateralised debt obligations (CDOs), the referenced pool may be ABS or other classes of assets.

Asset Class:
Groups of securities that exhibit similar risk and return characteristics and have been observed to behave in a similar way. Barclays Capital Traded Market Risk Asset Classes include Interest Rate, Credit, Spread, FX, Commodity, Equity, Inflation, Emerging Market and Securitised Products.

Average LTV (Loan to Value) on new mortgages:
The ratio of all new mortgage balances disbursed in the period to the appraised property value of those mortgages, i.e. total amount disbursed year-to-date divided by total amount of appraised property value.

Annual Value at Risk (AVaR):
Annual Value at Risk: Value at Risk with a 1 year holding period for a portfolio of financial assets (see also VaR and DVaR)

Average Net Receivables (ANR):
The daily average gross outstanding ledger balances of debit accounts. This is the a useful measure of balances for credit card portfolios because of the nature of balance movements over the course of a month given transactions and payment profiles of transactors (see below) customers.

Bankruptcy Charge-Offs:
A subset of total charge-off amount where the charge-off was due to bankruptcy reasons or individual voluntary arrangements (IVAs).

Basic Indicator Approach – *to* – Core Tier 1 capital

Basic Indicator Approach:
An approach for calculating the Operational Risk Capital Requirement, under the relevant FSA rules, equal to 15% of the three-year average of the sum of a firm's net interest income and net non-interest income.

Behavioural Score:
For its current retail customers who have usually been account holders for at least 6-9 months, the Group can calculate a behavioural score, based on observable account behaviour combined (usually) with bureau data (see also Application Score). The score is typically refreshed after each month end.

Boundary Event:
A loss booked as a Credit or Market risk loss but which has been incurred, wholly or partially, by an operational error.

Capital adequacy:
The group manages its capital resources to ensure that those group entities that are subject to local capital adequacy regulation in individual countries meet their minimum capital requirements.

Capital ratios:
Key financial ratios measuring the Group's capital adequacy or financial strength. These include the Core Tier 1 ratio, Tier 1 ratio and Risk asset ratio.

Capital requirements:
Amount to be held by the bank to cover the risk of losses to a certain confidence level.

Capital resources:
Financial instruments on balance sheet that are eligible to satisfy capital requirements.

Charge-off:
Charge-off marks a fundamental change in the relationship between bank and customer, where our focus switches from the recovery of overdue amortised payments or unauthorised credit line borrowing to the recovery of the entire asset. In most cases charge-off will result in the movement of the management of an account to a legal recovery function, or in the case where no recovery function is used, the sale of an account to a third party (debt sale). This will typically occur when an account is 180 days past due a contractual obligation.

Collections (retail credit risk):
Customers enter collections as soon as they miss a contractual payment (becoming delinquent) or go over their agreed credit limit. When a customer is in collections, the aim is to collect payment of all arrears and outstanding fees for loan accounts or for overdrafts to return within agreed credit limits.

Collections Metrics:
Measures of the effectiveness and efficiency of the collections environment. Efficiency measures include full-time head count or equivalent (FTE), spin rate (number of attempted contacts as % of accounts to be contacted) and collections account per employee. Measures of the effectiveness of the collections function include contact rate, right party contact rate, promises to pay, promises kept, and amount collected.

Collective Impairment:
A collective allowance is measured against a portfolio comprising homogenous assets and where appropriate statistical techniques are available. For collective assessment, the trigger point for impairment is the missing of a contractual payment. The impairment calculation is based on a roll-rate approach, where the percentage of assets that move from the initial delinquency to default are derived from statistical probabilities based on experience.

Commercial Mortgage Backed Securities (CMBS):
Securities that represent interests in a pool of commercial mortgages. Investors in these securities have the right to cash received from future mortgage payments (interest and/or principal).

Control Issues of Group Level Significance (CIGLS) or Business Unit Level Significance (CIBULS):
CIGLS criteria are: potential financial impact of £50m or over, and/or non-financial impacts which are considered to be significant for the Group. CIBULS criteria are: potential financial impact of £10m-£50m, and/or non-financial impacts considered significant for relevant business unit.

