

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549  
FORM 20-F

(Mark One)

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2018

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

OR

☐ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report \_\_\_\_\_

Commission file number                      Barclays PLC                      1-09246

**BARCLAYS PLC**  
(Exact Name of Registrant as Specified in its Charter)  
  
ENGLAND  
(Jurisdiction of Incorporation or Organization)  
  
1 CHURCHILL PLACE, LONDON E14 5HP, ENGLAND  
(Address of Principal Executive Offices)

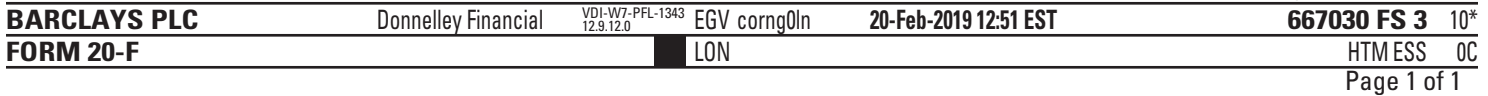
**GARTH WRIGHT, +44 (0)20 7116 3170, GARTH.WRIGHT@BARCLAYS.COM**  
**1 CHURCHILL PLACE, LONDON E14 5HP, ENGLAND**  
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

| Title of Each Class | Name of Each Exchange<br>On Which Registered |
|---------------------|----------------------------------------------|
| 25p ordinary shares | New York Stock Exchange*                     |



| Title of Each Class                                                    | Name of Each Exchange<br>On Which Registered |
|------------------------------------------------------------------------|----------------------------------------------|
| American Depositary Shares, each representing four 25p ordinary shares | New York Stock Exchange                      |
| 4.338% Fixed Rate Senior Notes due 2024                                | New York Stock Exchange                      |
| Floating Rate Senior Notes due 2024                                    | New York Stock Exchange                      |
| 4.972% Fixed Rate Senior Notes due 2029                                | New York Stock Exchange                      |
| 4.61% Fixed Rate Senior Notes due 2023                                 | New York Stock Exchange                      |
| Floating Rate Senior Notes due 2023                                    | New York Stock Exchange                      |
| 4.375 % Fixed Rate Subordinated Notes due 2024                         | New York Stock Exchange                      |
| 2.75% Fixed Rate Senior Notes due 2019                                 | New York Stock Exchange                      |
| 3.65% Fixed Rate Senior Notes due 2025                                 | New York Stock Exchange                      |
| 2.875% Fixed Rate Senior Notes due 2020                                | New York Stock Exchange                      |
| 5.25% Fixed Rate Senior Notes due 2045                                 | New York Stock Exchange                      |
| 3.25% Fixed Rate Senior Notes due 2021                                 | New York Stock Exchange                      |
| 4.375% Fixed Rate Senior Notes due 2026                                | New York Stock Exchange                      |
| 5.20% Fixed Rate Subordinated Notes due 2026                           | New York Stock Exchange                      |
| 3.20% Fixed Rate Senior Notes due 2021                                 | New York Stock Exchange                      |
| Floating Rate Senior Notes due 2021                                    | New York Stock Exchange                      |
| Floating Rate Senior Notes due 2023                                    | New York Stock Exchange                      |
| 3.684% Fixed Rate Senior Notes due 2023                                | New York Stock Exchange                      |
| 4.337% Fixed Rate Senior Notes due 2028                                | New York Stock Exchange                      |
| 4.950% Fixed Rate Senior Notes due 2047                                | New York Stock Exchange                      |
| 4.836% Fixed Rate Subordinated Callable Notes due 2028                 | New York Stock Exchange                      |
| 3.250% Fixed Rate Senior Notes due 2033                                | New York Stock Exchange                      |





\*If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 ☐Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes ☐ No ☐

SEC Form 20-F Cross reference information

| Form 20-F item number |                                                            | Page and caption references in this document*                                                                                                                        |
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\* Captions have been included only in respect of pages with multiple sections on the same page in order to identify the relevant caption on that page covered by the corresponding Form 20-F item number.



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Creating  
opportunities  
to rise



Barclays PLC  
2018 Annual Report  
on Form 20-F



**Notes**

The terms Barclays or Barclays Group refer to Barclays PLC together with its subsidiaries. Unless otherwise stated, the income statement analysis compares the year ended 31 December 2018 to the corresponding twelve months of 2017 and balance sheet analysis as at 31 December 2018 with comparatives relating to 31 December 2017. The abbreviations ‘£m’ and ‘£bn’ represent millions and thousands of millions of Pounds Sterling respectively; the abbreviations ‘\$m’ and ‘\$bn’ represent millions and thousands of millions of US Dollars respectively; the abbreviations ‘€m’ and ‘€bn’ represent millions and thousands of millions of Euros respectively.

There are a number of key judgement areas, for example impairment calculations, which are based on models and which are subject to ongoing adjustment and modifications. Reported numbers reflect best estimates and judgements at the given point in time. Relevant terms that are used in this document but are not defined under applicable regulatory guidance or International Financial Reporting Standards (IFRS) are explained in the results glossary that can be accessed at [home.barclays/results](http://home.barclays/results).

The information in this announcement, which was approved by the Board of Directors on 20 February 2019, does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2018, which contain an unqualified audit report under Section 495 of the Companies Act 2006 (which does not make any statements under Section 498 of the Companies Act 2006) will be delivered to the Registrar of Companies in accordance with Section 441 of the Companies Act 2006.

Barclays is a frequent issuer in the debt capital markets and regularly meets with investors via formal road-shows and other ad hoc meetings. Consistent with its usual practice, Barclays expects that from time to time over the coming quarter it will meet with investors globally to discuss these results and other matters relating to the Barclays Group.

**Non-IFRS performance measures**

Barclays’ management believes that the non-IFRS performance measures included in this document provide valuable information to the readers of the financial statements as they enable the reader to identify a more consistent basis for comparing the businesses’ performance between financial periods and provide more detail concerning the elements of performance which the managers of these businesses are most directly able to influence or are relevant for an assessment of the Barclays Group. They also reflect an important aspect of the way in which operating targets are defined and performance is monitored by Barclays’ management. However, any non-IFRS performance measures in this document are not a substitute for IFRS measures and readers should consider the IFRS measures as well. Refer to pages 195 to 200 for further information and calculations of non-IFRS performance measures included throughout this document, and the most directly comparable IFRS measures.

Key non-IFRS measures included in this document, and the most directly comparable IFRS measures, are:

- Attributable profit excluding litigation and conduct represents attributable profit excluding litigation and conduct charges. The comparable IFRS measure is attributable profit. A reconciliation is provided on pages 197-199;
- Average allocated equity represents the average shareholders’ equity that is allocated to the businesses. The comparable IFRS measure is average equity. A reconciliation is provided on page 200;
- Average allocated tangible equity is calculated as the average of the previous month’s period end allocated tangible equity and the current month’s period end allocated tangible equity. The average allocated tangible equity for the period is the average of the monthly averages within that period. Period end allocated tangible equity is calculated as 13.0% (2017: 12.0%) of risk weighted assets for each business, adjusted for capital deductions, excluding goodwill and intangible assets, reflecting the assumptions the Group uses for capital planning purposes. Head Office allocated tangible equity represents the difference between the Barclays Group’s tangible shareholders’ equity and the amounts allocated to businesses. The comparable IFRS measure is average equity. A reconciliation is provided on page 196;
- Average tangible shareholders’ equity is calculated as the average of the previous month’s period end tangible equity and the current month’s period end tangible equity. The average tangible shareholders’ equity for the period is the average of the monthly averages within that period. The comparable IFRS measure is average equity. A reconciliation is provided on page 199;
- Basic earnings per share excluding litigation and conduct is calculated by dividing statutory profit after tax attributable to ordinary shareholders excluding litigation and conduct charges, including an adjustment for the tax credit in reserves in respect of other equity instruments, by the basic weighted average number of shares. The comparable IFRS measure is basic earnings per share. A reconciliation is provided on pages 197-199;





- Cost: income ratio excluding litigation and conduct represents operating expenses excluding litigation and conduct charges, divided by total income. The comparable IFRS measure is cost: income ratio. A reconciliation is provided on pages 197-199;
- Operating expenses excluding litigation and conduct represents operating expenses excluding litigation and conduct charges. The comparable IFRS measure is operating expenses. A reconciliation is provided on pages 197-199;
- Operating expenses excluding litigation and conduct, and a GMP charge of £140m represents operating expenses excluding litigation and conduct charges, and a GMP charge of £140m. The comparable IFRS measure is operating expenses. A reconciliation is provided on page 180;
- Profit before tax excluding litigation and conduct represents profit before tax excluding litigation and conduct charges. The comparable IFRS measure is profit before tax. A reconciliation is provided on page 197-199;
- Return on average allocated equity represents the return on shareholders' equity that is allocated to the businesses. The comparable IFRS measure is return on equity. A reconciliation is provided on page 200;
- Return on average allocated tangible equity is calculated as the annualised profit after tax attributable to ordinary equity holders of the parent, including an adjustment for the tax credit in reserves in respect of other equity instruments, as a proportion of average allocated tangible equity. The comparable IFRS measure is return on equity. A reconciliation is provided on page 196;
- Return on average allocated tangible equity excluding litigation and conduct is calculated as the annualised profit after tax attributable to ordinary equity holders of the parent excluding litigation and conduct charges, including an adjustment for the tax credit in reserves in respect of other equity instruments, as a proportion of average allocated tangible equity. The comparable IFRS measure is return on equity. A reconciliation is provided on page 196;
- Return on average tangible shareholders' equity is calculated as the annualised profit after tax attributable to ordinary equity holders of the parent, including an adjustment for the tax credit in reserves in respect of other equity instruments, as a proportion of average shareholders' equity excluding non-controlling interests and other equity instruments adjusted for the deduction of intangible assets and goodwill. The comparable IFRS measure is return on equity. A reconciliation is provided on page 197-199; and
- Tangible net asset value per share is calculated by dividing shareholders' equity, excluding non-controlling interests and other equity instruments, less goodwill and intangible assets, by the number of issued ordinary shares. The components of the calculation have been included on page 199.

**Forward-looking statements**

This document contains certain forward-looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934, as amended, and Section 27A of the US Securities Act of 1933, as amended, with respect to the Barclays Group. Barclays 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 Group's future financial position, income growth, assets, impairment charges, provisions, business strategy, capital, leverage and other regulatory ratios, payment of dividends (including dividend payout ratios and expected payment strategies), projected levels of growth in the banking and financial markets, projected costs or savings, any commitments and targets, estimates of capital expenditures, plans and objectives for future operations, projected employee numbers, IFRS 9 impacts and other statements that are not historical fact. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. These may be affected by changes in legislation, the development of standards and interpretations under International Financial Reporting Standards including the continuing impact of IFRS 9 implementation, 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; UK, US, Eurozone and global macroeconomic and business conditions; 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 Group or any securities issued by such entities; the potential for one or more countries exiting the Eurozone; instability as a result of the exit by the United Kingdom from the European Union and the disruption that may subsequently result in the UK and globally; and the success of future acquisitions, disposals and other strategic transactions. A number of these influences and factors are beyond the Barclays Group's control. As a result, the Barclays Group's actual future results, dividend payments, and capital and leverage ratios may differ materially from the plans, goals, expectations and guidance set forth in the Barclays Group's forward-looking statements.



This document contains references throughout to the Barclays PLC Pillar 3 Report. Reference to the aforementioned report is made for information purposes only, and information found in said report is not incorporated by reference into this document.



Governance

This section sets out our corporate governance processes and the role they play in supporting the delivery of our strategy, including reports from the Chairman and each of the Board Committee Chairs.

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Governance: Directors' report

# How we comply with The UK Corporate Governance Code 2016

## The UK Corporate Governance Code 2016 (The Code)

The Code is not a rigid set of rules. It consists of principles (main and supporting) and provisions. The Listing Rules require companies to apply the main principles and report to shareholders on how they have done so.

You can find our disclosures as follows:

### Leadership

|                                                                                                                                                                                                                                                           | Page |
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| Every company should be headed by an effective board which is collectively responsible for the long-term success of the company.                                                                                                                          |      |
| ▪ Board of Directors                                                                                                                                                                                                                                      | 5    |
| ▪ Composition of the Board                                                                                                                                                                                                                                | 4    |
| There should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company's business. No one individual should have unfettered powers of decision. |      |
| ▪ Roles on the Board                                                                                                                                                                                                                                      | 37   |
| The chairman is responsible for leadership of the board and ensuring its effectiveness on all aspects of its role.                                                                                                                                        |      |
| ▪ Roles on the Board                                                                                                                                                                                                                                      | 37   |
| As part of their role as members of a unitary board, non-executive directors should constructively challenge and help develop proposals on strategy.                                                                                                      |      |
| ▪ Roles on the Board                                                                                                                                                                                                                                      | 37   |

### Effectiveness

|                                                                                                                                                                                                                         | Page |
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| The board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively. |      |
| ▪ Board of Directors                                                                                                                                                                                                    | 5    |
| ▪ Board Diversity                                                                                                                                                                                                       | 4    |
| There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board.                                                                                                         |      |
| ▪ Appointment and re-election of Directors                                                                                                                                                                              | 43   |
| All directors should be able to allocate sufficient time to the company to discharge their responsibilities effectively.                                                                                                |      |
| ▪ Board of Directors                                                                                                                                                                                                    | 5    |
| ▪ Attendance                                                                                                                                                                                                            | 38   |
| ▪ Time commitment                                                                                                                                                                                                       | 39   |
| All directors should receive induction on joining the board and should regularly update and refresh their skills and knowledge.                                                                                         |      |
| ▪ Induction                                                                                                                                                                                                             | 39   |
| ▪ Training and Development                                                                                                                                                                                              | 39   |

|                                                                                                                                                |    |
|------------------------------------------------------------------------------------------------------------------------------------------------|----|
| The board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.  |    |
| ▪ Information provided to the Board                                                                                                            | 40 |
| The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors. |    |
| ▪ Review of Board and Board Committee Effectiveness                                                                                            | 40 |
| All directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance.                         |    |
| ▪ Composition of the Board                                                                                                                     | 4  |
| ▪ Appointment and re-election of Directors                                                                                                     | 43 |

### Accountability

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| The board should present a fair, balanced and understandable assessment of the company's position and prospects.                                                                                                                                           |      |
| ▪ Risk management                                                                                                                                                                                                                                          | 83   |
| The board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The board should maintain sound risk management and internal control systems.                           |      |
| ▪ Risk management and internal control                                                                                                                                                                                                                     | 40   |
| The board should establish formal and transparent arrangements for considering how they should apply the corporate reporting, risk management and internal control principles and for maintaining an appropriate relationship with the company's auditors. |      |
| ▪ Board Audit Committee report                                                                                                                                                                                                                             | 12   |
| ▪ Accountability                                                                                                                                                                                                                                           | 40   |

### Remuneration

|                                                                                                                                                                                                                                              | Page |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
| Executive directors' remuneration should be designed to promote the long-term success of the company. Performance-related elements should be transparent, stretching and rigorously applied.                                                 |      |
| ▪ Remuneration report                                                                                                                                                                                                                        | 53   |
| There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration. |      |
| ▪ Remuneration report                                                                                                                                                                                                                        | 53   |

### Relations with shareholders

|                                                                                                                                                                                                                | Page |
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| There should be a dialogue with shareholders based on the mutual understanding of objectives. The board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place. |      |
| ▪ Shareholder engagement                                                                                                                                                                                       | 41   |
| The board should use general meetings to communicate with investors and to encourage their participation.                                                                                                      |      |
| ▪ Shareholder engagement                                                                                                                                                                                       | 41   |

Governance: Directors' report

Chairman's introduction



Dear Fellow Shareholders

Our aim is to ensure that our governance is fit for purpose, and in line with best practice among FTSE100 companies. I remain firmly of the view that the role of the Board is to create long-term sustainable value for the benefit of our shareholders and our wider stakeholders. To achieve this, it is vital that Barclays has a robust corporate governance framework, which provides systems of checks and controls to ensure accountability and promotes sound decision-making. It is critical that we have policies and practices in place which ensure that each of the Board and the Board Committees, and the wider Barclays Group, operates effectively, a factor that was at the forefront of our thinking when undertaking structural reform. A key element of structural reform was a review of the governance processes across the Barclays Group in order to ensure the effective operation of each of the individual boards and their respective committees, recognising that this is vital to the development and execution of the Barclays Group's strategy.

Establishment of our ring-fenced bank, and completion of structural reform

Following the financial crisis, the UK government developed legislation to require UK banks to separate their retail banking activities from other activities within their groups. The ring-fencing requirements, which came into effect on 1 January 2019, are intended to strengthen the UK financial system by simplifying banking groups and thus reducing the likelihood that customers and clients – and the day-to-day services that they rely upon – will be put at risk by a failure in another part of the business or shocks originating in global financial markets.

Barclays was the first UK bank to be granted approval for its ring-fencing scheme, and the establishment of our ring-fenced bank was a significant event in our history. Barclays PLC remains the parent company of the Barclays Group. The Barclays Group is organised into two clearly defined business divisions – Barclays UK and Barclays International. These are housed in two banking subsidiaries – Barclays UK sits within Barclays Bank UK PLC, and Barclays International sits within Barclays Bank PLC – which operate alongside Barclays Services Limited but, in accordance with the requirements of ring-fencing legislation,

The Board believes that its role is to create and preserve value, not just for shareholders but for all stakeholders and society more widely.

independently from one another. Barclays Services Limited drives efficiencies in delivering operational and technology services across the Barclays Group. Each of these subsidiaries has its own separately constituted board, comprising of both executive and non-executive directors, with distinct responsibilities, which reflects the different natures of the respective companies. Barclays Bank UK PLC and Barclays Bank PLC also have their own board committees.

Central to this new corporate structure is a new corporate governance framework. In the course of preparing for structural reform it quickly became apparent that, in order for the Board and the Barclays Group to generate long-term sustainable value for shareholders, we required a governance framework that would provide the strong foundation needed for the effective management of the restructured Barclays Group. The new governance framework is therefore based on a number of core principles. It makes clear that, although the Barclays PLC Board is the ultimate decision-making body for all board-level issues and matters that are significant to Barclays PLC, Barclays Bank UK PLC and Barclays Bank PLC, the subsidiary boards cannot be required to do or not do anything that conflicts with their legal and regulatory duties and/or responsibilities. Internal governance processes have also been developed to ensure the effective operation of the individual boards and board committees in recognition of the fact that this is key to the development and execution of the Barclays Group's strategy. In particular, there are provisions dealing with the escalation and resolution of any issues that might arise. Whilst the interaction of the boards and board committees will inevitably evolve over time, it is recognised that the oversight, scrutiny and specialist input offered by the subsidiaries can and should contribute to promoting the success of Barclays for the benefit of its shareholders as a whole.

Governance reforms

In developing the new governance framework, the opportunity was taken to review our existing governance arrangements against the requirements of The UK Corporate Governance Code 2018 (The New Code) and The Companies (Miscellaneous Reporting) Regulations 2018 (The Regulations). The New

Code and The Regulations, both of which were published in 2018, represent a major milestone in the UK government's suite of corporate governance reforms which aim to build trust in business. They emphasise, in particular, the importance of board composition, culture, and the need for boards to understand the views of their key stakeholders and to report annually on how their interests have been considered in board discussions and decision-making. Barclays PLC will report against the requirements of The New Code and The Regulations in its annual report for the year ending 31 December 2019.

Board composition

A number of changes were made to the boards of Barclays PLC and the subsidiaries in 2018 to reflect the post-ring-fencing structure. These included the appointment of Sir Gerry Grimstone, who was Deputy Chairman and Senior Independent Director of Barclays PLC and Barclays Bank PLC, as Chairman of Barclays Bank PLC and the appointment of Sir Ian Cheshire as Chairman of Barclays Bank UK PLC. Both Sir Gerry and Sir Ian are non-executive Directors of Barclays PLC.

Crawford Gillies succeeded Sir Gerry Grimstone as Senior Independent Director of Barclays PLC in April 2018. In that role, Crawford led the process to appoint Nigel Higgins as my successor. You can read more about the recruitment and appointment of our new Chairman in the 'Governance in action' section of the Nominations Committee report on page 26.

In July 2018, Mary Anne Citrino joined Barclays PLC as a non-executive Director. Mary Anne's experience of the financial services sector brings additional knowledge and perspective to the Board, and her appointment reflects the ongoing work of the Nominations Committee to ensure that we have the right mix of individuals on the Board. You can read more about the work of the Nominations Committee on pages 22 to 26.

Mary Anne's appointment also brings female representation on the Board to 27%, which is a positive step towards achieving our diversity target of having 33% female representation on the Board by 2020, to which we remain committed.



# Governance: Directors' report

## Chairman's introduction

### Purpose, Values and Culture

As an organisation, we have evolved on nearly every level, in shape, size and ambition and, as we look to the future, we need to consider how we reflect the Barclays Group as it is today, and how we want it to be seen tomorrow. Our code of conduct, *The Barclays Way*, provides a clear path towards achieving a dynamic and positive culture within the Barclays Group by outlining our common purpose – Creating Opportunities to Rise – and values, which govern our way of working.

The Board receives regular reports on the alignment of Barclays' culture with its purpose, values and strategy as well as qualitative and quantitative feedback on matters of interest to colleagues through the *Culture Dashboard*, which measures and tracks our progress in embedding the desired culture, and the results of the *Your View* employee opinion surveys.

Personal accountability is central to our culture and how we behave is instrumental in our achieving the highest standards of performance, adding value to our customers and clients, and meeting our regulatory obligations. The Board believes that its role is to create and preserve value, not just for shareholders but for all stakeholders and society more widely. The impact of our behaviour and business on customers and clients, colleagues, wider society and the environment is monitored by the Board with support from the Reputation Committee, which tracks key indicators across the areas of culture, citizenship, conduct, and customer and client satisfaction on an ongoing basis. You can read more about the work of the Reputation Committee on pages 27 to 30.

### Stakeholder engagement

We recognise the importance of listening to, and understanding the views of, our stakeholders – including colleagues – such that this information can be used to inform the Board's decision-making. The Directors look to engage with stakeholders of the Barclays Group throughout the year, and are kept informed of shareholder views through regular updates, with insights provided by the Head of Investor Relations and our brokers. Crawford Gillies, our Senior Independent Director, is also available to meet with investors and other stakeholders.

### A new regime for 2019

The New Code and The Regulations came into effect on 1 January 2019, and apply to reporting on financial years beginning on or after that date. We will, therefore, report against their requirements in Barclays PLC's next annual report. However, for a description of how we comply with The UK Corporate Governance Code 2016 (The Code) – and the enhancements that will be made to our governance practices to reflect the requirements of The New Code and The Regulations – please refer to the 'Governance reporting for 2019' section on page 42.

### Board effectiveness

An effective board is key to the establishment and delivery of a company's strategy and we therefore continually seek to improve the effectiveness of your Board. One of the ways in which we have done this in 2018 is through a Board effectiveness review facilitated by Independent Board Evaluation, an independent, external corporate governance consultancy. We have, in recent years, commissioned annually an external assessment of the effectiveness of the Board, the Board Committees and the Directors, notwithstanding that the requirement is to do so only every three years. More information on the 2018 effectiveness review, and our progress against the findings of the 2017 effectiveness review, can be found on page 40. We are also pleased to report that, although not required by The Code, the boards of Barclays Bank UK PLC and Barclays Bank PLC have also elected to engage Independent Board Evaluation in order to review and enhance their effectiveness and ensure that they are operating optimally. We look forward to the unique perspective those reviews will provide as to the interaction of the boards and board committees of these companies, and the fitness for purpose of our new governance framework.

### Looking ahead

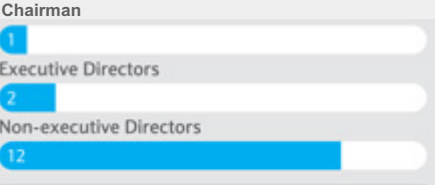
The key areas of focus for 2019 will be embedding the new corporate governance framework, and enhancing our governance practices such that we can ensure our compliance with The New Code and The Regulations. 2019 will also be a year for us to learn from the practical application of this governance framework and the related processes in order to ensure that we have a clear frame of reference in relation to decision making, oversight and escalation, and the delivery of functional support that works for your Barclays Group and promotes the long-term sustainable success of the Barclays Group.

### John McFarlane

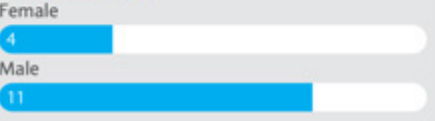
Chairman  
20 February 2019

## Board composition

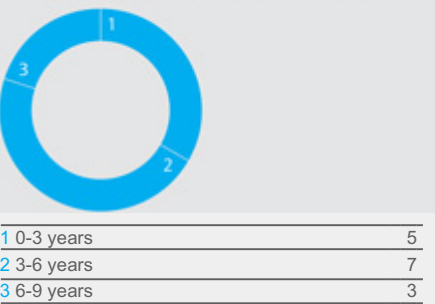
### Balance of non-executive Directors : executive Directors



### Gender balance



### Length of tenure (Chairman and non-executive Directors)



### Industry experience

#### (Chairman and non-executive Directors)\*

|                                   |           |
|-----------------------------------|-----------|
| 1 Financial Services              | 13 (100%) |
| 2 Political/regulatory experience | 12 (92%)  |
| 3 Current/recent Chair/CEO        | 5 (38%)   |
| 4 Accountancy/auditing            | 2 (15%)   |
| 5 Operations and Technology       | 2 (15%)   |
| 6 Retail/marketing                | 1 (8%)    |

### International experience†

#### (Chairman and non-executive Directors)\*

|                                     |          |
|-------------------------------------|----------|
| 1 International (UK)                | 10 (77%) |
| 2 International (US)                | 3 (23%)  |
| 3 International (Rest of the World) | 3 (23%)  |

Notes

\* Individual Directors may fall into one or more categories.

† In relation to board experience based on the location of the headquarters/registered office of a company.

Governance: Directors' report

Who we are – Board of Directors

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <div><div>Board of Directors<sup>a</sup></div><div>Barclays understands the importance of having a board with the right balance of skills, experience and diversity, and the composition of the Board is regularly reviewed by the Board Nominations Committee. The skills and experience of the current Directors and the value they bring to the Barclays Board are highlighted below.</div><div><div></div>Full biographies can be accessed online via <a href="http://home.barclays/investorrelations">home.barclays/investorrelations</a></div></div>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <div><div><div><div><div>John McFarlane</div><div>Chairman</div><div>Appointed:<br/>1 January 2015</div></div><div></div></div></div><div><div>Relevant skills and experience</div><div>John is the Chair of Barclays PLC. He is a senior figure in global banking and financial services circles having spent 43 years in the sector, including time at Aviva, The Royal Bank of Scotland, Standard Chartered and CitiBank UK.</div><div>John was recently awarded the Freedom of the City of London by Special Nomination for his outstanding achievements in the field of banking. John brings considerable leadership, Group oversight and banking experience to the Board and his roles outside Barclays are supportive of this.</div><div>Key current appointments</div><div>Chairman, TheCityUK; Member, Financial Services Trade and Investment Board; Director, Old Oak Holdings Limited; Supervisory Board Member, Unibail-Rodamco Westfield S.E.; Cranfield School of Management Advisory Board; Member, Institut International d'Etudes Bancaires; Member, President's Committee Confederation of British Industry</div><div>Committees</div><div>Nominations (Chair)</div></div></div> | <div><div><div><div><div>Tushar Morzaria</div><div>Group Finance Director</div><div>Appointed:<br/>15 October 2013</div></div><div></div></div></div><div><div>Relevant skills and experience</div><div>Tushar is a chartered accountant with over 25 years of strategic financial management, investment banking, operational and regulatory relations experience.</div><div>He joined Barclays from JP Morgan, where he held various senior roles including the CFO of its Corporate &amp; Investment Bank at the time of the merger of the investment bank and the wholesale treasury/security services business.</div><div>Key current appointments</div><div>Member; 100 Group Main Committee; Chair; Sterling Risk Free Reference Rates Working Group</div><div>Committees</div><div>None</div></div></div>                                                                                                                                                                                                                                                                                                                                 |
| <div><div><div><div><div>Jes Staley</div><div>Group Chief Executive</div><div>Appointed:<br/>1 December 2015</div></div><div></div></div></div><div><div>Relevant skills and experience</div><div>Jes has nearly four decades of extensive experience in banking and financial services. He brings a wealth of investment banking knowledge to the Board as well as strong executive leadership.</div><div>He previously worked for more than 30 years at JP Morgan where he initially trained as a commercial banker, later advancing to the leadership of major businesses involving equities, private banking and asset management and ultimately heading the company's Global Investment Bank.</div><div>Key current appointments</div><div>Board member, Bank Policy Institute; Board member, Institute of International Finance</div><div>Committees</div><div>None</div></div></div>                                                                                                                                                                                                                                                                                                       | <div><div><div><div><div>Crawford Gillies</div><div>Senior Independent Director</div><div>Appointed:<br/>1 May 2014</div></div><div></div></div></div><div><div>Relevant skills and experience</div><div>Crawford has extensive business and management experience at executive and board level spanning over 30 years.</div><div>Beneficial to the Board and key to understanding stakeholder needs, is his experience in international and cross sector organisations, strong leadership and strategic decision-making. Gained from his former remuneration committee chairmanships at Standard Life plc and MITIE Group PLC and other current positions, Crawford brings to the Board robust remuneration experience.</div><div>Key current appointments</div><div>Non-executive director, SSE plc; Chairman, Edrington Group</div><div>Committees</div><div>Audit, Nominations, Remuneration (Chair)</div></div></div>                                                                                                                                                                                                                      |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <div><div><div><div><div>Mike Ashley</div><div>Non-executive</div><div>Appointed:<br/>18 September 2013</div></div><div></div></div></div><div><div>Relevant skills and experience</div><div>Mike has deep knowledge of accounting, auditing and associated regulatory issues, having previously worked at KPMG for over 20 years.</div><div>Mike's former roles as the lead engagement partner on the audits of large financial services groups including HSBC, Standard Chartered and the Bank of England, as Head of Quality and Risk Management for KPMG Europe LLP and as KPMG UK's Ethics Partner enable the Board to benefit from Mike's expertise in management of professional risks, quality control and understanding of ethical issues. His current Board and Committee positions outside of Barclays also support this.</div><div>Key current appointments</div><div>Member, Cabinet Office Board; Member, International Ethics Standards Board for Accountants; Member, ICAEW Ethics Standards Committee; Member, Charity Commission</div><div>Committees</div><div>Audit (Chair), Nominations, Risk, Reputation</div></div></div> |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <div><div><div><div><div>Tim Breedon CBE</div><div>Non-executive</div><div>Appointed:<br/>1 November 2012</div></div><div></div></div></div><div><div>Relevant skills and experience</div><div>Tim has extensive financial services experience, knowledge of risk management and UK and EU regulation, as well as an understanding of key investor issues and customer focus.</div><div>He had a distinguished career with Legal &amp; General, where, among other roles, he was the group CEO until June 2012 and this experience enables Tim to provide challenge, advice and support to management on performance and decision-making.</div><div>Key current appointments</div><div>Chairman, Apax Global Alpha Limited; Chairman, The Northview Group Limited</div><div>Committees</div><div>Audit, Nominations, Remuneration, Risk (Chair)</div></div></div>                                                                                                                                                                                                                                                                              |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <div><div><div><div><div>Sir Ian Cheshire</div><div>Non-executive</div><div>Appointed:<br/>3 April 2017</div></div><div></div></div></div><div><div>Relevant skills and experience</div><div>Sir Ian is a member of the Board and is also Chair of Barclays Bank UK PLC.</div><div>He brings to the Board substantial business experience particularly in the international retail sector from his lengthy executive career at the Kingfisher Group, as well as experience in sustainability and environmental matters. Sir Ian holds strong credentials in leadership, is involved with many charitable organisations, such as The Prince of Wales's Charitable Foundation and is highly regarded by the Government for his work with various Government departments.</div><div>Key current appointments</div><div>Chairman, Maisons du Monde; Chairman, Menhaden plc; Lead non-executive director for the Government; Trustee, Institute for Government</div><div>Committees</div><div>Nominations</div></div></div>                                                                                                                         |

<sup>a</sup> Full Director biographies can be found on pages 322 to 325.



Governance: Directors' report

Who we are – Board of Directors

Mary Anne Citrino

Non-executive

Appointed:  
25 July 2018



**Relevant skills and experience**

Mary Anne is an experienced non-executive director holding considerable financial services and investment banking experience, following an executive career spanning over 20 years with Morgan Stanley. Her current other non-executive positions and senior advisory role with Blackstone, coupled with her previous board and senior management level positions (with Dollar Tree Inc. Health Net, Inc. and Blackstone Advisory Partners) contribute to the wide ranging global, strategic and advisory experience she can provide to the Board.

**Key current appointments**

Non-executive director, HP Inc.; Non-executive director, Ahold Delhaize N.V.; Non-executive director, Alcoa Corporation

**Committees**

Risk

Reuben Jeffery III

Non-executive

Appointed:  
16 July 2009



**Relevant skills and experience**

Reuben has extensive financial services experience, particularly within investment banking and wealth management, through his current positions and former senior roles with Goldman Sachs, where he led their European Financial Institutions Group. He is also able to provide the Board with insight and experience of the US political and regulatory environment, gained from his Government roles in the US, including as chairman of the Commodity Futures Trading Commission and as an under Secretary of State.

**Key current appointments**

Vice Chairman, Rockefeller Capital Management; Director, Financial Services Volunteer Corps; Director, CQS Management Limited; Trustee, The Asia Foundation

**Committees**

Nominations, Risk

Diane Schueneman

Non-executive

Appointed:  
25 June 2015



**Relevant skills and experience**

Diane is a member of the Board and also Chair of Barclays Services Limited and a member of the Board of Barclays US LLC. She brings to Barclays a wealth of experience in managing global, cross-discipline business operations, client services and technology in the financial services industry. Diane had an extensive career at Merrill Lynch, holding a variety of senior roles, including responsibility for banking, brokerage services and technology provided to the company's retail and middle market clients.

**Key current appointments**

None

**Committees**

Audit, Risk

Mary Francis CBE

Non-executive

Appointed:  
1 October 2016



**Relevant skills and experience**

Mary has extensive and diverse board-level experience across a range of industries, which has developed from her previous non-executive directorships with Alliance & Leicester, Aviva, the Bank of England, Centrica and Swiss Re Group, her former executive positions and current roles. She brings to the Board strong understanding of the interaction between public and private sectors, skills in strategic decision-making and reputation management and promotes strong board governance values.

**Key current appointments**

Non-executive director, EnSCO PLC; Member of Advisory Panel, The Institute of Business Ethics Member, UK Takeover Appeal Board

**Committees**

Remuneration, Reputation (Chair)

Matthew Lester

Non-executive

Appointed:  
1 September 2017



**Relevant skills and experience**

Matthew contributes to the Board strong financial management and regulatory experience, having held a number of senior finance roles across a range of business sectors, including financial services. Most recently he was chief financial officer of Royal Mail Group. His financial expertise attained from past positions and current non-executive roles enables Matthew to analyse effectively complex reporting and risk management processes and appropriately challenge executive management.

**Key current appointments**

Non-executive director, Man Group plc; Non-executive director, Capita plc

**Committees**

Audit, Risk

Mike Turner CBE

Non-executive

Appointed:  
1 January 2018



**Relevant skills and experience**

Mike has considerable business and board level experience gained from his lengthy career with BAE Systems PLC where he was CEO as well as his non-executive positions. He has a strong commercial background and experience in strategy and operational performance culture. He brings significant leadership and strategic oversight experience to the Board, particularly from his current roles and previous chairmanship of GKN Plc.

**Key current appointments**

Chairman, Babcock International Group PLC Member, UK Government's Apprenticeship Ambassadors Network

**Committees**

Reputation

Sir Gerry Grimstone

Non-executive

Appointed:  
1 January 2016



**Relevant skills and experience**

Sir Gerry is a member of the Board and is also Chair of Barclays Bank PLC. He is highly respected in the banking industry and brings to the Board immense investment banking, financial services and commercial experience both at non-executive director and chairman level. Sir Gerry has global business experience across the UK, Asia, the Middle East and the US as a result of his former positions at Schroders and Standard Life Aberdeen plc as well as his other current positions.

**Key current appointments**

Chairman, The City UK China Market Advisory Group; Lead non-executive, Ministry of Defence; Member, Financial Services Trade and Investment Board; Public interest non-executive director, Deloitte NWE LLP

**Committees**

Nominations

Dambisa Moyo

Non-executive

Appointed:  
1 May 2010



**Relevant skills and experience**

Dambisa is an international economist and commentator on the global economy, with a PhD in economics. She brings to Barclays a background in financial services and a wide knowledge and understanding of global economic, political and social issues. Her past non-executive directorships with Barrick Gold Corporation, SABMiller plc and Seagate Technology plc and current positions highlight her strong board level experience of companies with complex global operations.

**Key current appointments**

Non-executive director, Chevron Corporation; Non-executive director, 3M Company; Member of Investment Committee, Oxford University Endowment Fund

**Committees**

Remuneration, Reputation

Stephen Shapiro

Appointed:  
1 November 2017



**Relevant skills and experience**

Stephen was appointed Company Secretary in November 2017 having previously served as the Group Company Secretary and Deputy General Counsel of SABMiller plc. Prior to this, he practised law as a partner in a law firm in South Africa, and subsequently in the UK. Stephen has extensive experience in corporate governance, legal, regulatory and compliance matters. Stephen serves on the Executive Committee of the GC100, the association of General Counsel and Company Secretaries working in UK FTSE 100 companies, and has previously served as Chairman of the ICC UK's Committee on Anti-Corruption.

Governance: Directors’ report

Who we are – Group Executive Committee

Group Executive Committee<sup>a</sup>

Biographies for Jes Staley, Group Chief Executive, and Tushar Morzaria, Group Finance Director, who are members of the Group Executive Committee, which is chaired by Jes Staley, can be found on page 5.

Paul Compton

Group Chief  
Operating Officer



Tim Throsby

Chief Executive  
Officer, Barclays  
International



Bob Hoyt

Group General  
Counsel



Ashok Vaswani

Chief Executive  
Officer, Barclays UK



Laura Padovani

Group Chief  
Compliance Officer



C S Venkatakrishnan

Group Chief  
Risk Officer



Tristram Roberts

Group Human  
Resources Director



Group Executive Committee meetings are also attended on a regular basis by the Chief Internal Auditor, the Company Secretary, and an ex-officio member drawn from senior management.

<sup>a</sup> Group Executive Committee biographies can be found on pages 322 to 325.

Governance: Directors' report

What we did in 2018

Board report

The Barclays Board

The Barclays Group is organised into two clearly defined business divisions – Barclays UK and Barclays International. These are housed in two banking subsidiaries – Barclays UK sits within Barclays Bank UK PLC, and Barclays International sits within Barclays Bank PLC – which operate alongside Barclays Services Limited but, in accordance with the requirements of ring-fencing legislation, independently from one another. Barclays Services Limited drives efficiencies in delivering operational and technology services across the Barclays Group. Barclays PLC is the parent company of the Barclays Group.