Core Tier 1 capital:
Called-up share capital and eligible reserves plus non-controlling equity interests, less intangible assets and deductions relating to the excess of expected loss over regulatory impairment allowance and securitisation positions as specified by the FSA.

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Core Tier 1 Ratio – *to* – Daily Value at Risk (DVaR)

Core Tier 1 Ratio:
Core Tier 1 capital as a percentage of risk weighted assets.

Counterparty Risk:
In the context of Risk Fleighted Assets by Risk, a component of risk weighted assets that represents the risk of loss in derivative, repo and similar transactions resulting from the default of the counterparty.

Country Default Frequency (CDF):
The equivalent of Expected Default Frequency with respect to the risk of a Transfer Risk default by a country.

Country Guideline (see also Prudential Guideline):
An appetite limit calculated in CLGD terms which is set for each country where we have exposure. The limit is set at least annually by recommendation to Group Credit Committee.

Country Loss Given Default (CLDG):
A measure of concentration risk calculated using both Probability of Default and Loss Given Default measures specific to an individual transaction.

Country Transfer Risk:
Arises wherever there is cross border exposure or country exposure. It is the risk that a country may be unable or unwilling to honour its cross border foreign currency obligations. It is separate from credit risk as the counterparty may still be solvent and able to honour its obligations domestically, but be prevented from remitting hard currency outside the country.

Credit Conversion Factor (CCFs):
The portion of an off-balance sheet commitment drawn in the event of a future default expressed as a percentage. The conversion factor is used to calculate the Exposure at Default (EAD).

Credit Derivatives:
An arrangement whereby the credit risk of an asset (the reference asset) is transferred from the buyer to the seller of the protection.

Credit Default Swaps:
A contract under which the protection seller receives premiums or interest-related payments in return for contracting to make payments to the protection buyer in the event of a defined credit event. Credit events normally include bankruptcy, payment default on a reference asset or assets, or downgrades by a rating agency.

Credit Equivalent Exposure (CEE):
The magnitude of trading exposure is determined by considering the current mark to market of the contract, historic volatility of underlying assets and time to maturity. This allows calculation of a credit equivalent exposure for the exposure using a stochastic method and a 98% confidence level.

Credit Line Increases (CLIs) or Decreases (CLDs):
An increase/decrease to the limit available on a credit card, either requested by the customer or (more normally) actioned by portfolio managers.

Credit Market Exposures (CME):
Assets and other instruments relating to commercial real estate and leveraged finance businesses that have been significantly impacted by the deterioration in the global credit markets. The exposures include positions subject to fair value movements in the Income Statement, positions that are classified as loans and advances and available for sale and other assets.

Credit Risk Loans (CRLs):
A loan may move a credit risk category when evidence of deterioration has been observed, such as a missed payment or other breach of covenant. A loan may be reported in one of three categories and may include loans which, while impaired, are still performing but have associated individual impairment allowances.

Credit Risk Loans Coverage Ratio:
The total identified and unidentified impairment allowance as a percentage of gross CRL balances (e.g. excluding security).

CS01:
Price value of a 1 basis point change in credit spreads. A measure to describe how a basis point change in credit spread affects the price of a bond or other traded credit risk product.

Daily Value at Risk (DVaR):
An estimate of the potential loss which might arise from market movements under normal market conditions, if the current positions were to be held unchanged for one business day, measured to a specified confidence level. See also VaR and AVaR

Risk Glossary

Default – *to* – EONIA

Default:
Default occurs when a counterparty fails to meet a contractual commitment on the due date (most typically, failure to make a payment when due).

Default Grades:
A 21 grade scale of risk applied to Barclays business customers. Default Grades are a point in time measure of a counterparties' credit rating.

Delinquency:
See also 'Arrears'.

Delinquency >30 days % at 3 MOB:
A retail credit risk metric measuring the percentage of outstanding balances/ENR that are >30 days in arrears (or more than 1 payment past due) for accounts on book for three months. Used to assess credit quality of bookings made in a particular month and whether changes in underwriting criteria are working as planned.

Delinquency >30 days % at 6 MOB:
The percentage of ENR that is >30 days in arrears (or more than 1 payment past due) for accounts that have been on book for six months.