Each of the three subsidiaries has its own separately constituted board, comprising of both executive and non-executive directors, with distinct commercial, legal and regulatory responsibilities which reflect the different natures of the respective entities. Barclays Bank UK PLC and Barclays Bank PLC also have their own board committees.

The Barclays PLC Board (the Board) is responsible for the overall leadership of the Barclays Group, including establishing its purpose, values and strategy and satisfying itself as to the alignment of Barclays' culture with its purpose, values and strategy. It is also responsible for ensuring that management maintains a sound system of audit, risk management, compliance and internal control. A sound system of internal control provides assurance of effective and efficient operations, internal financial controls and compliance with law and regulation. In meeting this responsibility, we consider what is appropriate for the Barclays Group's business and reputation, the materiality of financial and other risks and the relevant costs and benefits of implementing controls. See page 40 for further details on those systems of controls.

In collaboration with the respective boards of Barclays Bank UK PLC and Barclays Bank PLC, the Board has developed a governance framework that seeks to provide the strong foundation needed for the effective management of the re-structured Barclays Group and thus generate long-term sustainable returns for shareholders.

As stated above, the Board is the ultimate decision-making body for all board-level issues and matters that are significant to Barclays PLC, Barclays Bank UK PLC and Barclays Bank PLC because of their potential strategic, financial, regulatory or reputational implications or because of their potential consequences for the Barclays Group as a whole.

As noted in the Chairman's introduction, internal governance processes have also been developed to ensure the effective operation of the individual boards and board committees of each of Barclays PLC, Barclays Bank UK PLC and Barclays Bank PLC respectively, in recognition of the fact that this is key to the development and execution of the Barclays Group's strategy. The *Schedule of Matters Reserved* details the key decisions in respect of which the Board has control. The *Schedule of Matters Reserved* to the Board is reviewed regularly to ensure that it remains relevant, and was recently updated to reflect our new corporate structure, evolving corporate governance requirements, and industry best practice. A summary of the matters reserved to the Board can be found at [home.barclays/corporategovernance](#).

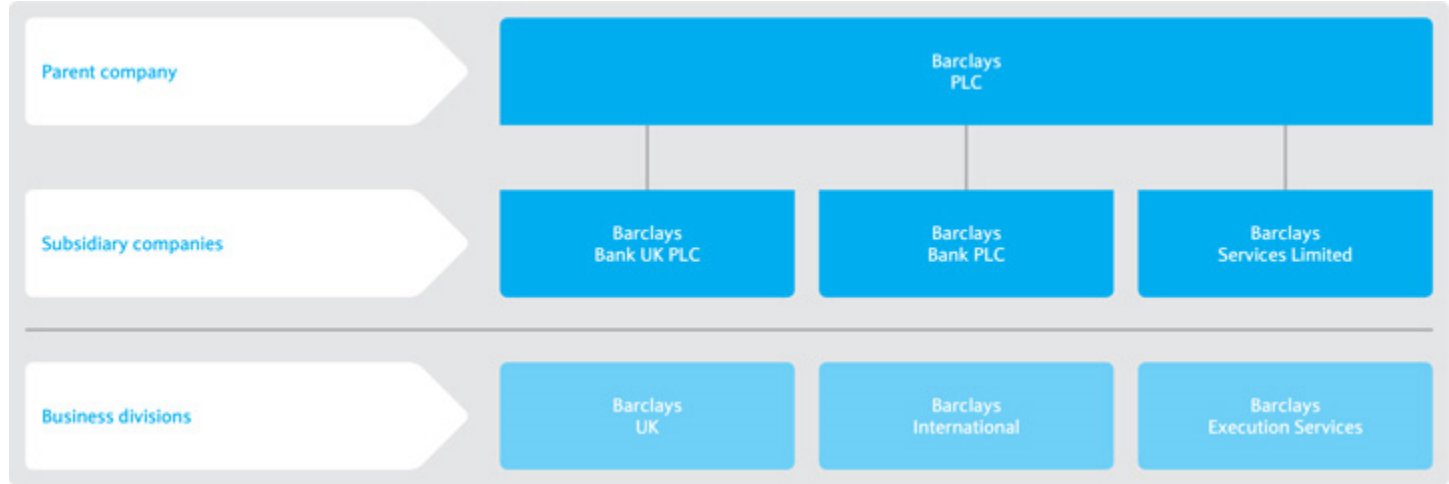
The Board Committees

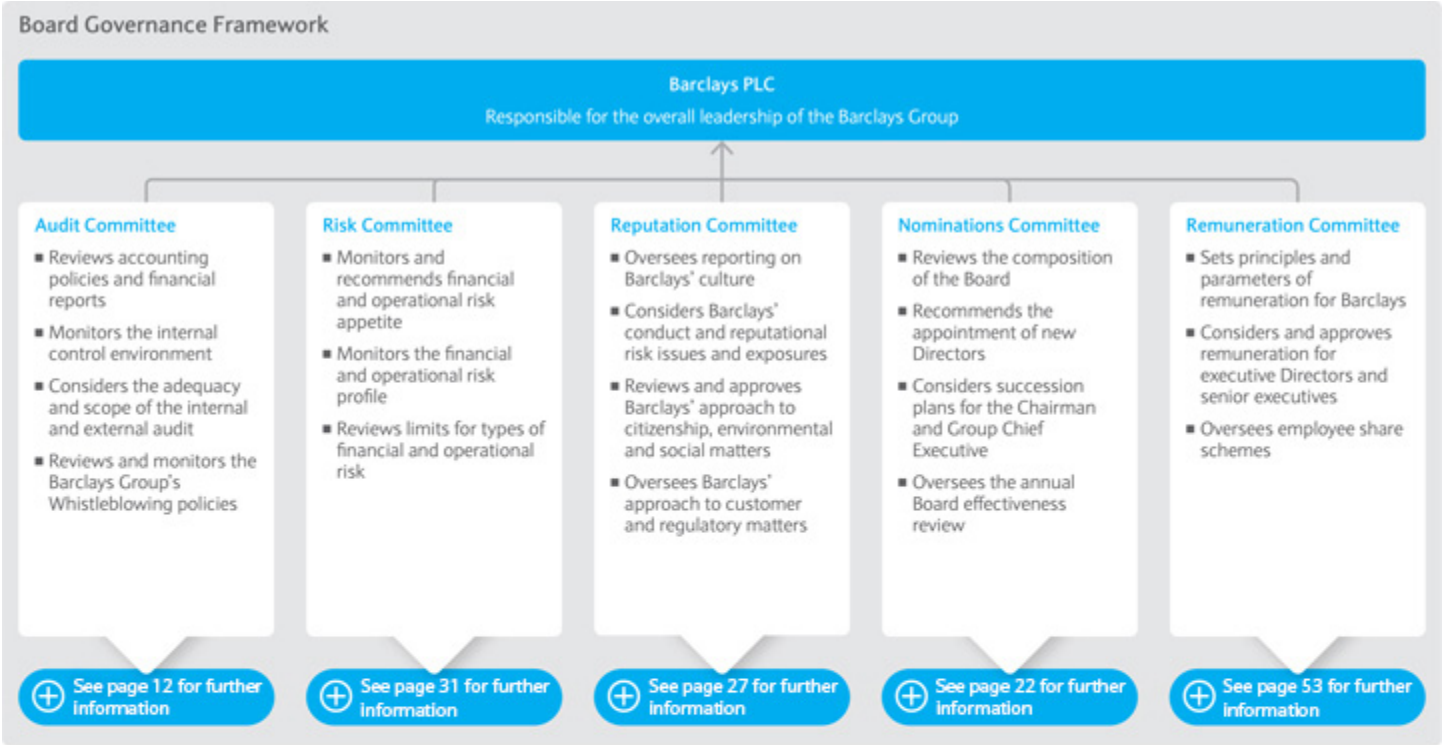
The Board is empowered through its Articles of Association to delegate all or any of its powers, authorities and discretions to any committee or committees as it thinks fit. The principal Board Committees are the Board Audit Committee, the Board Risk Committee, the Board Reputation Committee, the Board Nominations Committee and the Board Remuneration Committee.

The Board Committees are responsible for overseeing matters at the Barclays Group level and their respective authorities extend to all matters relating to their responsibilities for the Barclays Group, save to the extent that the matters relate solely to either Barclays Bank UK PLC or Barclays Bank PLC, and/or their respective subsidiaries, and fall solely within the remit of the terms of reference of the respective board committees of either Barclays Bank UK PLC or Barclays Bank PLC in which case the matter shall be dealt with by such committee, within the parameters set by the relevant Board Committee. The Board Committees report to the Board.

The Board has defined the roles and objectives of each of the Board Committees, and provided specific levels of discretion within which they can operate. In line with all board committees in the Barclays Group, the Board Committees must act in accordance with the remit of their delegated authorities and their terms of reference. The terms of reference are reviewed annually, and were recently updated to reflect our new corporate structure, evolving corporate governance requirements, and industry best practice. A copy of each Board Committee's terms of reference can be found at [home.barclays/corporategovernance](#).

You can read more about what the Board and each of the Board Committees did during 2018 on the following pages.





**The Board's key areas of focus**  
During 2018, the Board focused on the matters outlined in the table below, in line with the strategy of the Barclays Group and the eight Principal Risks identified by our Enterprise Risk Management Framework.



Strategy formulation and monitoring

Debated and provided input to management on the execution of the overall strategy of the Barclays Group, and reflected on that strategy with longer-term views on what could be done to build on our strengths as a transatlantic consumer and wholesale bank, enhance financial resilience and deliver consistent and stronger returns through the business cycle. The topics considered by the Board included:

- a continued focus on ways to enhance the Barclays Group's returns
- potential growth opportunities for the Barclays Group in delivering sustainable enhanced returns through the cycle
- constraints and risks to strategy execution, including economic assumptions, expected regulatory requirements on capital and solvency ratios, investor expectations, potential impacts for clients and customers, and the various approaches to the distribution of capital
- the allocation of capital
- areas of shareholder focus in relation to the overall strategy of the Barclays Group
- strategic approach to costs optimisation, including the use of Barclays Execution Services to deliver shared services to the Barclays Group.

Discussed regular updates from the Group Chief Executive on the progress being made against the 2018 execution priorities and capital targets of the Barclays Group, received insights on stakeholder, employee and cultural matters (including results from employee opinion surveys), and updates on items of focus for the Barclays Group Executive Committee.

Monitored the progress of the execution and implementation of the structural reform programme and approved matters in connection therewith including capital reductions.

Assessed and debated the potential implications of the UK's preparations to leave the EU following the EU Referendum result and received updates on the preparations of the Barclays Group therefor, including the expansion of our Irish legal entity, Barclays Bank Ireland, as well as updates from the Chair of the Risk Committee.

Received "Deep Dive" presentations from management on key areas of the Barclays Group's business and lessons learned from specific events.

Finance (including capital and liquidity)

Debated, assessed and approved the Barclays Group's Medium Term Plan for 2018-2020.

Regularly assessed financial performance of the Barclays Group and its main businesses through reports from the Group Finance Director.

Reviewed and approved Barclays' financial results prior to publication, including approving full year and half year dividends.

Discussed market and investor reaction to Barclays' strategic and financial results announcements, with insights provided by the Head of Investor Relations and brokers.

Provided input, guidance and advice to senior management on the Barclays Group's Medium Term Plan 2019-2021 and subsequently approved the final plan.



Governance: Directors’ report

What we did in 2018

Board report

Governance and risk (including regulatory issues)

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Debated and approved the 2018 risk appetite for the Barclays Group.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Discussed and received regular updates on stress testing.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Regularly assessed Barclays’ overall risk profile and emerging risk themes, hearing directly from the Chief Risk Officer and the Chair of the Risk Committee.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Discussed and received regular updates directly from the Chief Controls Officer on the internal controls and framework of the Barclays Group and monitored progress of: <ul style="list-style-type: none"><li>the Barclays Internal Control Enhancement Plan (the programme for remediation of identified risk and control issues)</li><li>the Risk and Control Self Assessment process</li><li>improvements to the operating model of the Controls Office.</li></ul>                                                                                                                                                                                                                                                                                                   |
| Received reports on Barclays’ operational and technology capability, including in relation to the recruitment of a Chief Security Officer, the launch of the Joint Operations Centre, and cyber security.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Approved the Barclays Group’s 2018 Recovery Plan and considered the US Resolution Plan. Both plans considered Barclays’ Preferred Resolution Strategy, which is developed with the Bank of England and involves a single-point of entry resolution with bail-in at the Barclays PLC level.                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Considered regular updates from the Group General Counsel on the legal and regulatory risks and issues facing the Barclays Group – refer to note 27 in the financial statements.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Met with representatives of Barclays’ UK and US regulators to enable the Board to hear first-hand about regulatory expectations and their specific views on Barclays.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Received and considered regular updates on communications from Barclays’ UK and US regulators.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Considered matters relating to Board succession, including the recruitment and appointment of a new Chairman and approved appointments to the Board and Board Committees.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Received and considered regular updates from the Chairs of the Board’s principal Board Committees on the matters discussed at Board Committee meetings. You can read more about what each of the Board Committees did during 2018 on the following pages.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Received regular updates from the Chairs of Barclays Bank UK, Barclays Bank PLC and Barclays Services Limited.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Approved: <ul style="list-style-type: none"><li>the new corporate governance framework for the Barclays Group, which reflects the corporate structure post-structural reform and recent corporate governance reforms</li><li>the operating parameters within which Barclays Bank UK PLC and Barclays Bank PLC, and their respective groups, should run themselves in compliance with relevant law and regulation.</li></ul>                                                                                                                                                                                                                                                                                                                                             |
| Considered and discussed other corporate governance matters and regulatory matters, including the Senior Managers and Certification Regime and the extension thereof.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Engaged with stakeholders through a number of mechanisms, including: <ul style="list-style-type: none"><li>meeting with institutional investors at seminars and conferences across many geographic locations, and meeting with private shareholders at the AGM</li><li>receiving updates on shareholder views through regular updates, with insights provided by the Head of Investor Relations and brokers</li><li>monitoring the impact of our behaviour and business on customers and clients, colleagues and society with support from the Reputation Committee, which tracks key indicators across the areas of culture, citizenship, conduct, and customer and client satisfaction, and used the insights gained to inform the Board’s decision-making.</li></ul> |
| Monitored the impact of our behaviour and business on customers and clients, colleagues and society.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Received regular reports on the alignment of Barclays’ culture with its purpose, values and strategy as well as qualitative and quantitative feedback on matters of interest to colleagues.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Received updates from the Reputation Committee on the publication of policy statements on Coal, World Heritage Sites and Ramsar Wetlands, as well as Barclays Energy and Climate Change Statement, and discussed feedback received thereon.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Received training on whistleblowing and the Senior Managers and Certification Regime.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Considered the results of the 2017 Board effectiveness review and the proposed action plan and considered the process for and findings of the 2018 Board effectiveness review. More information on the 2018 Board effectiveness review can be found on page 4.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

Other (including remuneration)

|                                                                                                                                                                                                                                                                                                                                  |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Considered progress on Barclays’ talent and succession planning (and hosted receptions for key talent within the Barclays Group), and monitored the overall diversity of the leadership pipeline to ensure that the broadest spectrum of leaders are being attracted to the Barclays Group.                                      |
| Received updates on the Bank’s diversity and inclusion initiatives, including from the Chair of the Nominations Committee, and debated the key business drivers for promoting diversity of gender, social and ethnic background, cognitive and personal strengths when making appointments to the Board and succession planning. |
| Considered and approved the 2018 incentive funding pools for the Barclays Group and allocation among each business and function. Please refer to the Remuneration report on pages 53 to 80 for further details.                                                                                                                  |



## Governance in action – Cyber security and operational resilience

The way in which businesses operate and consumers manage their lives is fundamentally changing. At Barclays, our customers undertake over six million digital banking interactions every day through online and mobile services. The impact of digitisation on the financial services sector has generally been a positive one, providing consumers with the ability to engage through their preferred channel, at a time of their choosing, without having to visit a physical branch. However, digitisation has also resulted in instances of service disruption. In a recent study on cyber and technology resilience, the Financial Conduct Authority (FCA) noted that cyber-attacks accounted for 18% of the operational incidents reported to the FCA between October 2017 and September 2018, and that technology outages in the financial services sector are becoming more frequent.

The Board considers that cyber security and operational resilience are critical issues – disruptions that affect customers’ access to their accounts, and their money, impact confidence in the wider banking sector. The Barclays Group is focused on reducing the volume of operational incidents, and is seeking to do this through:

- **Continued investment in our IT infrastructure.** We operate a multi-channel strategy, with the channels supported by different technology systems to ensure that we can continue to service our customers in the event that one or more channels encounters difficulties. There are also, often, non-digital alternatives available for use as back-up.
- **The provision of around-the-clock resilience and security.** Nearly one quarter of the Barclays Group’s global workforce of 85,000 is dedicated to security and technology. In order to enable our customers to transact 24/7, we seek to ensure around-the-clock resilience and security. We have created a global network of Joint Operation Centres with state-of-the-art technology and highly trained staff to enable ‘always on’ monitoring, tracking, and handling of cyber threats and technology issues.

- **The strengthening of controls and governance relating to technology.** We have agreed standards and processes in place to manage the risks of operating and maintaining a complex technology estate across the Barclays Group. We have also reviewed our most critical banking services, and the internal processes that support them, in order to ensure that appropriate levels of resilience are designed and implemented for each service, depending on its criticality, and to identify and remove any single points of failure. A senior Accountable Executive has been assigned to each critical banking service, with responsibility for ensuring the resilience of that service and undertaking regular testing.

We also monitor both internal and external operational incidents as part of our formal ‘Lessons Learned’ and ‘Post Incident Review’ processes, as well as regularly using scenario planning to further improve our activities and plans in the event of an incident.

We believe that our approach is proving successful – between 2016 and 2017, operational incidents caused by technology reduced by 15%; between 2017 and 2018, operational incidents caused by technology reduced by 13%. Nevertheless, incidents do still occur and, when they do, we focus on minimising the impact on customers. This includes providing clear and timely updates through different channels in order to signpost customers to those services that are unaffected.

Whilst the Board is actively engaged in monitoring and overseeing cyber security and operational resilience, the control aspects of these issues are the responsibility of the Audit Committee and the operational risk issues are the responsibility of the Risk Committee. You can read more about the work of the Audit Committee and the Risk Committee on pages 12 to 21 and pages 31 to 36 respectively.



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Having overseen preparations for the implementation of IFRS 9, the Committee was well placed to monitor the impact of the new standard and ensure that such impact was clearly communicated to shareholders.

**Dear Fellow Shareholders**

2018 was another year of challenge and change for Barclays. One of the Committee's most significant activities was overseeing Barclays' transition from IAS 39 to the IFRS 9 *Financial Instruments* accounting standard, in particular the introduction of a forward-looking expected credit loss (ECL) model, which is designed to recognise losses earlier. Having overseen the Barclays Group's preparation for the implementation of IFRS 9 over the last few years, my Committee colleagues and I were well placed to monitor the impact of the new standard and ensure that such impact was clearly communicated to shareholders. To this end, and in line with the Committee's responsibility for ensuring the integrity of Barclays' published financial information by debating and challenging the critical judgements and estimates made by management, we provided input on material disclosures relating to IFRS 9. Please refer to the report on the following pages for details of all of the material matters considered by the Committee in the last year.

On 1 April 2018, Barclays Bank UK PLC was established thereby completing structural reform. Having previously agreed the allocation of responsibilities, the Committee worked closely with the audit committees of Barclays Bank UK PLC and Barclays Bank PLC and with management to embed the necessary information flows and reporting in order to ensure that all three of the audit committees can discharge their responsibilities with the minimum amount of duplication. More generally, the intention of the new structure is that all of the Barclays Group entities operate alongside one another, but in accordance with the requirements of ring-fencing legislation. With this in mind, I held regular meetings with the chairs of the Barclays Bank UK PLC and Barclays Bank PLC audit committees and recently attended meetings of each of their committees. In turn, the chairs of those entities attended at least one Committee meeting during 2018. I also met frequently with members of senior management, including the Group Finance Director and Chief Internal Auditor, and continued my engagement with Barclays'

regulators both in the UK and the US. I reported regularly on the activities of the Committee to the Board of Barclays PLC.

Ensuring continued focus on the strengthening of Barclays' control environment remained a priority for the Committee in 2018. I held regular meetings with the Chief Internal Auditor and members of her senior management team to ensure that I was aware of current work programmes and any emerging issues. I also agreed the Chief Internal Auditor's objectives, and the outcomes of her performance assessment and remuneration. Following the success of previous networking events with Barclays Internal Audit (BIA), Committee members were once again given the opportunity to meet with senior members of the BIA management team on a less formal basis.

Having taken over the co-ordination of the Risk and Control Self-Assessment (RCSA) process in 2017, the Chief Controls Office has developed a more detailed self-assessment process which has assisted the business in proactively identifying controls which require remediation. We received regular updates from the Chief Controls Office on those controls and other issues. Following the stand-up of the Barclays Bank UK PLC and Barclays Bank PLC audit committees, the focus of these updates was on issues of significance to the Barclays Group, most of which related to services supplied by Barclays Execution Services.

The Committee continued to engage with senior management regarding areas of control weaknesses, and received presentations from a number of different areas of the organisation on the actions taken to address unsatisfactory audit reports.

In assessing control issues for disclosure in the Annual Report, the Committee applied similar concepts to those used for assessing internal financial controls for the purposes of Sarbanes-Oxley. The conclusion we reached is that there are no control issues that are considered to be a material weakness and which therefore merit specific disclosure.

I am proud to be Barclays' Whistleblowers' Champion. As Champion, I have specific responsibility for overseeing the integrity, independence and effectiveness of the Barclays Group's whistleblowing arrangements, including the policies and procedures on protecting against victimisation. In this capacity, I am pleased to report that the recommendations arising from the independent review of the whistleblowing programme that was commissioned by the Board in 2017 have been implemented in full. This includes the standing-up of a centralised team to review and assess all concerns raised and, as necessary, direct those concerns to an appropriate team for investigation. The FCA and the PRA concluded their regulatory processes in relation to the investigation of certain matters involving our whistleblowing programme, and Barclays Bank PLC reached a settlement with the New York State Department of Financial Services in respect of its investigation into the same matters. Certain information relating to the whistleblowing programme will be provided to the FCA and the PRA for the years 2018 – 2020, and to the New York State Department of Financial Services for the years 2017 – 2020.

**Committee performance**

The performance of the Committee was assessed by Independent Board Evaluation, an independent, external corporate governance consultancy as part of the annual effectiveness review of the Board of Barclays PLC. The results show that the Committee is operating effectively, and the Board takes a high level of assurance from the technical competence and diligence of the Committee's work. It is considered well constituted, with the right balance of skills and experience. Last year's review commented on the need to manage a demanding agenda efficiently so that time is allocated to the most significant items for discussion.

The Committee sought to address this by embedding the progress made by the Audit, Reputation and Risk Committees in 2017 to avoid duplication where there is an overlap of responsibilities, and focusing on time management in meetings such that discussions, and presenters, are limited to the allocated time. The results of this year's review note that there has been encouraging progress in relation to focus on key issues, but that there is still work to be done. The Committee will continue to focus on this point in the forthcoming year.

You can read more about the outcomes of the review of Board, Board Committee and individual Director effectiveness on page 25.

Looking ahead

In 2019, the Committee will continue to monitor the impact of IFRS 9, and the new IFRS 16 accounting standard pursuant to which companies will be required to bring most leases on-balance sheet from 1 January 2019. We will also further develop our relationship with the audit committees of Barclays Bank UK PLC and Barclays Bank PLC to ensure that all three audit committees operate effectively and in a streamlined manner.

Finally, Sally Clark, our current Chief Internal Auditor, has decided to retire. I would like to take this opportunity to thank her both personally and on behalf of the Committee for her support and dedication in the role over the last five years. The Committee will be involved in the process to appoint a successor, and will be seeking to ensure that we appoint a candidate who continues with her work establishing BIA as a world leading function.

**Mike Ashley**  
Chair, Board Audit Committee  
20 February 2019

Committee allocation of time (%)



\* The increased amount of time allocated to financial results in 2018 reflects the role of the Committee in monitoring the impact of the IFRS 9 Financial Instruments accounting standard and ensuring that such impact was clearly communicated to shareholders, including providing input on material disclosures.

† The reduced amount of time allocated to internal audit matters in 2018 is reflective of the progress made by Barclays Internal Audit in addressing the Matters Requiring Attention identified by the Federal Reserve Bank of New York, the issues arising from the PRA's horizontal review of the function, and the recommendations made by Deloitte following its independent review of Barclays Internal Audit in 2017.

Committee composition and meetings

The Committee is composed solely of independent non-executive Directors, with membership designed to provide the breadth of financial expertise and commercial acumen it needs to fulfil its responsibilities. Its members as a whole have recent and relevant experience of the banking and financial services sector, in addition to general management and commercial experience, and are financially literate. In particular, Mike Ashley, who is the designated financial expert on the Committee for the purposes of the US Sarbanes-Oxley Act, is a former audit partner who, during his executive career, acted as lead engagement partner on the audits of a number of large financial services groups. Matthew Lester held a number of senior finance roles across a range of business sectors, including financial services, during his executive career. You can find more details of the experience of Committee members in their biographies on pages 5 and 6.

During 2018, the Committee met nine times and the chart above shows how it allocated its time. Attendance by members at Committee meetings is shown below. Committee meetings were attended by representatives from management, including the Group Chief

Executive, Group Finance Director, Chief Internal Auditor, Chief Controls Officer, Chief Risk Officer, Chief Operating Officer, Group General Counsel and Head of Compliance, as well as representatives from the businesses and other functions. The lead audit partner of KPMG (the Barclays Group's external auditor) attended all Committee meetings in 2018 – from January to July this was Guy Bainbridge; from August onwards this was Michelle Hinchliffe. The Committee held a number of separate private sessions with each of the Chief Internal Auditor and the lead audit partner, which were not attended by management.

| Member           | Meetings attended/eligible to attend |
|------------------|--------------------------------------|
| Mike Ashley      | 9/9                                  |
| Tim Breedon      | 9/9                                  |
| Crawford Gillies | 9/9                                  |
| Matthew Lester   | 9/9                                  |
| Diane Schueneman | 9/9                                  |

Committee role and responsibilities

The Committee is responsible for:

- assessing the integrity of the Barclays Group's financial reporting and satisfying itself that any significant financial judgements made by management are sound
- evaluating the effectiveness of the Barclays Group's internal controls, including internal financial controls
- scrutinising the activities and performance of the internal and external auditors, including monitoring their independence and objectivity
- overseeing the relationship with the Barclays Group's external auditor
- reviewing and monitoring the effectiveness of the Barclays Group's whistleblowing policies and procedures
- overseeing significant legal and regulatory investigations, including the proposed litigation statement for inclusion in the statutory accounts.

The Committee's terms of reference are available at [home.barclays/corporategovernance](http://home.barclays/corporategovernance)

The Committee's work

The significant matters addressed by the Committee during 2018, and in evaluating the Annual Report and financial statements, are described on the following pages.

Financial statement reporting issues

The Committee's main responsibility in relation to Barclays' financial reporting is to review with both management and the external auditor the appropriateness of Barclays' financial statements, including quarterly results announcements, half-year

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and annual financial statements, and supporting analyst presentations, with its primary focus being on:

- assessing whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess Barclays' position and performance, business model and strategy
- material areas where significant judgements have been made, along with any significant assumptions or estimates, or where significant issues have been discussed with or challenged by the external auditor
- the quality and acceptability of accounting policies and practices
- any correspondence from financial reporting regulators in relation to Barclays' financial reporting.

**Accounting policies and practices**  
The Committee discussed reports from management in relation to the identification of critical accounting judgements and key sources of estimation uncertainty, significant accounting policies and the proposed disclosure of these in the 2018 Annual Report.

Following discussions with both management and the external auditor, the Committee approved the critical accounting judgements, significant accounting policies and disclosures, which are set out in Note 1,

'Significant accounting policies', to the consolidated financial statements.

Two new significant accounting standards became effective from 1 January 2018, IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*. Further information regarding these changes can be found in Note 1 to the consolidated financial statements. During 2018, the Committee was regularly updated on Barclays' implementation of IFRS 9, in particular in relation to the new ECL model, which represented a fundamental change in approach to impairment

The Committee discussed with management the key technical decisions and interpretations required, and Barclays' approach to these.

**Financial reporting regulators and Barclays**  
The Committee from time to time considers comment letters and papers from external bodies including the SEC and the Financial Reporting Council (FRC). In that regard, the Committee considered the following:

- the FRC's Annual Review of Corporate Governance and Reporting, which summarised key characteristics of good corporate reporting from the 2017/18 reporting year
- the FRC's Year-End Advice Letter to Audit Committee Chairs and Finance Directors, which highlighted key developments for the 2018/19 reporting year

- the FRC's IFRS 9 Thematic Review, which looked at disclosures in 2018 interim accounts relating to the implementation of IFRS 9.

The Committee sought to ensure that Barclays took due account of the matters raised in the letters and papers described above in its external reporting, and sought to enhance and clarify relevant disclosures, as appropriate.

From time to time, Barclays receives comment letters from the SEC in relation to its review of the annual report and other publicly filed financial statements. Such comment letters and Barclays' responses are made publicly available by the SEC on its website, sec.gov, once it has closed each such review. Barclays did not receive any such comment letters from the SEC during 2018.

**Significant judgements and estimates**  
The significant judgements and estimates and actions taken by the Committee in relation to the 2018 Annual Report and financial statements are outlined below. The significant judgements and estimates are broadly comparable in nature to prior years. Each of these matters was discussed with the external auditor during the year and, where appropriate, has been addressed in the Auditor's Report on pages 203 to 204.

| Area of focus                                                                                                         | Reporting issue                                                                                                                                                                                                                                                                                             | Role of the Committee                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Conclusion/action taken                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|-----------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Fair, balanced and understandable reporting</b><br>(including country-by-country reporting and Pillar 3 reporting) | <p>Barclays is required to ensure that its external reporting is fair, balanced and understandable.</p> <p>The Committee undertakes an assessment on behalf of the Board in order to provide the Board with assurance that it can make the statement required by The UK Corporate Governance Code 2016.</p> | <ul style="list-style-type: none"><li>■ Assessed through discussion with and challenge of management, including the Group Chief Executive and Group Finance Director, whether disclosures in the Annual Report and other financial reports were fair, balanced and understandable.</li><li>■ Evaluated reports from Barclays PLC's Disclosure Committee on its assessment of the content, accuracy and tone of the disclosures.</li><li>■ Established through reports from management that there were no indications of fraud relating to financial reporting matters.</li><li>■ Evaluated the outputs of Barclays' internal control assessments and Sarbanes-Oxley s404 internal control process.</li><li>■ Assessed disclosure controls and procedures.</li><li>■ Confirmed that management had reported on and evidenced the basis on which representations to the external auditors were made.</li></ul> | <p>Having evaluated all of the available information and the assurances provided by management, the Committee concluded that the processes underlying the preparation of Barclays' published financial statements, including the 2018 Annual Report and financial statements, were appropriate in ensuring that those statements were fair, balanced and understandable.</p> <p>In assessing Barclays' financial results statements over the course of 2018, the Committee specifically addressed and provided input to management on the disclosure and presentation of:</p> <ul style="list-style-type: none"><li>■ the impact of IFRS 9 on, among other things, Barclays' CET1 ratio, credit risk disclosures in the Pillar 3 report and shareholders' equity</li><li>■ the Group Finance Director's presentations to analysts</li><li>■ the level of segmental reporting.</li></ul> <p>The Committee recommended to the Board that the 2018 Annual Report and financial statements are fair, balanced and understandable.</p> |

| Area of focus                                                               | Reporting issue                                                                                                                                                                                                                                                                                                                                                                                                 | Role of the Committee                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Conclusion/action taken                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-----------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Impairment</b><br>(refer to Note 7 to the financial statements)          | Barclays has implemented IFRS9 by developing models to calculate expected credit losses in a range of economic scenarios. The key areas of judgement include setting modelling assumptions, developing methodologies for the weighting of economic scenarios, establishing criteria to determine significant deterioration in credit quality and the application of management adjustments to the model output. | <ul style="list-style-type: none"><li>Assessed impairment experience against forecast, and considered whether impairment provisions were appropriate.</li><li>Evaluated the impact of IFRS 9 on impairment.</li><li>Monitored the Barclays Group's ECLs, model changes, scenario updates, post-model adjustments, and volatility.</li><li>Monitored SOX compliance in relation to IFRS 9 controls and, specifically, the ECL calculation.</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <p>The Committee received a number of deep dive presentations from the Finance and Credit officers responsible for the IFRS 9 implementation.</p> <p>The Committee considered in detail the key IFRS 9 assumptions relating to staging criteria and the weighting of economic scenarios.</p> <p>The Committee reviewed model adjustments and scenario updates made by management to ensure that impairment allowances were set at appropriate and adequate levels. In particular, the Committee reviewed the basis of the adjustment of £150m made to reflect current economic uncertainty in the UK.</p> <p>The Committee agreed that the provision levels for impairment were appropriate.</p> <p>In light of the need for additional disclosures to be made in relation to IFRS 9, the Committee reviewed management's 'dry run' of the year end IFRS 9 disclosures which focused on those disclosures that were either new or significantly impacted. The Committee also reviewed the final IFRS 9 disclosures which, whilst understandably still evolving, the Committee believed gave a good explanation of the impacts.</p> |
| <b>Conduct provisions</b><br>(refer to Note 25 to the financial statements) | Barclays makes certain assumptions and estimates, analysis of which underpins provisions made for the costs of customer redress, such as for Payment Protection Insurance (PPI).                                                                                                                                                                                                                                | <ul style="list-style-type: none"><li>Regularly analysed the judgements and estimates made with regard to Barclays' provisioning for PPI claims, taking into account forecasts and assumptions made for PPI complaints and actual claims experience for Barclays and the industry as a whole, including the volume of invalid PPI claims.</li><li>Debated the impact on the future range of provisions arising from (i) the August 2019 time-bar on claims, (ii) the PPI marketing campaigns, and (iii) the fee cap on the submission of PPI complaints by claims management companies.</li><li>Evaluated the adequacy of the PPI provision, considering whether the total provision is within the modelled range of future outcomes, and whether the external auditor agreed with management's analysis and approach.</li><li>Monitored the position on provisions for alternative PPI (card protection and payment break plan insurance) and considered whether further provisions were required.</li></ul> | <p>Throughout the year, the Committee and management continued to monitor closely any changes in customer or claims management companies' behaviour in light of the FCA time-bar and marketing campaign, and the ongoing impact of the Plevin case. Having reviewed the key factors impacting the PPI provision, the PPI provision was increased in Q1 2018. Following this increase, the Committee agreed with management's assessment that the current provision of £888m was appropriate. The Committee noted that this estimate remains subject to significant uncertainty, in particular regarding the level of valid customer claims that may be received in the period to August 2019. In this context, the Committee was satisfied that sensitivities to the key variables were appropriately disclosed.</p>                                                                                                                                                                                                                                                                                                               |





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| Area of focus                                                                                                | Reporting issue                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Role of the Committee                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Conclusion/action taken                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|--------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Legal, competition and regulatory provisions</b><br>(refer to Notes 27 to 29 to the financial statements) | Although a number of significant legacy litigation issues were resolved during 2018, Barclays is engaged in various legal, competition and regulatory matters. The extent of the impact on Barclays of these matters cannot always be predicted, but matters can give rise to provisioning for contingent and other liabilities depending on the relevant facts and circumstances. The level of provisioning is subject to management judgement on the basis of legal advice and is, therefore, an area of focus for the Committee. | <ul style="list-style-type: none"><li>▪ Evaluated advice on the status of current legal, competition and regulatory matters.</li><li>▪ Assessed management's judgements and estimates of the levels of provisions to be taken and the adequacy of those provisions, based on available information and evidence.</li><li>▪ Considered the adequacy of disclosure, recognising that any decision to set provisions involves significant judgement.</li></ul>                                                                                                                                                                                                                                                                                                                                                 | The Committee discussed provisions and utilisation. Having reviewed the information available to determine what was both probable and could be reliably estimated, the Committee agreed that the level of provision at the year end was appropriate. The Committee also considered that the disclosures made provided the appropriate information for investors regarding the legal, competition and regulatory matters being addressed by the Barclays Group. |
| <b>Long-term viability</b>                                                                                   | The Directors are required to make a statement in the Annual Report as to the long-term viability of Barclays. The Committee provides advice to the Board on the form and content of the statement, including the underlying assumptions.                                                                                                                                                                                                                                                                                           | <ul style="list-style-type: none"><li>▪ Evaluated at year end a report from management setting out the view of Barclays' long-term viability based on Barclays' MTP. The report covered forecasts for capital, liquidity and leverage, and included forecast performance against regulatory targets, outcomes of the stress test of the MTP and forecast capital and liquidity performance against stress hurdle rates, funding and liquidity forecasts as well as an assessment of global risk themes and the Barclays Group's risk profile.</li><li>▪ Considered the viability statement in conjunction with Barclays' risk statements and strategy/business model disclosures.</li><li>▪ Addressed feedback from investors, the FRC and other stakeholders on viability statements in general.</li></ul> | <p>The Committee agreed that the appropriate timeframe for the viability statement continued to be three years.</p> <p>Taking into account the assessment by the Risk Committee of stress testing results and risk appetite, the Committee agreed to recommend the viability statement to the Board for approval</p>                                                                                                                                           |
| <b>Valuations</b><br>(refer to Notes 13 to 17 to the financial statements)                                   | Barclays exercises judgement in the valuation and disclosure of financial instruments, derivative assets and certain portfolios, particularly where quoted market prices are not available.                                                                                                                                                                                                                                                                                                                                         | <ul style="list-style-type: none"><li>▪ Evaluated reports from the Group Financial Controller.</li><li>▪ Monitored the valuation methods applied by management to significant valuation items, including the Barclays Group's Education, Social, Housing and Local Authority portfolio and a valuation disparity with a third party in respect of a specific long dated derivative portfolio.</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                     | The Committee noted that there were no new significant valuation judgements during the year.                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Tax</b><br>(refer to Note 9 to the financial statements)                                                  | Barclays is subject to taxation in a number of jurisdictions globally and makes judgements with regard to provisioning for tax at risk, and on the recognition and measurement of deferred tax assets.                                                                                                                                                                                                                                                                                                                              | <ul style="list-style-type: none"><li>▪ Evaluated the appropriateness of tax risk provisions to cover existing tax risk.</li><li>▪ Confirmed that the forecasts and assumptions supporting the recognition and valuation of deferred tax assets was in line with Barclays' Medium Term Plan (MTP).</li><li>▪ Monitored the impact to Barclays of the US framework for tax legislation, which was enacted on 22 December 2017, including the Base Erosion Anti-abuse Tax (BEAT).</li></ul>                                                                                                                                                                                                                                                                                                                   | <p>The Committee reviewed Barclays' global tax risk and associated provisions for the full year and noted that gross tax risk increased slightly, and the level of tax provisions remained appropriate.</p> <p>The Committee was pleased to note that the Barclays Group was not affected by BEAT in respect of 2018</p>                                                                                                                                       |