Delinquency (or Arrears) cycles:
A subset of ENR that is either up to date or in arrears with regards to capital or interest payments at the end of the month. Accounts on repayment plans and charged-off/recovery accounts

Cycle 0 (up to date)
Cycle 1 (5-30 days in arrears)
Cycle 2 (31-60 days in arrears)
Cycle 3 (61-90 days in arrears)
Cycle 4 (91-120 days in arrears)
Cycle 5 (121-150 days in arrears)
Cycle 6 (151-180 days in arrears)
Cycle 6+ (>180 days in arrears)

Early Warning List (EWL):
Also known as a Watchlist in BarCap. It is a Group-wide standard schedule of customers with which the Group has a credit exposure and where there is a varying degree of concern over the customers' ability to honour their future financial obligations. There are three categories of EWL:
Cat1 - Low Risk: Caution, but no loss perceived.
Cat2 - Medium Risk: Concern, but loss still unlikely.
Cat3 - High Risk: Concern, and potential for loss to arise.
BarCap's Watchlist is based on limits, while Early Warning List is based on balances.

Economic Capital (EC):
The amount of risk capital, assessed on a realistic basis, which is required to cover the risks that are being run. Economic capital requirements are calculated for each risk type that Barclays is exposed to.

End Net Receivables (ENR):
The gross period-ending outstanding ledger balances of debit accounts. ENR excludes the recovery book, and any written-off assets. It includes total principal debit balances, all fees and interest charged to the account, and amounts on repayment plans.

Economic Value of Equity (EVE):
Economic Value of Equity is defined as the Net Present Value of balance sheet cash flows. EVE is calculated by discounting the net anticipated principal and interest cash flows under the prevailing interest rate environment. EVE sensitivity is a common risk metric which represents the increase or decrease in balance sheet value for a specified change in interest rates, generally measured using a parallel shift in yield curves.

Equity Products:
Products linked to equity markets. This category includes listed equities, exchange traded derivatives, equity derivatives, preference shares and contract for difference (CFD) products.

Equity Risk:
The risk of change in market value of an equity investment.

Equity Structural Hedge:
An interest rate hedge which functions to reduce the impact of the volatility of short-term interest rate movements on equity positions on the balance sheet that do not re-price with market rates.

Euro Overnight Index Average
The EONIA is the average rate paid on unsecured overnight lending within the Eurozone by a large panel of major bank

Risk Glossary

Expected Loss (EL) – *to* – Impaired and Restructured Loans

Expected Loss (EL):
(1) The most likely level of loss based on analyses of historical losses and the characteristics of a borrower or portfolio. It is estimated through analyses of Exposure at Default (EAD), Probability of Default (PD) and the Loss Given Default (LGD).
(2) In the analysis of operational risk events, expected losses are losses of up to £2m.

Forbearance Programmes:
Forbearance Programmes assist customers in financial difficulty through agreements to accept less than contractual amounts due where financial distress would otherwise prevent satisfactory repayment within the original terms and conditions of the contract. These agreements may be initiated by the customer, Barclays or a third party and include approved debt counselling plans, minimum due reductions, interest rate concessions and switches from capital and interest repayments to interest-only payments.

Fraud types:
Fraud is divided into four main categories:
Lending or First Party Fraud: includes lending to a customer, usually known, that is never repaid;
Plastic or Card Fraud: all committed on cards with the perpetrator largely unknown;
Transaction Fraud: neither of the above and may include cheque fraud; and,
Internal or Staff Fraud: any fraud against the bank where taking into account all the circumstances, the fraud could not have been committed without the participation/involvement of a staff member.

Funding Deficit:
The actuary of the UK Retirement Fund calculates the scheme's liabilities to determine the amount of contributions that the Bank would have to commit in case of a deficit. The funding valuation uses a discount rate that reflects a prudent expectation of long-term future investment return (see also IAS19 Deficit).

Gross Charge-off Rates:
Represents the balances charged-off to recoveries in the reporting period, expressed as a percentage of average outstanding balances excluding balances in recoveries. Charge-off to recoveries generally occurs when the collections focus switches from the collection of arrears to the recovery of the entire outstanding balance, and represents a fundamental change in the relationship between the bank and the customer. This is a measure of the proportion of customers that have gone into default during the period.