Other significant matters

Apart from financial reporting matters, the Committee has responsibility for oversight of the effectiveness of Barclays' internal controls, the performance and effectiveness of BIA and

the performance, objectivity and independence of the external auditor. The most significant matters considered during 2018 are described in the table below.

| Area of focus                                                                                                   | Reporting issue                                                                                                                                                               | Role of the Committee                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Conclusion/action taken                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-----------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Internal control</b><br>Read more about Barclays' internal control and risk management processes on page 40. | The effectiveness of the overall control environment, including the status of any material control issues and the progress of specific remediation plans.                     | <ul style="list-style-type: none"><li>Evaluated and tracked the status of the most material control issues identified by management through regular reports from the Chief Controls Officer, assessed against the Controls Maturity Model.</li><li>Evaluated the status of specific material control issues (being data management, compliance, cyber, credit risk, model risk, resilience, technology and transaction operations) and tracked the progress of the associated remediation plans against agreed timeframes.</li><li>Considered the second line of defence role in the oversight of operational risk controls, including financial controls over operational risk.</li><li>Evaluated reports on the internal control environment from the external auditor.</li><li>Evaluated quarterly updates on lessons learned from Critical risk events, which were tracked by the Chief Controls Office.</li></ul> | <p>The Committee welcomed the ongoing transition to a "business as usual" environment following the significant volume of work that had been undertaken as part of the Barclays Internal Controls Enhancement Programme, supported by the RCSA process.</p> <p>The Committee continued to use the output from the RCSA process in its review of the control environment, and welcomed the introduction of more granularity, which has provided greater visibility on controls requiring remediation and associated risks. The Committee, together with the Risk Committee, received a deep dive presentation on this enhanced process in the course of the year. The Committee also received deep dives on control hot spots, including operational resilience and third party fraud.</p> <p>The Committee monitored the implementation of the Operational Risk and Control System (ORAC) and tracked the transition of all issue reporting into that system. In addition, the Committee continued to provide feedback on the reporting of material control issues.</p> |
| <b>Business control environment</b>                                                                             | The effectiveness of the control environment in each individual business, including the status of any material control issues and the progress of specific remediation plans. | <ul style="list-style-type: none"><li>Assessed reports on individual businesses and functions on their control environment, questioned the heads of the relevant businesses or functions on control concerns and scrutinised any identified control failures and closely monitored the status of remediation plans or workstreams to enhance the respective control environments.</li><li>Received updates directly from senior management, and scrutinised action plans, in relation to remediation plans following unsatisfactory audit findings.</li><li>Received updates from management on the Designated Market Activities remediation plan, which addresses Barclays' regulatory commitments to the Federal Reserve Bank of New York (the Fed) and other US and UK regulators in relation to sales and trading practices across the FX, Rates and other Markets related business areas.</li></ul>               | <p>The Committee received regular deep dive control environment presentations. These provided further detail of management's assessment of the business unit control environment and key areas of focus, including key control hot spots for the businesses. The Committee also received a number of presentations from business heads following unsatisfactory audit reports. The Committee challenged the business regarding their role in identifying the control issues, and requested confirmation from management regarding the remediation programme as well as the timeframes and accountability for delivery of that plan.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|                                                                                                                 | The effectiveness of the control environment in the Chief Operating Office (COO) and the status and remediation of any material control issues.                               | <ul style="list-style-type: none"><li>Scrutinised on a regular basis the COO control environment through deep dives and management updates, taking the opportunity to directly challenge and question functional leaders, including the Chief Operating Officer, on the progress of remediation plans.</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <p>The Committee was pleased to note continuing progress to address control issues in accordance with the agreed timescales.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

Governance: Directors' report

What we did in 2018

Board Audit Committee report

| Area of focus    | Reporting issue                                                                                                                                                                                | Role of the Committee                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Conclusion/action taken                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Raising concerns | The adequacy of the Barclays Group's arrangements to allow employees to raise concerns in confidence and anonymously without fear of retaliation, and the outcomes of any substantiated cases. | <ul style="list-style-type: none"><li>Monitored enhancements to the whistleblowing programme following the independent review that was commissioned by the Board in 2017.</li><li>Reviewed the examples of best practice in the FCA's Review of Firms' Whistleblowing Arrangements.</li><li>Monitored whistleblowing metrics, including case load and case ageing.</li><li>Monitored instances of retaliation reports, and whether any instances had been substantiated.</li><li>Received a presentation from BIA following its audit of the Investigations and Whistleblowing team.</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | <p>As Whistleblowing Champion, the Chair of the Committee presented his annual report on whistleblowing matters to the Board.</p> <p>The Committee continued to encourage and support the provision of training to colleagues and managers on whistleblowing issues, and received their own whistleblowing training. The Committee was pleased to note that the volume of cases remains proportionate to Barclays' size and footprint.</p> <p>The Committee was also pleased to note that the recommendations arising from the independent review of the whistleblowing programme had been implemented in full, and had been subject to validation by the Global Compliance Assurance team. Following the enhancements made, the Committee considered that the whistleblowing programme generally met with best practice as identified by the FCA's Review.</p> <p>The Barclays PLC Environmental Social Governance Report 2018 includes further details regarding the Barclays Group's whistleblowing procedures and controls.</p>                     |
| Internal audit   | The performance of BIA and delivery of the internal audit plan, including scope of work performed, the level of resources, and the methodology and coverage of the internal audit plan.        | <ul style="list-style-type: none"><li>Scrutinised and agreed internal audit plans, methodology and deliverables for 2018.</li><li>Monitored BIA's progress on delivery against the Matters Requiring Attention identified by the Fed, the issues arising from the PRA's horizontal review of the function, and BIA's response to feedback received as part of the independent external review commissioned by the Committee.</li><li>Monitored delivery of the agreed audit plans, including assessing internal audit resources and hiring levels, and any impacts on the audit plan, and reviewing the reasons for the postponement of audits in greater depth.</li><li>Debated audit risk appetite and issue validation.</li><li>Tracked the levels of unsatisfactory audits, and monitored related remediation plans.</li><li>Approved the appointment of the Chief Internal Auditor for Barclays Bank UK PLC and Barclays Bank PLC respectively.</li><li>Discussed BIA's assessment of the management control approach and control environment in Barclays Bank UK PLC, Barclays Bank PLC and the functions.</li><li>Evaluated the outcomes from BIA's annual self-assessment.</li></ul> | <p>The Committee received semi-annual thematic control reports from BIA and a quarterly operational report during 2018.</p> <p>The Committee observed that the issues arising from unsatisfactory audits indicated that there was still work to do in embedding the required level of control consciousness across the Barclays Group and ensuring that control exceptions were highlighted clearly in management reporting.</p> <p>The Committee welcomed the progress made by BIA in addressing the Matters Requiring Attention identified by the Fed, the issues arising from the PRA's horizontal review of the function, and the recommendations made as part of the independent external review.</p> <p>The Committee confirmed that it was satisfied with the outcome of the self-assessment of BIA performance, which evidenced that the function generally conforms to the standards set by the Institute of Internal Auditors. It further confirmed that it felt able to rely on the work of BIA in discharging its own responsibilities.</p> |

| Area of focus  | Reporting issue                   | Role of the Committee                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Conclusion/action taken                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|----------------|-----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| External audit | The work and performance of KPMG. | <ul style="list-style-type: none"><li>Met with key members of the KPMG audit team to discuss the 2018 audit plan and agree areas of focus.</li><li>Assessed regular reports from KPMG on the progress of the 2018 audit and any material accounting and control issues identified.</li><li>Discussed KPMG's feedback on Barclays' critical accounting estimates and judgements.</li><li>Discussed KPMG's draft report on certain control areas and the control environment ahead of the 2018 year end.</li><li>Discussed the approach to KPMG's annual report to the PRA which will be issued following completion of the 2018 audit.</li><li>Considered the draft SOX control report and the draft audit opinion.</li></ul> | <p>The Committee approved the audit plan and the main areas of focus. Separate audit partners were assigned to lead the audits of Barclays Bank UK PLC and Barclays Bank PLC and the scope of the audit was, therefore, necessarily revised to reflect a legal entity view.</p> <p>Read more about the Committee's role in assessing the performance, effectiveness and independence of the external auditor below. Further details of the Committee's consideration of audit quality can be found in the 'Governance in action' section of this report on page 26.</p> |

In addition, the Committee also covered the following matters:

- tracked the progress of specific work being done to enhance Barclays' financial crime controls, including the function's investigation capabilities, particularly in relation to prevention and detection activities. The Committee also assessed the Group Money Laundering Officer's annual report, which was also presented to the Barclays Bank UK PLC and Barclays Bank PLC audit committees
- assessed the status of the programme in place to ensure Barclays' compliance with client assets (CASS) regulatory requirements, including approving the annual client assets audit report and discussing the potential impact of structural reform on client assets
- evaluated the outcomes of the assessment of the Committee's performance and any areas of Committee performance that needed to be enhanced
- reviewed and updated its terms of reference, recommending them to the Board for approval.

**External auditor**  
Following an external audit tender in 2015, KPMG was appointed as the Barclays Group's statutory auditor. Michelle Hinchliffe of KPMG is the Senior Statutory Auditor.

**Assessing external auditor effectiveness, objectivity and independence and non-audit services**  
The Committee is responsible for assessing the effectiveness, objectivity and independence of KPMG. This responsibility was discharged throughout the year at formal Committee meetings, during private meetings with KPMG, and through discussions with key executive stakeholders. In addition to the matters noted above, the Committee also:

- approved the terms of the audit engagement letter and associated fees, on behalf of the Board

- discussed and agreed revisions to the Barclays Group policy on the *Provision of Services by the Group Statutory Auditor* and regularly analysed reports from management on the non-audit services provided to Barclays
- evaluated and approved revisions to the Barclays Group policy on *Employment of Employees or Workers from the Statutory Auditor* and ensured compliance with the policy by regularly assessing reports from management detailing any appointments made
- was briefed by KPMG on critical accounting judgements and estimates and internal controls over financial reporting
- assessed any potential threats to independence that were self-identified and reported by KPMG
- met with KPMG to discuss the issues impacting KPMG as a firm, some of which were the subject of significant adverse press coverage
- reviewed the annual report on KPMG issued by the FRC's Audit Quality Review (AQR) team
- received and discussed with the AQR team the findings from their review of KPMG's 2017 audit of the Barclays Group
- received a report from KPMG regarding the draft findings from the review by the Public Company Accounting Oversight Board (PCAOB) of KPMG's 2017 audit of the Barclays Group.

The AQR team reviewed the main judgmental areas of KPMG's audit: the fair value of financial instruments (including trading, designated at fair value and derivative financial instruments); the impairment of loans and advances to customers; litigation provisions; conduct provisions; and the IFRS 9 transition disclosures. They identified improvements that, in their view, were required in these areas and in their discussion with the Committee highlighted, in particular, their findings as related to KPMG's audit of the

fair value of derivatives. The Committee discussed both the overall assessment of the review and the areas for improvement in detail with KPMG, and noted the actions they had taken as regards the 2018 audit; the Committee also challenged KPMG as to whether any of the findings might be relevant to areas which had not been subject to the AQR team's review. In addition, the Committee received a detailed paper from KPMG outlining the work they performed on the fair value of the derivatives portfolio in 2017. The Committee believes that KPMG has taken appropriate action as regards its 2018 audit. Furthermore, having understood the nature of the AQR team's findings and KPMG's work, particularly as regards the fair value of the derivatives portfolio, the Committee does not believe the findings affected the overall audit conclusions reached by KPMG in the 2017 audit.

The Committee received from KPMG a note of the draft PCAOB findings and discussed with KPMG both the findings and the proposed improvements to the audit that KPMG had implemented for the 2018 audit. The Committee noted that whilst the scope for the two reviews was not the same, the PCAOB did also cover the fair value of financial instruments and the impairment of loans and advances to customers. As regards the financial statement audit, the PCAOB raised no comments on the impairment of loans and only one comment on the valuation of a minor part of the trading portfolio. As regards the audit of financial controls required by Sarbanes-Oxley, the PCAOB noted that, in their view, KPMG had not performed adequate assessments of certain management review controls relating to loan impairment and valuation models. In this respect, both management and KPMG have been working to ensure that such review controls are documented at a sufficiently granular level to meet audit and regulatory expectations. Again, having considered in detail the comments raised and KPMG's response, the Committee believes that KPMG has taken

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Board Audit Committee report

appropriate action as regards the 2018 audit and that the nature of the comments received from the PCAOB do not impact on the 2017 audit conclusions in respect of either the audit of the financial statements or internal financial controls.

KPMG's performance, independence and objectivity during 2018 were also formally assessed at the beginning of 2019 by way of a questionnaire completed by key stakeholders across the Barclays Group, including the chairs of the Barclays Bank UK PLC and Barclays Bank PLC audit committees. The questionnaire was designed to evaluate KPMG's audit process and addressed matters such as the quality of planning and communication, technical knowledge, the level of scrutiny and challenge applied and KPMG's understanding of the business. In addition, as in the prior year, KPMG nominated a senior partner of the audit team reporting to the Senior Statutory Auditor to have specific responsibility for ensuring audit quality. The Committee therefore met with the partner concerned without the Senior Statutory Auditor to receive a report on his assessment of audit quality, bearing in mind the comments received from the AQR team and PCAOB and the responses thereto.

Taking into account the results of all of the above, the Committee considered that KPMG maintained their independence and objectivity, and that the audit process was effective.

Non-audit services

In order to safeguard the Auditor's independence and objectivity, the Barclays Group has in place a policy setting out the circumstances in which the Auditor may be engaged to provide services other than those covered by the Barclays Group audit. The Barclays Group Policy on the *Provision of Services by the Group Statutory Auditor* (the Policy) applies to all Barclays' subsidiaries and other material entities over which Barclays has significant influence. The core principle of the Policy is that non-audit services (other than those legally required to be carried out by the Barclays Group's Auditor) should only be performed by the Auditor in certain, controlled circumstances. The Policy sets out those types of services that are strictly prohibited and those that are allowable in principle. Any service types that do not fall within either list are considered by the Committee Chair on a case by case basis, supported by a risk assessment provided by management.

The Policy is reviewed on an annual basis to ensure that it is fit for purpose, and that it reflects applicable rules and guidelines. This year, following the completion of structural reform, the following material amendments were made to the Policy:

- references to ABSA/Barclays Africa Group Limited (BAGL), and its auditors Ernst and Young, were removed to reflect the full deconsolidation of BAGL from a regulatory perspective
- the Policy was updated to reflect an FRC staff guidance note entitled "The Auditor's Provision of Restructuring Services to Public Interest Entity Participants in Bank Lending or Bond Funded Syndicates"
- the £25,000 tax planning and tax advice services threshold was removed from allowable non-audit services, which means that all such services now require approval. Tax advice to expatriate employees and training on the practice of tax law were added to the prohibited non-audit services listing

The Policy was further updated at the beginning of 2019 to align it with KPMG's update to its own internal policy on non-audit services for FTSE 350 companies which provides that the Auditor should only be engaged to supply non-audit services where those services are 'closely related' to the audit.

The above changes were approved at a Barclays Group level by the Committee. This is in accordance with European Union law and FRC guidance, pursuant to which audit committees of Public Interest Entities (such as Barclays PLC) are required to approve non-audit services provided by their auditors to such entities, and subsidiary Public Interest Entities in the UK – such as Barclays Bank UK PLC and Barclays Bank PLC – can rely on the approval of non-audit services by the ultimate parent's audit committee. It should be noted that audit services, and the fee cap, will be monitored by the relevant audit committee, as appropriate.

Under the Policy the Committee has pre-approved all allowable services for which fees are less than £100,000. However, all proposed work, regardless of the fees, must be sponsored by a senior executive and recorded on a centralised online system, with a detailed explanation of the clear commercial benefit arising from engaging the Auditor over other potential service providers. The audit firm engagement partner must also confirm that the engagement has been approved in accordance with the Auditor's own internal ethical standards and does not pose any threat to the Auditor's independence or objectivity. All requests to engage the Auditor are assessed by independent management before work can commence. Requests for allowable service types in respect of which the fees are expected to meet or exceed the above threshold must be approved by the Chair of the Committee before work is permitted to begin. Services where the fees are expected to be £250,000 or higher must be approved by the Committee as a whole. All expenses and disbursements must be included in the fees calculation.

During 2018, with the exception of one matter, all engagements where expected fees met or exceeded the above threshold were evaluated by either the Committee Chair or the Committee as a whole who, before confirming any approval, assured themselves that there was justifiable reason for engaging the Auditor and that its independence and objectivity would not be threatened. No requests to use KPMG were declined by the Committee in 2018 (2017: none). On a quarterly basis, the Committee scrutinised details of individually approved and pre-approved services undertaken by KPMG in order to satisfy itself that they posed no risk to independence, either in isolation or on an aggregated basis.

Two minor breaches of the Policy arose during the reporting period. In both cases, KPMG confirmed to the Committee that they did not consider their position of independence had been compromised. The Committee agreed with this assessment and action was taken to address the breaches and to ensure they do not recur.

For the purposes of the Policy, the Committee has determined that any pre-approved service of a value of under £50,000 is to be regarded as not material in terms of its impact on Barclays' financial statements and has required the Group Financial Controller to specifically review and confirm to the Committee that any pre- approved service with a value of £50,000-£100,000 may be regarded as such. The Committee undertook a review of pre-approved services at its meeting in December 2018 and satisfied itself that such pre-approved services were not material in the context of their impact on the financial statements.

The fees payable to KPMG for the year ended 31 December 2018 amounted to £51m, of which £11m (2017: £10m) was payable in respect of non-audit services. A breakdown of the fees payable to the Auditor for statutory audit and non-audit work can be found in Note 40. Of the £11m of non-audit services provided by KPMG during 2018, the significant categories of engagement, i.e. services where the fees amounted to more than £500,000, included:

- audit-related services: services in connection with CASS audits (while the CASS audit fell within the Auditor's scope of services, the fees for such services did not form part of the global fee arrangements and therefore required separate Committee approval pursuant to the Policy)
- other attest and assurance services: ongoing attestation and assurance services for treasury and capital markets transactions to meet regulatory requirements, including regular reporting obligations and verification reports.



As noted above, the *Provision of Services by the Group Statutory Auditor* Policy was updated to clarify that the Barclays Group should only engage the Auditor to supply non-audit services where those services are 'closely related' to the audit. Having reviewed the non-audit services that have been provided by KPMG since their appointment as the Barclays Group's external auditor with effect from the financial year beginning 1 January 2017, we believe that this change will have limited impact on the Barclays Group. For example, all of the non-audit services provided by KPMG in 2018 fall within the new policy and would, therefore, have been permissible. Of the £10m of non-audit services provided by KPMG during 2017, KPMG would have been prohibited from providing services amounting to less than £300,000 pursuant to the new policy.

**The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014**

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

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

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

**Governance in action – Audit quality**

Although BIA, as the Barclays Group's internal auditor, and KPMG, as the Barclays Group's external auditor, have primary responsibility for the quality of their respective audits, the Committee plays an important role in promoting and supporting audit quality through its various responsibilities (as detailed in its terms of reference).

The Committee gains insight into the activities of BIA, and its effectiveness, in three ways. Firstly, BIA maintains a quality assurance and improvement programme that covers all aspects of BIA's activity across the Barclays Group and which is overseen by the Committee. In the event that any issues are identified in relation to BIA's work for Barclays Bank UK PLC and/or Barclays Bank PLC, such issues will be reported to the relevant audit committee. Secondly, the independent Internal Audit Quality Assurance team samples all of BIA's work on an annual basis and presents its findings to the Committee. Thirdly, the Committee commissions an external assessment of BIA at least once every five years with the last such review being undertaken during the second half of 2017. To the extent that the Committee is made aware of any development areas or issues, it endeavours to monitor the delivery of any remedial actions.

The Committee oversees the Group's relationship with its external auditor and is responsible for reviewing the performance, independence and objectivity of the external auditor in order to decide whether to recommend to the Barclays PLC Board a proposal for shareholders to reappoint the current external auditor. As part of that review, which is organised at a Barclays Group level, the views of the Barclays Bank UK PLC and Barclays Bank PLC audit committees are sought. In addition, this year, the Committee met with the nominated senior partner on the audit team who has

responsibility for ensuring audit quality - without the Senior Statutory Auditor – in order to receive a report on his assessment of audit quality. KPMG provided the Committee with a report regarding the draft findings from the Public Company Accounting Oversight Board's review of KPMG's 2017 audit of Barclays, and the findings of the FRC's Audit Quality Review (AQR) team review of KPMG's 2017 audit of Barclays were also shared with the Committee. The AQR team monitors the quality of the audit work of statutory auditors and audit firms in the UK that audit certain entities, including banks such as Barclays. They conduct reviews of individual audits, and focus on the appropriateness of key audit judgments made in reaching the audit opinion and the sufficiency and appropriateness of the audit evidence obtained; reviews of firm-wide procedures are wide-ranging in nature and include an assessment of how the culture within firms impacts on audit quality.

The Committee believes that high quality audit is the primary mechanism for providing stakeholders with assurance that the financial statements give a true and fair view of their company and, therefore, promotes market confidence in the company's financial reports. For these reasons, the Committee continues to be an advocate of high quality audit and keeps abreast of the debate as to whether audits, and auditors, are fit for purpose by regularly reviewing industry guidance from, for example, the FRC and the International Organization of Securities Commissions. The Committee provided information in response to the request from the Competition & Markets Authority for its review into competition in the UK audit market – which will examine three main areas: choice, resilience and incentives – and we look forward to reviewing the conclusions of that study.



Governance: Directors' report

What we did in 2018

Board Nominations Committee report



The Committee, alongside the Board, is very alive to the benefits of diversity in order to avoid 'group think' and to ensure that the Board and senior management team more closely reflect the diversity of the communities they serve.

Dear Fellow Shareholders

2018 saw the establishment of our new corporate structure, and the embedding of the newly constituted Barclays Bank UK PLC and Barclays Bank PLC boards comprising distinct combinations of executive and non-executive directors. Throughout this period of change, the Committee continued to consider regularly the composition of, and succession plans for, the Barclays PLC Board in order to ensure the right balance of diversity, experience and skills to provide the strategic oversight needed to motivate colleagues and sustain our business over the long term. In this respect, we were pleased to appoint Mary Anne Citrino as a non-executive Director in July 2018, the Committee having followed its usual approach of engaging an executive search firm and conducting a rigorous search and selection process. You can find out more about Mary Anne's background, experience and skills in her biography on page 6. We also look forward to welcoming Nigel Higgins, my successor, as Chairman with effect from the conclusion of the AGM on 2 May 2019. Nigel's appointment marks the culmination of an intensive recruitment process led by a sub-committee of the Board chaired by our Senior Independent Director, Crawford Gillies, and is made with the full approval and support of the Nominations Committee. You can read more about Nigel's recruitment and appointment in the 'Governance in action' section of the Board report on page 26.

On 19 March 2018, we announced various Board changes to reflect the post-ring-fencing structure:

- Sir Gerry Grimstone, who was Deputy Chairman and Senior Independent Director of Barclays PLC and Chair of the Barclays PLC Reputation Committee, moved instead to become Chairman of Barclays Bank PLC. He remains a non-executive Director of Barclays PLC
- Sir Ian Cheshire was appointed Chairman of Barclays Bank UK PLC. He remains a non-executive Director of Barclays PLC
- Crawford Gillies was appointed Senior Independent Director of Barclays PLC
- Mary Francis was appointed Chair of the Barclays PLC Reputation Committee

Continuing on the theme of succession, one of the Committee's key considerations is the

processes for executive succession. During the year, we closely monitored the status and progress of the Barclays Talent and Succession strategy - which is aimed at attracting and retaining the best talent for the Barclays Group - and provided management with guidance and input on the strategy, as appropriate. The Committee also reviewed diversity in the talent pipeline and discussed ways in which high performing individuals within senior management can be developed and nurtured in order to strengthen our succession pipeline.

The Committee was encouraged by Barclays' ever increasing commitment to diversity. The Committee, alongside the Board, is very alive to the benefits of diversity at board level and in senior management, both in terms of gender, ethnicity and more broadly, in order to avoid "group think" and to ensure that the Board and the senior management team more closely reflect the diversity of the communities that they serve. In light of the Hampton Alexander and Parker Reviews, the Board Diversity Policy and Committee terms of reference were reviewed in order to ensure that both documents reflect our commitment to identifying, attracting, retaining and promoting the best talent, irrespective of the gender, ethnic background, religion or other defining characteristic of any candidate. The Board Diversity Policy and the Committee's terms of reference are available at [home.barclays/corporategovernance](http://home.barclays/corporategovernance).

In July 2016, Barclays was proud to become one of the first signatories to HM Treasury's Women in Finance Charter and remains committed to its pledge to improve gender diversity within the financial services sector. Work has continued towards our target of 33% female representation on the Board by 2020, not least, with the appointment of Mary Anne Citrino as a non-executive Director to the Board. The Committee also reviewed the Barclays Group's progress towards building a diverse and inclusive workforce, including reviewing updates on progress made across the Barclays Group against the five global pillars of Barclays Diversity and Inclusion strategy: gender, disability, LGBT, multicultural and multigenerational. Find out more about this in the People section on pages 47 to 52.

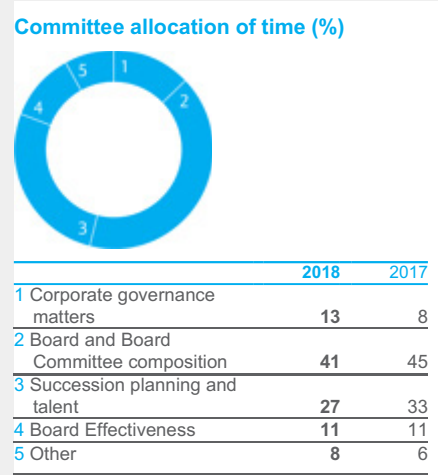
Committee performance

The performance of the Committee was assessed by Independent Board Evaluation, an independent, external corporate governance consultancy as part of the annual effectiveness review. The results confirm that the Committee is performing effectively, and that the role and responsibilities of the Committee are clear and well understood. Last year's review noted that the Committee needed to be mindful of ensuring that all non-executive Directors received the same flow of information in relation to decisions and discussions by the Committee. The Committee sought to address this through the delivery of updates by me, as Chair of the Nominations Committee, to the Board and outside of scheduled Board meetings, to the extent appropriate. This year's review notes that this is something that now needs to be further built upon. More information on the 2018 review of Board, Board Committee and individual Director effectiveness, and progress made against the findings of the 2017 review, can be found on page 25 and 26.

Looking ahead

Whilst it is always a difficult choice to retire from a company as prestigious as Barclays, I am delighted that the Board has appointed Nigel Higgins to succeed me as Chairman. I have every confidence that Nigel will be a superb steward of both the Board and the bank as Barclays continues to progress following the substantial restructuring of the past few years.

John McFarlane  
Chair, Board Nominations Committee  
20 February 2019



**Committee composition and meetings**  
The Committee is composed solely of independent non-executive Directors. The members of the Committee are John McFarlane, Mike Ashley, Tim Breedon, Sir Ian Cheshire, Crawford Gillies, Sir Gerry Grimstone, and Reuben Jeffrey III. You can find more details of the experience of Committee

**The Committee's work**  
The significant matters addressed by the Committee during 2018 are described on the following pages.

| Area of focus                                                                                                                                                      | Matter addressed                                                                                     | Role of the Committee                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Conclusion/action taken                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Board and Board Committee composition                                                                                                                              | The membership of the Board, and the current and future composition of the Board and its Committees. | <ul style="list-style-type: none"><li>Reviewed the Board skills matrix and discussed the key skills and experience needed on the Board in the context of future strategic direction and structural reform, including any areas requiring strengthening from a skills and succession perspective.</li><li>Identified the requirement for additional non-executive Directors with attributes including investment banking experience, retail banking experience and also digital / technology experience.</li><li>Continued the search for an additional female non-executive Director with the relevant skill set.</li><li>Played an important role in the search for the Chairman's successor.</li><li>Reviewed the membership, size and composition of the Board Committees.</li></ul> | <p>The Committee prepared an appropriate individual specification for an additional non-executive Director and shared it with executive search firm, Egon Zehnder. Egon Zehnder was advised that, subject always to applying rigorous, objective criteria, in the context of Barclays' strategic direction and the diversity of gender, social and ethnic backgrounds, cognitive and personal strengths, there was a preference for female candidates in light of the Board's diversity target of having 33% female representation on the Board by 2020. Egon Zehnder prepared a long-list of candidates (including references and CVs), which was reviewed by the Committee. A shortlist was prepared, and the candidates were interviewed. Mary Anne Citrino was identified as the preferred candidate, and was appointed to the Board on 25 July 2018.</p> <p>The Committee continues its search for an additional female non-executive Director – preferably with retail banking experience and digital/technology experience – to further promote diversity of gender on the Board. Any appointment made will be based on merit and, as mentioned above, objective criteria.</p> |
| Board composition of Barclays Bank UK PLC and Barclays Bank PLC in preparation for the legal entity stand up on 1 April 2018 under the Structural Reform Programme | The composition of the Barclays Bank UK PLC and Barclays Bank PLC boards.                            | <ul style="list-style-type: none"><li>Finalised the establishment of the boards of Barclays Bank UK PLC and Barclays Bank PLC, and discussed the suitability of potential candidates identified to join those boards.</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | The Committee finalised the appointments to the boards of Barclays Bank UK PLC and Barclays Bank PLC ahead of the execution of structural reform. This included the appointment of Chairs to these Boards in Sir Ian Cheshire and Sir Gerry Grimstone respectively, and taking the opportunity to appoint a dedicated Senior Independent Director within Barclays PLC in Crawford Gillies.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

members in their biographies on pages 5 and 6. During 2018, the Committee met five times and the chart shows how it allocated its time. Attendance by members at Committee meetings is shown below. Committee meetings were attended for the relevant agenda items by the Group Chief Executive, the Group HR Director and the Group Head of Talent. The Global Head of Diversity and Inclusion also attended to the extent required.

| Member              | Meetings attended/eligible to attend |
|---------------------|--------------------------------------|
| John McFarlane      | 5/5                                  |
| Mike Ashley         | 5/5                                  |
| Tim Breedon         | 5/5                                  |
| Sir Ian Cheshire    | 5/5                                  |
| Crawford Gillies    | 5/5                                  |
| Sir Gerry Grimstone | 5/5                                  |
| Reuben Jeffrey III  | 4/5                                  |

- Committee role and responsibilities**  
The Committee is responsible for:
- supporting and advising the Board in ensuring that it is comprised of individuals who are best able to discharge the duties and responsibilities of Directors
  - evaluating the balance of skills, experience,

- independence, knowledge and diversity, on the Board
- ensuring that both appointments and succession plans are based on merit and objective criteria and, within this context, promoting diversity of gender, social and ethnic background, cognitive and personal strengths
  - agreeing the annual Board performance evaluation process and considering its effectiveness
  - ensuring that the Board has appropriate corporate governance standards and practices in place and revising these in order to ensure that they are consistent with best practice
  - appointing directors to, and removing directors from, the boards of certain significant subsidiaries of the Barclays Group (with the recommendation of the relevant nominations committee, and the approval of the relevant board, where appropriate) and agreeing appropriate policies and processes to apply to the governance of those subsidiaries.

The Committee's terms of reference are available at [home.barclays/corporategovernance](http://home.barclays/corporategovernance)

Governance: Directors' report

What we did in 2018

Board Nominations Committee report

| Area of focus                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Matter addressed                                                                           | Role of the Committee                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Conclusion/action taken                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 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| Executive succession planning and talent management                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Succession planning and talent management at the Barclays Group Executive Committee level. | <ul style="list-style-type: none"><li>Reviewed the progress being made against Barclays' Talent and Succession strategy, including monitoring diversity within the talent pipeline.</li><li>Discussed updates from the Group HR Director on the Barclays Group Executive Committee succession plans, including assessing emergency cover, the existing talent pipeline and any potential gaps.</li><li>Considered individuals identified as potential Barclays Group Executive Committee successors and discussed next steps for their development.</li><li>Assessed the succession plans for the most critical business unit and functional roles, and discussed how to develop the high performing individuals identified.</li></ul> | <p>The Committee reviewed the succession pipeline of the Barclays Group Executive Committee and their direct reports. The Committee was encouraged that all Barclays Group Executive Committee roles had at least one female successor, and that 33% of the total successors identified were female. Barclays is committed to achieving 33% female representation among the Barclays Group Executive Committee and their direct reports by 2020, and as at year-end 2018 we are reporting 28% female representation among this population.</p> <p>The Committee also discussed the continued use of ex officio posts to both the Barclays Group Executive Committee and business executive committees to give senior individuals more exposure to Barclays Group matters. This serves to not only broaden the scope of perspectives within the relevant committee but also to develop those individuals thus ensuring a healthy pool of potential candidates in the succession pipeline.</p> |
| Diversity and Inclusion                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Ensuring Barclays attracts and retains the best talent.                                    | <ul style="list-style-type: none"><li>Reviewed the Barclays Group's progress towards continuing to build a diverse and inclusive workforce.</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <p>The Committee received regular updates from the Global Head of Diversity and Inclusion on progress made across the firm against the five global pillars of Barclays Diversity and Inclusion strategy: Gender, Disability, LGBT, Multicultural and Multigenerational. Whilst acknowledging that there is more to do, the Committee was pleased with the progress that had been made.</p> <p>Further detail on this progress can be found above under "Board and Board Committee Composition" and in the People section on pages 47 to 52.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <div><div><div>In addition, the Committee also covered the following matters:</div><div><ul style="list-style-type: none"><li>considered the results of, and agreed the action plan in respect of, the 2017 Board effectiveness review and the process for the 2018 Board and Board Committee effectiveness review</li><li>monitored Directors' conflicts of interests, and Directors' induction and training</li><li>evaluated the outcomes of the assessment of the Committee's performance and any areas of Committee performance that needed to be enhanced</li><li>reviewed the Committee's terms of reference, recommending them to the Board for approval</li></ul></div></div><div><div>Appointment and re-election of Directors</div><div>Board and Board Committee composition is a standing item for consideration at each Committee meeting. This includes the consideration of potential new non-executive Director appointments, both in respect of planned succession for known retirements and as a result of the ongoing review of the skills and experience needed on the Board in order for it to continue to operate effectively.</div><div>The Committee frequently considers a skills</div></div><div><div>matrix for the Board, which identifies the core competencies, skills, diversity and experience required for the Board to deliver its strategic aims and govern the Barclays Group effectively. Certain attributes identified in the skills matrix have a target weighting attached to them and these are regularly updated to reflect the needs of the Barclays Group. The Committee reviews the skills matrix when considering a potential new appointment to the Board, as well as reviewing the current and expected Board and Board Committee composition. This helps to determine a timeline for proposed appointments to the Board.</div><div>To the extent that the Nominations Committee identifies any gaps in the Board's profile – which may be a result of the forthcoming retirement of a Director, or in response to changing market needs – that information is used to inform the search for a new Director or Directors and the specific skills that are required will be identified; for example, an individual with international experience, or recent history serving on a particular board committee. The <i>Charter of Expectations</i> contains the key competencies, skills and experience expected of non-executive Directors, and these, in addition to</div><div>other details such as expected time commitment, will be included in an individual specification. The Board and the Committee remain mindful of the targets set by the Hampton Alexander Review and the Parker Review respectively for FTSE 100 companies to have a minimum of 33% female representation on their board by 2020 and at least one "person of colour" on their board by 2021. The Committee considers CVs and references for potential candidates. Any candidates who are shortlisted will be interviewed by members of the Committee and, if applicable, key stakeholders and Barclays' regulators may be asked to provide feedback on the proposed appointment. The Board is updated on the progress of the recruitment and interview process, and any feedback from the interviews is provided to the Board alongside a recommendation for appointment.</div><div>During 2018, executive search firms Egon Zehnder and Spencer Stuart were instructed to assist with the search for a new female non-executive Director and new Chairman, respectively. Neither firm has any other connection to Barclays, other than to provide recruitment services. Open advertising for Board positions was not used this year, as the</div></div></div> |                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |



Committee believes that targeted recruitment is the optimal way of recruiting for such positions. Both of the firms used for non-executive Director recruitment have signed up to the Voluntary Code of Conduct for Executive Search Firms, which includes measures designed to improve gender diversity on boards.

In 2018, Barclays announced the appointment of Mary Anne Citrino as a non-executive Director with effect from 25 July 2018. Mary Anne has extensive board-level experience and brings strong commercial acumen, together with investment banking experience (see pages 6 and 323 for details of Mary Anne’s background, experience and skills). In addition, Barclays announced the appointment of Nigel Higgins as John McFarlane’s successor. For more details about Nigel’s recruitment and appointment, please refer to the “Governance in action” section on page 26.

The Directors in office at the end of 2018 were subject to an effectiveness review, as described on page 26, which considered, among other things, what specific contribution they made to the Company. Based on the results of this review, the Board accepted the view of the Committee that each Director proposed for election or re-election continues to be effective, and contributes to the Company’s long-term sustainable success, specific details of which can be found on page 26. Having served on the Board for nine years, Reuben Jeffery III and Dambisa Moyo will both retire from the Board at this year’s AGM and will not, therefore, be standing for re-election.

The Committee noted certain stakeholder concerns with respect to the following Directors’ proposed re-election at last year’s AGM:

- Sir Ian Cheshire’s time commitments. Since Sir Ian’s appointment in 2017, his time commitments have not been an issue. Sir Ian has been available as and when required by the Barclays Group, and he attended 100% of scheduled and additional Board meetings in 2018 (some of which were often called on short notice). He is an effective Barclays PLC non-executive Director. Subsequent to the year end, Sir Ian’s role as Chairman of Debenhams PLC came to an end.
- Crawford Gillies and the appointment of our former auditor, PwC, as external adviser to the Remuneration Committee. Prior to the appointment of KPMG as the Barclays Group’s external auditor on 31 March 2017 (formally approved at the 2017 AGM in May 2017), PwC was the Barclays Group’s external auditor. PwC was subsequently appointed as the independent adviser to the Remuneration Committee in October 2017, following a robust tender process. The PwC team providing advice to the Committee is different to the past audit team, and the Committee is satisfied that the advice provided is independent and objective.

- Mike Ashley’s re-election as a non-executive Director following the appointment of KPMG as the Barclays Group’s Auditor. The Committee confirms that although Mike was Chair of the Audit Committee at the relevant time, since he is a former KPMG partner he had no involvement in the audit tender process, the recommendation to the Board nor the decision to appoint KPMG as the Barclays Group’s Auditor. The audit tender process was led by Tim Breedon.
- Tim Breedon has been a Director for over six years and, accordingly, his independence was subjected to a more rigorous review pursuant to the recommendations of The UK Corporate Governance Code 2016. Having considered Tim’s interests outside of the Barclays Group and other relationships which could materially affect his ability to exercise independent judgement, the Committee concluded that there were no circumstances which would impact upon Tim’s ability to act in the best interests of Barclays PLC. The Committee remains satisfied that the length of Tim’s tenure has no impact on his level of independence, or the effectiveness of his contributions

In light of the recommendations set out in The UK Corporate Governance Code 2018, Barclays PLC introduced a new procedure, with effect from 1 January 2019, requiring all Directors to request pre-clearance prior to taking on any additional commitments, including but not limited to directorships, and to indicate in the clearance request the likely time commitment involved. The Company Secretary maintains a record of each Director’s commitments. This new procedure will enable the Board to track individual Directors’ commitments in order to satisfy itself that no Director is over-committed. With regard to new Director appointments, all potential candidates are asked to disclose their significant commitments, and to give an indication of the time spent on those commitments. This information is taken into account by the Committee when considering proposed appointments on the basis that all Directors are expected to allocate sufficient time to their role on the Board in order to discharge their responsibilities effectively.