Gross New Lending:
New lending advanced to customers during the year.

Headroom (see Total Financing Limits)

High-Yield:
Bonds rated below 'investment grade' i.e. below BBB- for Standard and Poor's and below Baa3 for Moody's. Also known as speculative grade bonds, non investment grade bonds or junk bonds. Unrated securities can also be classified as high yield if they trade at a wider spread than other corporates and at a level which is more comparable with other high-yield bonds.

Home Loan:
A loan to purchase a residential property which is then used as collateral to guarantee repayment of the loan. The borrower gives the lender a lien against the property and the lender can foreclose on the property if the borrower does not repay the loan per the agreed terms. Also known as a residential mortgage.

Hedge of Net Investments:
This relates to the FX translation risk of overseas net investments. The HoNI decision process also takes into account the Group Capital Ratio hedge policy, which aims to reduce foreign currency capital ratio volatility.

IAS19 Deficit:
The deficit on the UK Retirement Plan is also calculated under IAS19 rules, by discounting future pension obligations with an AA corporate bond yield.

Identified Impairment Allowance (IIA):
Raised where there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition, and where these events have impacted estimated future cash flows of a financial asset or portfolio.

Impaired and Restructured Loans:
Are reported as Credit Risk Loans and comprise loans where, for economic or legal reasons related to a debtor's financial difficulties, a concession has been granted to the debtor that would otherwise not be considered. Where the concession results in the expected cash flows discounted at the effective interest rate being less than the loan's carrying value, an impairment allowance is raised.

Risk Glossary

Individual Impairment Allowance – *to* – Mandate and Scale

Impaired Loans:
Are reported as Credit Risk Loans and comprise loans where individual identified impairment allowance has been raised and also include loans which are fully collateralised or where indebtedness has already been written down to the expected realisable value. The impaired loan category may include loans, which, while impaired, are still performing.

Impairment Allowances (Stock):
Are a provision held on the balance sheet as a result of the raising of a charge against profit for the incurred loss inherent in the lending book. An impairment allowance may either be identified or unidentified and either individual or collective.

Impairment Charge:
Is a charge against profit for the incurred loss inherent in the lending book. A charge, which may be against an individual asset or against a portfolio of homogenous assets, will be made either when there is objective evidence of impairment or to cover losses which are judged to be incurred but not yet specifically identified in customer exposures at the balance sheet date.

Indirect Exposure:
Exposures where there is no direct risk to a counterparty. It is designed to ensure the recording of the Group's 'total credit relationship' with a customer and is the method by which exposure is recorded to joint venture companies, subsidiaries and companies where parental ownership is less than 50% and non-recourse/project finance.

Individual Impairment Allowance:
Is measured individually for assets that are individually significant. In terms of individual assessment, the trigger point for impairment is formal classification of an account as exhibiting serious financial problems and where any further deterioration is likely to lead to failure.

Interest in suspense (IIS):
If the collection of interest is doubtful, it is credited to a suspense account and excluded from interest income in the profit and loss account. Although interest continues to be charged to the customers' account, the suspense account in the balance sheet is netted against the relevant loan.

Interest Rate Risk in the Banking Book (IRRBB):
Is the risk that changes in interest rates may impact the financial condition of our banking book (i.e. non-trading book). See also Annual Earnings at Risk (AEaR).

Key Risk Scenarios (KRS):
Are 'top-down' assessments of the most significant operational risk types, or risk themes, facing a given Business Unit. KRSs are informed by the lower-level Risk & Control Assessments (RCAs), internal and external risk events, key indicators, CIGLS/CIBULS and audit findings.

Liability Driven Investment (LDI) Strategy:
Where the investment strategy of a pension fund tries to match the risk characteristics of the liabilities. Pension liabilities are mainly index-linked and of long duration, so they are usually matched with long-term index-linked gilts.

Loan Loss Rate (LLR):
Annualised impairment charge on loans and advances to customers and banks and other credit provisions as a percentage of the total, period-end loans and advances to customers and banks, gross of impairment allowances.

Loan to deposit ratio:
The ratio of loans and advances to customer accounts. This excludes particular liabilities issued by the retail businesses that have characteristics comparable to retail deposits (for example structured Certificates of Deposit and retail bonds), which are included within debt securities in issue.

Loan to value (LTV) of new mortgage lending:
The ratio of all new mortgage balances disbursed in the period to the appraised property value relating to those mortgages

Loan to value ratio (LTV):
Expresses the amount borrowed against an asset (i.e. a mortgage) as a percentage of the appraised value of the asset. The ratios are used in determining the appropriate level of risk for the loan and are generally reported as an average for new mortgages or an entire portfolio.

Mandate & Scale:
A framework of limits and triggers that Barclays requires to ensure that no concentrations exist in the risk profile that might result in losses out of line with external expectations, and cause a disproportionate reduction in market capitalisation.

Margin Compression:
A measure of reduced interest margins between asset and liability products. As base rates decrease, a number of UK Retail and Commercial liability products (e.g. deposits) reach floors below which the product rate cannot fall, despite the fact that asset product rates (e.g. loan rates) will have decreased in line with Standard Variable Rates (SVR). This effect in known as Margin Compression.

Maximum Exposure Guideline (MEG)
An appetite limit set to control single name and concentration risks. The MEG varies for individual counterparties depending on credit quality and the nature of the counterparty's business and regulation.

Mezzanine Debt:
Tends to be more flexible with respect to covenants and repayment terms than high-yield debt and generally ranks behind senior loan but ahead of equity.

Mortgage (residential):

See Home Loans

Non Accruing Loans:
Loans on which interest payments are overdue and for which full repayment of the principal is in doubt.

Non-Traded Market Risk:
Where market risk, if it occurs, is incidental to the main objectives of the business activity. For example, market risk arises when we offer fixed rate loan products to retail customers. The main business objective is to earn a predictable and consistent product margin over the expected life of the product.

Option Effects:
Delta (Δ): The change in the value of an option for a given change in the price of the underlying asset.
Gamma (Γ): The change in the delta of an option for a given change in the price of the underlying asset. In some situations the delta is high and changes in the price of the underlying have a large effect on the option price. At other times, the delta is low (e.g., option may be deeply out of the money, about to expire and the underlying asset's volatility may be low). In those situations, even a big change in the price of the underlying will have a negligible effect on the price of the option. Gamma captures this changing delta.
Vega (V): The rate of change of the value of an option with respect to changes in the volatility of the underlying asset, typically for a 1% move in volatility. Also known as Kappa (K).
Theta (θ): Rate of change of the value of an option with respect to time.
Rho (ρ): The rate of change of the value of an option with respect to interest rates.

Over the counter derivatives (OTC):

Contracts that are traded (and privately negotiated) directly between two parties, without going through an exchange or other intermediary. They offer flexibility because, unlike standardised exchange-traded products, they can be tailored to fit specific needs.

Potential Credit Risk Loans (PCRLs):
The total of Potential Problem Loans and the three categories of Credit Risk Loans.

Potential Credit Risk Loans Coverage Ratio:
The total identified and unidentified impairment allowance as a percentage of Gross PCRL balances (e.g. excluding security).

Potential Future Exposure (PFE)
The maximum credit exposure over a specified period of time calculated at some level of confidence. Calculated by evaluating portfolio of trades against possible market prices in the future.

Potential Losses:
A measure of losses from operational risk events where an initial assessment of the loss has been made, but where the actual loss has not yet crystallised (not yet impacted P&L).

Potential Problem Loans (PPLs):
A loan where payment of principal and interest is up to date but where serious doubt exists as to the ability of the borrower to continue to comply with repayment terms in the near future.

Primary exposure:
This is the credit risk existing at any given point in time in respect of the principal sums owing to the bank. If that company defaults on its obligations, the lender stands to lose the entire amount of the loan.

Prudential Guideline (see also Country Guideline)
An appetite limit calculated in CLGD terms using a theoretical allocation of economic capital. Limits are allocated based on country credit quality.

Risk Glossary

PV01– *to* – Securitisation

PV01:
Price Value of 1 basis point. A measure to describe how a basis point change in yield affects the price of a bond or other interest rate product.