**Review of Board, Board Committee and individual Director effectiveness Process**

In recent years, the Board has assessed its effectiveness, and that of the Board Committees and the individual Directors, annually in a process facilitated by an independent third party. This has been driven by the Board’s belief that an effective board is key to the delivery of a company’s strategy, and that an objective, external perspective helps to identify what is working well and priorities for improvement, and promotes open discussion, resulting in a more effective Board. A full external review of the Barclays PLC Board, Board Committees and individual Directors was carried out during Q4 of 2018.

Independent Board Evaluation (IBE), which is an independent, external corporate governance consultancy with no other

connection to the Barclays Group, was once again chosen to facilitate the effectiveness review on the basis that it offered not only the relevant skills but also prior knowledge of the Board and thus the ability to provide more insightful feedback. Consistent with previous years, IBE carried out interviews with the Directors to obtain feedback on the effectiveness of the Board throughout 2018, and also attended several Board and Board Committee meetings. Although not required by The Code, the boards of each of Barclays Bank UK PLC and Barclays Bank PLC have also elected to engage IBE to evaluate them, in order to enhance their effectiveness and ensure that they are operating optimally. This will, ultimately, provide the Barclays Group with a unique perspective as to the interaction of the boards and board committees of these companies, and the fitness for purpose of our new governance framework.

IBE issued their final report to the Board in December 2018 on the findings of the effectiveness review. In addition, the Chairman was provided with a report and feedback on the performance of each of the Directors, and the Senior Independent Director received a report on the Chairman.

Following consideration of the findings of the 2018 Board and Board Committee effectiveness reviews, the Directors remain satisfied that the Board and each of the Board Committees are operating effectively.

**2017 findings of the Board effectiveness review and actions taken in 2018**  
Key findings of the 2017 Board effectiveness review, which was also facilitated by IBE, were that improving business performance would need to be a particular focus for 2018 and that structural reform – particularly the need for clear accountability and delineated responsibilities in the new structure between the individual boards and board committees – was regarded as a major challenge.

Following completion of structural reform, and the resolution of a number of significant legacy litigation and conduct matters, the executive team has been able to apply even greater focus to improving the performance of the business in the course of 2018 and has done so effectively. In relation to the second finding, and as noted earlier, a review of the governance processes across the Barclays Group was undertaken in order to ensure the effective operation of each of the boards and the respective board committees. In order to streamline governance processes, where appropriate, and clarify relationships between and among management and Barclays PLC, as well as the individual boards and their respective committees, the Board has agreed a new set of governance operating procedures and protocols which are detailed in a ‘Corporate Governance Operating Manual’ (the Manual). The Manual is intended to promote efficient, effective and cohesive governance across the respective boards and board committees, and has been approved and adopted and is in the process of being further embedded.

Governance: Directors' report

What we did in 2018

Board Nominations Committee report

**2018 Board effectiveness review**

Feedback from the 2018 Board effectiveness review, facilitated by IBE, included that the execution of structural reform had gone well, financial results were encouraging and legacy issues were being resolved satisfactorily. Board members commented that the Board was well supported, and papers and presentations had improved, and Directors induction was strong. The review yielded a number of recommendations, a high level summary of which is set out below. The Board intends to take action to address each of these recommendations during the course of 2019.

Recommendations:

- The Board is large relative to peers and the whole Board should be engaged in considering how the Board might be reduced in size to a more manageable level whilst having careful regard to the board skills matrix and relevant role profiles, to diversity and to succession planning.
- The Board should ensure that the company's purpose and values are fully aligned with its culture and that all Directors lead by example and promote the desired culture.
- Enhanced training for Board members and senior executives on UK corporate governance, in particular for those with limited "UK plc" experience, would be helpful, as would refresher training sessions and more opportunities for site visits.
- To enable the Board to spend more time on longer-term and strategic issues, a short set of annual objectives setting out what the Board and Board Committees need to achieve would help to bring further focus on key issues in each forum, and will result in papers and meetings being more effective in terms of length and duration, respectively.

The 2018 Board effectiveness review considered diversity when assessing the effectiveness of the Board.

**Board Committee effectiveness**

The 2018 Board Committee effectiveness review was carried out by IBE. It was noted that this was the first review post-structural reform. The process involved both interviews with the Board Committee members and completion of a questionnaire, following which an effectiveness review report of the findings was provided to the Board Chairman and each Board Committee Chair. The conclusion of the Board Committee effectiveness review is that the Board Committees are working effectively. You can read more about the findings for each Board Committee within each Board Committee Chair's letter.

Governance in action –

Recruiting and appointing a new Chairman

As a result of John McFarlane's wish to serve for a maximum of four years on the Barclays PLC Board, and his anticipated retirement in 2019, Barclays PLC needed to identify and recruit a new Chairman. Whilst the Nominations Committee would normally lead the process for the identification and recommendation of the Chairman's successor, given the importance of the role of Chairman, the Board was keen to involve all of the non-executive Directors in the recruitment process, rather than just those non-executive Directors who were members of the Nominations Committee. The Board asked the Senior Independent Director, Crawford Gillies, to convene a group of non-executive Directors – the Chairman's Appointment Oversight Committee (CAOC) – to lead the search process for the Chairman's successor, and to identify and recommend one or more candidates for consideration by the Chairman's Appointment Committee (CAC). The CAOC, led by Crawford, comprised Tim Breedon, Mary Francis, and Reuben Jeffery III. The CAC, also chaired by Crawford, comprised all of the non-executive Directors, apart from the Chairman himself. The CAC was responsible for considering the candidate or candidates nominated by the CAOC, and for nominating and recommending a candidate for consideration and approval in principle by the Board, subject both to the relevant candidate being approved by the PRA and the FCA, and terms of appointment being agreed between the candidate and Barclays PLC.

**Process**

It was agreed that the main candidate attributes included excellent chairing skills, sufficient financial services experience such that the individual could "hit the ground running", international exposure, experience of UK corporate governance, the ability to think strategically, and willingness to challenge management. With these skills and attributes in mind, Spencer Stuart, an external search consultant, were engaged to support the search and selection process.

**Search**

Spencer Stuart conducted a rigorous global search and identified 160 potential candidates. Over time, and having sought the views of the Directors – including John McFarlane – on the preferred type of candidate for the role, the long list was

reduced. The Nominations Committee and the Board were both provided with regular updates on the status of the search.

**Recruitment**

Following the initial interview process, Nigel Higgins emerged as the preferred candidate on the basis of: his extensive experience in, and understanding of, banking and financial services, gained through a 36-year career at Rothschild; his strong track record in leading and chairing a range of organisations, and in acting as a strategic adviser to multiple major corporations and Governments internationally; and his wealth of experience in the operation of a financial services group, in building teams and culture on an international scale, and in growing businesses. He also demonstrated the strong personal qualities and the understanding of UK corporate governance required to be Chairman of Barclays PLC, including the stature, gravitas, resilience and willingness to challenge management and the rest of the Board, as and when required.

Having confirmed his interest in the role, Nigel undertook a series of further interviews and met with each of Crawford, Tim, Mary, Reuben and the Group Chief Executive. As part of the process, the Remuneration Committee met to consider and approve the financial terms of the letter of appointment to be entered into by Barclays PLC and Nigel. The Board held an additional meeting to specifically discuss the proposed appointment of Nigel as Chairman, and to allow Directors to share their feedback, and the feedback from external references, on him. The Board granted full authority to the Nominations Committee to finalise and agree Nigel's terms of appointment, and to undertake any further necessary actions required in respect of his appointment. Ultimately, Nigel's appointment was approved by the Board and announced on 2 November 2018. Nigel will join the Board as a non-executive Director of Barclays PLC on 1 March 2019, and will succeed John McFarlane as Chairman with effect from the conclusion of this year's AGM.



Governance: Directors' report

What we did in 2018

Board Reputation Committee report



The Committee welcomed the launch of Barclays' new Purpose, which emphasises that our financial services play an essential role in enabling individuals and businesses to seize their opportunities.

Dear Fellow Shareholders

This is my first report to you as Chair of the Board Reputation Committee. I took over from Sir Gerry Grimstone on 1 April 2018, when he was appointed Chair of Barclays Bank PLC. I would like to thank Sir Gerry for all he did during his two years as Chair of the Committee. We welcomed Mike Turner to the Committee on 11 January 2018.

The Committee supports the Board in delivering its vision of Barclays' Purpose, Culture and Values, in reviewing the management of conduct and reputation risk, and in overseeing how Barclays meets its corporate and societal obligations. We do this through challenging the leaders of the business at all levels, by examining data and indicators, and through 'deep dives' into specific areas of the bank.

In 2018 the Committee encouraged management to ensure that its objectives for culture and standards of conduct were clearly understood and embedded in each part of the bank. We welcomed the launch of Barclays' new Purpose, which emphasises that our financial services play an essential role in enabling individuals and businesses to seize their opportunities. The Purpose is underpinned by the Values of the organisation: respect, integrity, service, excellence and stewardship.

At each of our meetings we reviewed the Culture Dashboard, which provides data on how far the Values are embedded in the organisation's actual behaviours and actions. The results showed a sustained and positive trend. The annual survey by the Banking Standards Board (BSB) of the culture in 26 member banks provides an important external lens to complement our internal data. At our December 2018 meeting we discussed the results of their latest survey with Dame Colette Bowe and Alison Cottrell, Chair and CEO of the BSB. We were encouraged to hear that colleagues described Barclays as innovative and were positive about our initiatives to strengthen wellbeing and gender diversity. The Committee agreed with the BSB's comments on areas of focus – which were similar for Barclays' peers – including the need for sensitive management of changes associated with new technology and innovation, reducing organisation bureaucracy and improving employee working environments.

Oversight of conduct across the organisation is an essential part of our work. Barclays has a strong framework of conduct risk controls, focussed on preventing harm to customers or markets, or any form of financial crime. The Committee received regular reports on compliance with this framework from the Chief Compliance Officer and the heads of the Financial Crime team, Human Resources, Risk and Internal Audit. We reviewed at each meeting data from the Conduct and Complaints Dashboards and undertook 'deep dives' into actual or potential problem areas. Despite disappointments, such as the problems arising with the introduction of our online investment service, Smart Investor, we welcomed the evidence of strengthening controls and positive trends in conduct breaches and disciplinary cases across the bank.

Following the successful introduction of the dashboards over the past two years, the Committee agreed that they should be developed further so that cultural and conduct indicators are brought more clearly together, are well suited to each individual business entity, and are sufficiently forward looking. Barclays UK, Barclays International, and Barclays Execution Services have all been contributing to the review, and the revised Culture and Conduct dashboards will be an important underpin to our work in 2019.

As our shareholders will know, Barclays has a strong and longstanding commitment to managing the environmental and social impacts of our business, recognising that our success is closely linked to that of the communities in which we live and work. A recurring topic in our discussions has been climate change and the challenges for business in balancing the need to maintain the supply of energy to support economic growth and prosperity while also meeting the goals of the Paris Accord. In 2018 we challenged and discussed with management Barclays' approach to financing businesses which operate in sectors that are sensitive because of their relative carbon intensity or local environmental impact. This has resulted in the publication of a policy statement on our approach to energy and climate change, as well as statements on World Heritage Sites and Ramsar Wetlands, all of which can be found on our website. During 2018 the

Committee also encouraged management in its drive to identify and control reputational risk as clearly as it does conduct risk. We approved a new reputation risk framework in October 2018.

With important changes in the structure of the Barclays Group in 2018, the Committee reviewed the governance framework for oversight of conduct and reputation across the organisation. We were pleased that the Group Chief Executive agreed to attend our meetings regularly at my invitation, so that we continue to focus on strong leadership of the culture and conduct of the Group as a whole. We have established effective relationships with the boards and committees of Barclays Bank UK PLC and Barclays Bank PLC. We strengthened our interactions with the Risk Committee: it was particularly valuable to share the results of Strategic Risk Assessments by the operational risk team, with recommendations on improving the product risk review and financial crime control processes. We maintained our close relationship with the Remuneration Committee, since performance incentives are integral to conduct and culture.

Committee performance

The performance of the Committee was assessed by Independent Board Evaluation, an independent, external corporate governance consultancy as part of the annual effectiveness review. The results confirm that the Committee is operating effectively, and note that it is thorough in its approach. Last year's review suggested that further consideration needed to be given to the continued oversight of Conduct and Reputation Risk matters post-structural reform. This is something that is being kept under review by the Committee, and we are considering inviting more business heads to present their views to the Committee in addition to the presentations from function heads we currently receive. You can read more about the outcomes of the review of Board, Board Committee and individual Director effectiveness on page 26.

Governance: Directors' report

What we did in 2018

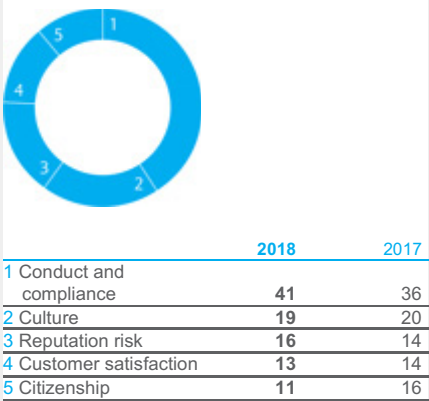
Board Reputation Committee report

Looking ahead

Finally, I would like to record my thanks to the Committee members, Group Chief Compliance Officer, Laura Padovani, and wider senior management for their continued hard work. In 2019, the Committee looks forward to continuing its support of the Board in promoting its vision of Barclays' purpose, values, culture and behaviours and of management in embedding the right Culture and Conduct across the Barclays Group, and driving down Conduct and Reputation Risk.

Mary Francis  
Chair, Board Reputation Committee  
20 February 2019

Committee allocation of time (%)



Committee composition and meetings

The Committee is composed solely of independent non-executive Directors. The members of the Committee are Mary Francis, Mike Ashley, Dambisa Moyo, and Mike Turner. Mike Turner joined the Board on 1 January 2018 and became a member of the Committee with effect from 11 January 2018. Sir Gerry Grimstone left the Committee on 1 April 2018 when he became Chair of Barclays Bank PLC. You can find more details of the experience of Committee members in their biographies on pages 5 and 6.

The Committee held five scheduled meetings during 2018 and the chart shows how it allocated its time. Attendance by members at Committee meetings is shown below. Committee meetings were attended by representatives from management, including the Group Chief Executive, Group Chief Compliance Officer, Chief Internal Auditor, Group Chief Risk Officer, Group General Counsel, Group Chief of Staff, Group HR Director and the Group Head of Corporate Relations, as well as representatives from the businesses and other functions. The lead audit partner of KPMG (the Barclays Group's external auditor) attended all Committee meetings in 2018 – from January to July this was Guy Bainbridge; from August onwards this was Michelle Hinchliffe. Representatives from the BSB also attended two meetings.

| Member                                | Meetings attended/eligible to attend* |
|---------------------------------------|---------------------------------------|
| Mary Francis                          | 5/5                                   |
| Mike Ashley                           | 5/5                                   |
| Sir Gerry Grimstone (to 1 April 2018) | 2/2                                   |
| Dambisa Moyo                          | 5/5                                   |
| Mike Turner                           | 5/5                                   |

\* Including one combined meeting of the Risk Committee and the Reputation Committee.

Committee role and responsibilities

The Committee is responsible for:

- supporting the Board in promoting its collective vision of Barclays' purpose, values, culture and behaviours
- reviewing, on behalf of the Board, the management of Conduct and Reputation risk
- overseeing Barclays' conduct in relation to its corporate and societal obligations, including setting the guidance, direction and policies for Barclays' approach to customer and regulatory matters and Barclays' Citizenship Strategy, including advising the Board and management on these matters
- safeguarding the independence of and overseeing the performance of Barclays' Compliance function, including the performance of the Group Chief Compliance Officer.

The Committee's terms of reference are available at [home.barclays/corporategovernance](http://home.barclays/corporategovernance)

The Committee's work

The significant matters addressed by the Committee during 2018 are described on the following pages.

| Area of focus | Reporting issue                                                                                                            | Role of the Committee                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Conclusion/action taken                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|---------------|----------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Conduct risk  | Conducting robust reviews of any current and emerging risks arising from the inappropriate provision of financial services | <ul style="list-style-type: none"><li>■ Discussed updates from management on conduct risk and considered performance against key conduct risk indicators, and the status of initiatives in place to address those risks and further strengthen the culture of the business.</li><li>■ Requested and considered deep dive analyses on conduct risk, including on progress in developing intelligence- led initiatives to combat fraud.</li><li>■ Received reports on internal audit activities relating to conduct, including details of any unsatisfactory audit reports and remediation steps identified.</li><li>■ Received updates on the implementation of the revised Code of Conduct, <i>The Barclays Way</i>.</li><li>■ Reviewed the Compliance function's annual compliance plan.</li></ul> | <p>Management was engaged in thorough discussion and challenge on the conduct risk dashboard, and alignment with the <i>Culture Dashboard</i>.</p> <p>The Committee was particularly pleased with the level of conduct risk insight received from the use of data analytic tools and from the deep dive sessions.</p> <p>The Committee benefited from the presentation of material conduct structured scenario assessments, described in the 'Governance in action' section of this report on page 30.</p> <p>The Committee challenged management to align analysis and control of conduct risk with that of other Principal Risks, such as Market and Credit Risk, and approved the revised Conduct Risk Management Framework and the 2019 Annual Compliance Plan.</p> |

| Area of focus         | Reporting issue                                                                                                                                                                                  | Role of the Committee                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Conclusion/action taken                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|-----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Cultural progress     | Reviewing management's progress in embedding a values-based culture across the organisation                                                                                                      | <ul style="list-style-type: none"><li>▪ Debated Culture dashboards and the progress being made to embed cultural change across Barclays globally.</li><li>▪ Received regular updates on colleague engagement metrics and the results of employee <i>Your View</i> surveys.</li><li>▪ Received reports on internal audit activities relating to culture.</li><li>▪ Considered and discussed with representatives of the Banking Standards Board the results of their 2017 and 2018 Annual Reviews of Barclays and received periodic updates from management detailing follow up against the 2017 key findings.</li><li>▪ Received information on management's initiatives to improve colleague well-being and resilience, including actively encouraging employees to work dynamically and bolstering the supportive environment in which colleagues feel able to talk about the impacts of stress and mental health concerns.</li></ul> | <p>Following the Committee's challenge to improve the use of the <i>Culture Dashboard</i>, it was satisfied with management's progress to evolve and align the culture dashboards with the conduct dashboards</p> <p>Through consideration of the <i>Your View</i> results in each quarter, the Committee was encouraged by the high colleague engagement scores achieved throughout 2018 and especially in response to launch of the new Purpose, and by improvements made to the perception of colleagues' working environments, and in reducing bureaucracy. The Committee appreciated management's acknowledgement that further improvement is still required in these areas and of the need to continue to embed and instil the desired culture Group-wide, and was supportive of the work undertaken by the Group Chief Executive to continue to drive the desired culture across the Barclays Group.</p> <p>The Committee regularly discussed the importance of an open and honest culture in which colleagues feel able to speak up and raise concerns.</p> |
| Reputation and brand  | Ensuring that Reputation risks and issues are identified and managed appropriately.                                                                                                              | <ul style="list-style-type: none"><li>▪ Reviewed at each meeting key significant and emerging Reputation risks facing Barclays, receiving specific information on business action to address those issues and the outcomes of horizon scanning.</li><li>▪ Regularly evaluated the measures being taken to understand external perceptions of the Bank, including 2018 YouGov Reputation Research.</li><li>▪ Considered whether the process for identifying, managing and overseeing reputation risk was functioning effectively.</li><li>▪ Reviewed the refreshed Reputation Risk Management Framework.</li></ul>                                                                                                                                                                                                                                                                                                                       | <p>The Committee achieved greater oversight from enhanced Reputation risk reports, and minutes of meetings of Risk Committees of major subsidiaries.</p> <p>The Committee held significant discussion on and challenged management to, enhance the Reputation Risk framework to better align it to other Principal Risks Frameworks, and approved the refreshed Reputation Risk Management Framework.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Customer satisfaction | Ensuring fair outcomes for customers by monitoring complaints volumes, the standard and quality of complaints handling processes, root cause analysis of complaints, and other relevant metrics. | <ul style="list-style-type: none"><li>▪ Received bi-annual updates on complaints and challenged the performance against key indicators.</li><li>▪ Considered the quality of the processes in place to address and resolve customer complaints.</li><li>▪ Monitored trends in the underlying causes of complaints and considered forward looking analysis to identify events (both industry-wide and Barclays-specific) which could influence the volume and timings of complaints.</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                            | <p>The Committee was pleased to see a general downward trend (excluding PPI) in the overall number of complaints received by Barclays during 2018.</p> <p>Management was challenged to make, and made, steady progress in refining and aligning complaints management and reporting and the Committee noted that and that further improvement was required.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