Recoveries Impairment Coverage Ratio:
Impairment allowance held against recoveries balances expressed as a percentage of balance in recoveries.

Retail Loans:
Loans to individuals rather than to financial institutions. It includes both secured and unsecured loans such as mortgages and credit card balances, as well as loans to certain smaller business customers.

Repayment Plan:
A repayment plan consolidates the existing debt (often with interest concessions) into a new loan, which is repaid over a longer period with lower instalments. Once a customer moves onto a repayment plan, they will age through the repayment plan cycles.

Repurchase Agreement (Repo):
An agreement to sell a bond with a simultaneous agreement to repurchase the bond at a later date. A repo effectively enables the holder of a bond to borrow money while using the bond as collateral with the lender.

Reverse Repo:
An agreement to buy a bond with a simultaneous agreement to sell the bond at a later date. The counterparty doing a reverse repo is effectively lending out cash on a secured basis.

Revised Annual Forecast (RAF):
Latest expected outcome based on latest available data. Normally updated at the end of March (3+9 RAF), June (6+6 RAF) and September (9+3 RAF).

Revolvers (credit cards):
The number of accounts in the previous reporting cycle having a billed balance greater than 0, but paying an amount less than this but more than a specified minimum payment (e.g. for the UK, 2.25% of outstanding statement balance) in the current reporting cycle.

Risk and Control Assessment (RCA):
A 'bottom up' approach to identifying and assessing operational risks and controls. Each RCA identifies, reviews and evaluates the risks and controls associated with a particular risk entity e.g. a process, product, system, supplier, site, service, business objective, business activity or change activity.

Risk Asset Ratio:
A measure of the risk attached to the assets of a business using definitions of capital and risk weightings established in accordance with the Basel Capital Accord as implemented by the FSA.

Risk Event:
An operational incident that could or has resulted in a financial loss. Risk events can occur in all areas of a business from a breakdown in controls, mistakes, deliberate acts or systems failure.

Risk weighted assets (RWAs):
A measure of a bank's assets adjusted for their associated risks. Risk weightings are established in accordance with the Basel Capital Accord as implemented by the FSA.

Risk Profile:
The monthly forecast of key risk metrics for Retail portfolios required to deliver the latest agreed Plan/RAF for the year. Monthly tracking of the Risk Profile is used to highlight variances from expectation for investigation and appropriate management action.

Roll rate:
A measure of the transition of balances from one delinquency cycle to a later delinquency cycle over a one-month period. Roll Rates can be reported gross or net. Gross roll rates are calculated from account balances as the amount in a delinquency cycle in the current month expressed as a percentage of the previous month's amount in the previous delinquency cycle (e.g. balances in cycle 3 this month/balances in cycle 2 last month). Net roll rates are a more accurate measure and are calculated using individual accounts moving between delinquency cycles reflecting only those moving to a worse state. This would exclude accounts which have improved from a worst state or 'held' or 'milled' in the same delinquency cycle during the past month.

Securitisation:
Typically, a process by which debt instruments such as mortgage loans or credit card balances are aggregated into a pool, which is used to back new securities. A company sells assets to a special purpose vehicle (SPV) which then issues securities backed by the assets. This allows the credit quality of the assets to be separated from the credit rating of the original borrower and transfers risk to external investors.

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Severity– *to* – Write-off

Severity:
The Barclays term equivalent to Basel term Loss Given Default (LGD). The percentage of the outstanding exposure we will be unable to recover if a loan defaults after taking into account, for example, the value of security or guarantees. We will phase out the use of the expression Severity in favour of the Basel II term Loss Given Default.

SIV-Lites:
Special purpose Entities which invest in diversified portfolios of interest earning assets to take advantage of the spread differentials between the assets in the Structured Investment Vehicle (SIV) and the funding cost. Unlike SIVs they are not perpetual, making them more like CDOs, which have fixed maturity dates.

Sterling Overnight Index Average:
The SONIA is the average rate paid on unsecured Sterling lending by members of the Wholesale Markets Brokers' Association in London.

Total Financing Limits:
Comprising the following three elements
Primary: Borrowings, obligations, commitments and claims involving full capital risk to or on behalf of a counterparty. Such exposure is shown at full face value for risk purposes.

Trading: The limits currently marked to cover credit risk exposure to transactions where there is a liquid underlying market and where the trading position can be actively managed to minimise credit loss, e.g. foreign exchange or swaps. Such exposures are usually expressed as a marginal risk or a Credit Equivalent Exposure.

Headroom: The additional but unallocated exposure, which has been sanctioned for a customer for future use by line management within pre-agreed parameters.

Transactors:
Credit card account holders who use the card during the month as a purchase mechanism but pay any outstanding balance in full by the statement due date, hence not carrying any interest bearing balance.

Unexpected Loss:
(1) A measure of the extent to which losses may differ from the expected level. It is estimated by applying historical volatility in loss rates to distributions of the future levels of credit exposure, expected levels of default rates and expected severity rates.
(2) In Operational Risk, unexpected losses are defined as all losses from op risk events of more than £2m.

Unidentified Impairment Allowance (UIA):
Is raised to cover losses which are judged to be incurred but not yet specifically identified in customer exposures at the balance sheet date, and which, therefore, have not been specifically reported. The incurred but not yet reported calculation is based on the asset's probability of moving from the performing portfolio to being specifically identified as impaired within the given emergence period and then on to default within a specified period.

VaR:
Value at Risk is a statistical risk measure used to estimate the risk of loss for a portfolio of financial assets. For a given portfolio, VaR estimates the loss threshold and probability based on a statistical analysis of historical prices, volatilities and correlations. VaR estimates are provided using confidence levels (e.g. 95%) and portfolio holding periods (e.g. 1 day). For management purposes, a 95% confidence level is typically used (e.g. Barclays Capital Management DVaR, pensions AVaR), while for regulatory purposes a 99% confidence level is typically used (e.g. Barclays Capital Regulatory Capital VaR, Regulatory Portfolio AVaR). See also AVaR and DVaR.

Vintage:
To assess the effect of credit mitigation and external environment, we often examine the delinquency performance of all the loans originated in a particular month or quarter. These periods are known as vintages.

Watch List (see Early Warning List)

Wholesale Loans:
Lending to larger businesses, financial institutions and sovereign entities.

Write-off:
After an advance has been identified as impaired and is subject to an impairment allowance, the stage may be reached whereby it is concluded that there is no realistic prospect of further recovery. Write-off will occur when, and to the extent that, the whole or part of a debt is considered irrecoverable.

Risk Glossary

Operational Risk Types: Definitions

Cyber Security Risk

the risk of loss or detriment to Barclays business and customers as a result of actions committed or facilitated through the use of networked information systems.

External Supplier Risk

The inadequate selection and ongoing management of external suppliers.

Fraud Risk

The risk of dishonest behaviour with the intent to make a gain, or cause a loss to others.

Financial Reporting Risk

The risk of a reporting misstatement or omission within the Group's external financial or regulatory reporting.

Information Risk

The inadequate protection of Barclays information in accordance with its value and sensitivity.

Legal Risk

Failure to identify and manage legal risks, or to advance legal opportunities.

Payments Process Risk

The risk of failure in operation of payments processes (excludes risks associated with authentication/authorisation of Payments at Payment initiation).

People Risk

Risk of insufficient people /capabilities and/or inappropriate behaviours and/or unsafe working environments.

Premises & Security Risk

Risk of premises not being available to meet business requirements or that our physical assets, employees and customers are inadequately protected against criminal/terrorist and adverse political activities (where instability and civil disorder is an outcome).

Product Risk

The inadequate design , assessment and testing of products/services.

Regulatory Risk

Failure, or inability, to comply fully with the laws, regulations or codes applicable specifically to the financial services industry.

Taxation Risk

The risk that the Group suffer losses arising from additional tax charges, financial penalties or reputational damage associated with failure to comply with procedures required by tax authorities, changes in tax law and the interpretation of tax law.

Technology Risk

Failure to develop and deploy secure, stable and reliable technology solutions.

Transaction Operations Risk

The risk of failure in the management of a critical transaction process.