Governance: Directors' report

What we did in 2018

Board Reputation Committee report

| Area of focus                                           | Reporting issue                                                                                                                                                                                                                                                                  | Role of the Committee                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Conclusion/action taken                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|---------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Environmental and social matters, including Citizenship | Monitoring progress against Barclays Citizenship plan and considering and approving the approach to future Citizenship strategy. Overseeing Barclays' commitment to managing its impact on broader society, including conduct in relation to corporate and societal obligations. | <ul style="list-style-type: none"><li>Received and considered the bi-annual summary Citizenship dashboards, assessing status updates on the Shared Growth Ambition as the plan drew to an end.</li><li>Reviewed Barclays' ratings and relative peer ranking in external ESG benchmarks and tracked external perceptions on Citizenship through stakeholder and media analysis.</li><li>Reviewed updates at each meeting on reputation risk considerations of sensitive sector engagement.</li></ul> | <p>The Committee was pleased with the strong successes created by Shared Growth Ambition (2016-2018) and it approved management's approach to evolving Barclays' Citizenship strategy for 2019, and supported the extension of our community investment initiatives (LifeSkills, Connect with Work and Unreasonable Impact) and ensuring that our public commitments are clear.</p> <p>The Committee recognised the need for greater clarity in Barclays' public social and environmental commitments and challenged management to assess and improve communication on Barclays' positioning. The Committee approved the policy statements on Coal, World Heritage Sites and Ramsar Wetlands, published in April 2018 and the comprehensive Energy and Climate Change Statement published in January 2019.</p> |

- In addition, the Committee also covered the following matters:
- received and reviewed minutes of Barclays Bank UK PLC and Barclays Bank PLC risk committee meetings
  - received a report on management's annual review of the effectiveness of compliance with the Volcker Rule (restrictions on proprietary trading and certain fund investments by banks operating in the US)
  - received a report from management on Barclays' Swap Dealer Annual Compliance Report
  - evaluated the outcomes of the assessment of the Committee's performance and any areas of Committee performance that needed to be enhanced
  - reviewed and updated its terms of reference, recommending them to the Board for approval.

Governance in action –

Structured Scenario Assessments

Structured Scenario Assessments (SSAs) were developed by the Barclays Group Operational Risk Team. They use scenario analysis to explore the risks in extreme but plausible situations. The results provide the opportunity to understand, assess and manage tail risk as well as contributing to calculations of capital requirements and risk tolerance across the Barclays Group. The SSAs covering operational risk highlight that instances of misconduct - especially arising from mistreatment of customers and markets, and financial crime - are among the most significant tail risks facing most banks today.

The Committee has had sight of all prescribed scenario topics used in the SSAs, and it requested presentations on a number of those which are conduct focused. At its meetings in June, October, and December, the Committee received presentations on:

- Operational Risk: Conduct Capital Allocation
- Retail Mis-selling
- Financial Crime

The Committee gained valuable insights from these presentations on the drivers of past cases of misconduct in the banking sector, and ways of strengthening controls to guard against extreme risks in the future, for instance through enhanced product review processes. It is very supportive of the use of SSAs by the business, and the level of technical insight of conduct-related risks they bring to the Committee. They provide an opportunity for the Committee to independently challenge and explore the topics, methodology and results. The Committee will continue to receive presentations on the material conduct-related SSAs during 2019.



Governance: Directors' report

# What we did in 2018

Board Risk Committee report



Dear Fellow Shareholders

During 2018, the Committee continued to pay careful attention to the potential impact of macro-economic developments and market volatility on the risk profile of the bank. As in 2017, these issues remain challenging and we continue to work with management to position the bank conservatively to deal with political and economic uncertainty. In particular, the Committee has closely examined the impact of uncertainty stemming from the process of UK withdrawal from the European Union (EU), as well as the broader global political and economic landscape. In addition, it has reviewed the operational risk profile of the bank, and its resilience to internal and external threats. Themes that the committee evaluated in 2018 included UK corporate and consumer credit risk, in particular in the context of uncertainty created as a result of the possibility of a disorderly UK withdrawal from the EU – in this context the Committee is also monitoring operational resilience in relation to leaving the EU without reaching an agreement, considering issues of operational and broader business continuity. Other key risks that the committee is monitoring with potential for wider contagion include those related to increased market volatility and the impact of a Chinese slowdown, although direct exposure to the latter is limited and of high quality. The Committee also considered updates on risk themes related to US Consumer Credit and European peripheral and redenomination risk, as well as operational risks related to cyber security. These risks are actively monitored and managed and the Committee maintains regular oversight of the risk profile and actions taken.

Credit risk management in 2018 was particularly focused on maintenance of the defensive positioning of our UK portfolios, continuing the approach which has been pursued since the UK Referendum on leaving the EU in June 2016. Following a high profile single-name corporate failure in 2017, the Committee also received a detailed analysis from management on 'Tall Tree' exposures in the Corporate bank, both in the UK and US, to understand the portfolio composition, governance and approval processes, as well as key risks and mitigants. The Committee was satisfied that the portfolio was operating satisfactorily within

One of the key roles of the Committee is to review and challenge the risk appetite of the bank: its ability to earn an appropriate return while being able to withstand shocks.

established limits but encouraged management to maintain a high level of vigilance. In addition, based on concerns of a US economic slowdown and wider global trade shocks affecting global growth, the Committee also reviewed with management the Barclays Group's Leveraged Finance portfolio exposure, which was split between direct (portfolio holds) and indirect (underwriting) risk. In terms of consumer credit, debt levels had continued to rise both in the UK and US. However, a steady transition to a higher quality book together with management's conservative approach to lending continued the good progress of previous years to strengthen the Barclays Group's credit risk profile across the consumer portfolio. This continued focus on book quality is evidenced by a significant reduction in impairment for the year.

In relation to risk-taking in the Investment Bank, the Committee monitored the progress across a number of initiatives, and noted that growth had been appropriately controlled in line with stated intentions, and adequate controls through risk frameworks and second-line oversight were in place.

During the year, the Committee continued to monitor the progress being made by management in the identification, assessment and management of operational risk. An essential component is improvement in the Risk and Control Self-Assessments (RCSAs). These are now derived from a process-based approach which will enable management to better identify and manage operational risks. In addition, the Committee was pleased to see progress in the implementation of Structured Scenario Assessments (SSAs). These are used to evaluate operational risk arising from more extreme, but plausible situations. The Committee was able to review outputs from the SSAs related to Critical Application Disruption and Large Scale Data Disruption, both of which are key areas of regulatory focus in relation to operational resilience.

The Committee also evaluated Barclays approach to the management of cyber risk, receiving a briefing on the current cyber threat landscape and Barclays strategy and capability for responding to the threat. This included a detailed briefing on the build-out of transformational improvements to Barclays

security programme. This work, which is scheduled to complete by 2019, includes a range of actions designed to enable more accurate prediction of cyberattacks and increase the speed of detection of cyber events.

One of the key roles of the Committee is to recommend to the Board the overall risk appetite of the bank: its ability to earn an appropriate return while being able to withstand shocks in the market and economic environment. In this context, as well as reviewing internal stress tests, the Committee monitors closely the assessment of Barclays PLC's performance under a variety of regulatory stress tests including those conducted by the US Federal Reserve (CCAR) and the Bank of England (BoE) – in each case meeting the appropriate minimum capital requirements – and the biennial European Banking Authority (EBA) stress test.

Given the high level of reliance on model outputs in supporting our stress tests, the Committee continued to evaluate progress made in the improvement of model risk management in the Barclays Group. While recognising that there is further work to do, the Committee is pleased that substantial progress was made through 2018 as evidenced by an increasingly stable model inventory and further improvements in documentation and control.

In late 2017, the Committee commissioned an external third party assessment of the Risk function, which was delivered in 2018. The review concluded that the function meets regulatory expectations, is meeting or exceeding industry standards, evidences effective and independent oversight with good evidence of challenge, with strong stewardship and technical competence. The Committee encouraged management to develop action plans to address the areas highlighted in the assessment where evolution of regulatory expectations or best practice will require focus in 2019 and these plans will be monitored by the Committee.

Governance: Directors' report

What we did in 2018

Board Risk Committee report

Committee performance

The Committee's performance during 2018 was assessed by Independent Board Evaluation, an independent, external corporate governance consultancy as part of the annual effectiveness review. The results show that the Committee's work is regarded as clear, systematic and thorough, and the Board takes assurance from the quality of the Committee's work. Last year's review highlighted the need to ensure that the way in which the Committee works with the Audit Committee and the Reputation Committee continues to capture all significant issues effectively while minimising any overlap. To address this, the Committee sought to ensure that it continued to work closely with the other Board Committees during 2018 and the results of the review note good co-ordination with the Audit Committee, in particular. The results indicate that, in 2019, it may be helpful to consider areas where the work of the Committee could be further streamlined in conjunction with the risk committees of Barclays Bank UK PLC and Barclays Bank PLC.

You can read more about the outcomes of the review of Board, Board Committee and individual Director effectiveness on page 26.

Looking ahead

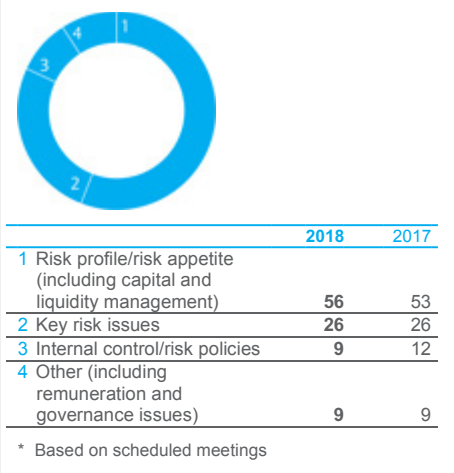
In 2019, the Committee will continue to focus on the impact of the external environment on the risk profile of the bank, particularly as the position in relation to the UK withdrawal from the EU becomes clearer. Following the feedback from the independent Board evaluation, we will also consider opportunities to optimise activities with the risk committees of Barclays Bank UK PLC and Barclays Bank PLC. Finally, the committee will continue to evaluate progress made by the Risk function in further developing its capabilities and impact.

**Tim Breedon**  
Chair, Board Risk Committee  
20 February 2019

Committee composition and meetings

The Committee is comprised solely of independent non-executive Directors. You can find more details of the experience of Committee members in their biographies on pages 5 and 6.

Committee allocation of time (%)



During 2018, the Committee met nine times, and the chart above shows how it allocated its time. Two of the meetings were held at Barclays' New York offices. Committee meetings were attended by representatives from management, including the Group Chief Executive, Group Finance Director, Group Chief Internal Auditor, Group Chief Risk Officer, Group Treasurer and Group General Counsel, as well as representatives from the businesses and other representatives from the Risk function. The lead audit partner of KPMG (the Barclays Group's external auditor) attended all Committee meetings in 2018 – from January to July this was Guy Bainbridge; from August onwards this was Michelle Hinchliffe.

| Member                                   | Meetings attended/eligible to attend |
|------------------------------------------|--------------------------------------|
| Tim Breedon                              | 9/9                                  |
| Mike Ashley                              | 9/9                                  |
| Mary Anne Citrino (from 1 November 2018) | 2/2                                  |
| Reuben Jeffery III                       | 8/9                                  |
| Matthew Lester                           | 9/9                                  |
| Diane Schueneman                         | 9/9                                  |

\* Including one combined meeting of the Risk Committee and the Reputation Committee

Committee role and responsibilities

- The Committee is responsible for:
- recommending to the Board the Barclays Group's risk appetite for financial, operational and legal risk
  - monitoring financial, operational and legal risk appetite, including setting limits for individual types of risk, e.g. credit, market and funding risk
  - monitoring the Barclays Group's financial, operational and legal risk profile
  - commissioning, receiving and considering reports on key financial operational and legal risk issues
  - providing input from a financial and operational risk perspective to the Remuneration Committee to assist in its deliberations relating to incentive packages.

The Committee's terms of reference are available at [home.barclays/corporategovernance](http://home.barclays/corporategovernance)

The Committee's work

The significant matters addressed by the Committee during 2018 are described on the following pages.

| Area of focus                                                                                                                                                                                                                                                                                                               | Matter addressed                                                                                                                                                                                                                                                                                                                                                                                                                           | Role of the Committee                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Conclusion/action taken                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <div><b>Risk appetite and stress testing</b><br/>i.e. the level of risk the Barclays Group chooses to take in pursuit of its business objectives, including testing whether the Barclays Group's financial position and risk profile provide sufficient resilience to withstand the impact of severe economic stress.</div> | The risk context to Medium Term Plan (MTP), the financial parameters and constraints and mandate and scale limits for specific business risk exposures; the Barclays Group's internal stress testing exercises, including scenario selection and financial constraints, stress testing themes and the results and implications of stress tests, including those run by the Bank of England (BoE) and the European Banking Authority (EBA). | <ul style="list-style-type: none"><li>To discuss and agree stress loss and mandate and scale limits, for Credit Risk, Market Risk and Treasury and Capital risk.</li><li>To evaluate the BoE annual cyclical stress test results, and the results of a stress test under the EBA biennial stress test submission.</li><li>Considered and approve internal stress test themes and the financial constraints and scenarios for stress testing risk appetite for the MTP.</li><li>To consider the Federal Reserve Board's feedback of the US Intermediary Holding Company's Comprehensive Capital Analysis and Review (CCAR) following the submission of the CCAR stress test results.</li></ul> | <p>The Committee reviewed proposed enhancements to the Barclays Group's stress testing processes which are designed to improve capabilities in this area.</p> <p>The Committee reviewed and approved, for recommendation to the Board, the financial results of the MTP internal stress test exercise on the basis that Barclays remained within the Barclays Group's Risk Appetite.</p> <p>The Committee requested and received an overview of the stress testing principles and objectives which served to provide a helpful framework for the review of the stress test results submissions to the BoE and EBA.</p> <p>The Committee approved the 2018 annual stress test results for submission to the BoE, including a range of strategic management actions, in addition to the standard BAU management actions designed to mitigate risk impacts.</p> <p>Similarly, the Committee approved the results of the stress test under the biennial EBA stress test submission.</p> |
| <div><b>Capital and funding</b><br/>i.e. having sufficient capital and financial resources to meet the Barclays Group's regulatory requirements and its obligations as they fall due, to maintain its credit rating, to support growth and strategic options.</div>                                                         | The trajectory to achieving required regulatory and internal targets and capital and leverage ratios.                                                                                                                                                                                                                                                                                                                                      | <ul style="list-style-type: none"><li>To review on a regular basis, capital performance against plan, tracking the capital trajectory, any challenges and opportunities and regulatory policy developments.</li><li>To assess on a regular basis liquidity performance against both internal and regulatory requirements.</li><li>To monitor capital and funding requirements.</li></ul>                                                                                                                                                                                                                                                                                                      | <p>The Committee examined and supported the forecast capital and funding trajectory and the actions identified by management to manage the Barclays Group's capital position.</p> <p>The Committee considered and approved the Barclays Group capital adequacy assessment together with the methodologies and results of the reverse stress testing for submission of the 2018 Internal Capital Adequacy Assessment Process (ICAAP) as well as the Barclays Group's 2018 Individual Liquidity Adequacy Assessment Process (ILAAP). Approvals included, for the first time, assessments for Barclays Bank PLC and Barclays Bank UK PLC on an individual basis, as required by the Regulator.</p> <p>The Committee also considered and discussed feedback from the Regulator in relation to the ICAAP submission and requested management to provide regular updates on planned improvements to the ICAAP process in response to the feedback.</p>                                    |

Governance: Directors' report

What we did in 2018

Board Risk Committee report

| Area of focus                                                                                                                                                   | Matter addressed                                                                                                                                                                                                                                                                               | Role of the Committee                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Conclusion/action taken                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Political and economic risk</b><br>i.e. the impact on the Barclays Group's risk profile of political and economic developments and macroeconomic conditions. | The potential impact on the Barclays Group's risk profile of geopolitical developments, as well as continuing to monitor the potential political and economic impact of Brexit scenarios                                                                                                       | <ul style="list-style-type: none"><li>▪ To review and discuss plans for the impacts of Brexit under various withdrawal scenarios.</li><li>▪ To consider trends in the UK and US economies, including the impact of rate rises.</li><li>▪ To assess the transmission effects of a Chinese economic slowdown/ trade war metrics arising from its influence on the world economy.</li><li>▪ To review exposures to Emerging Markets as a result of volatility in these markets arising from the impact of global political and economic events</li></ul>                                                        | <p>In relation to the potential risk impacts of Brexit, considerations were escalated to include operational resilience to the impact risk of an exit with no agreement in place.</p> <p>Other key material risk themes kept under review by the Committee included stress in US consumer credit and stress in UK property.</p> <p>A new theme of Italian peripheral and redenomination risk was added as a key risk theme.</p> <p>The Committee directed management to apply additional focus to monitoring evidence of rising global leverage, credit cycle and geopolitical risks.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Credit risk</b><br>i.e. the potential for financial loss if customers fail to fulfil their contractual obligations.                                          | Conditions in the UK housing market, particularly in London and the South East; levels of UK consumer indebtedness, particularly in the context of the risk of inflation and negative real wage growth; and the performance of the UK and US Cards businesses, including levels of impairment. | <ul style="list-style-type: none"><li>▪ To assess conditions in the UK property market and monitor signs of stress.</li><li>▪ To monitor how management was tracking and responding to persistent rising levels of consumer indebtedness, particularly unsecured credit in both the UK and US.</li><li>▪ To review Leveraged Finance portfolios in order to assess these were within risk appetite and manageable limits.</li><li>▪ To review business development activities in the Corporate and Investment Bank.</li></ul>                                                                                | <p>The Committee reiterated to management the need to ensure appropriate credit selection and discipline when selecting business, and the importance of consumer profiling to achieve better risk selection.</p> <p>The Committee encouraged management to continue with its conservative approach to UK lending and supported pre-emptive measures to de-risk the UK Cards portfolio to guard against any downturn in the UK economy.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Operational risk</b><br>i.e. costs arising from human factors, inadequate processes and systems or external events.                                          | The Barclays Group's operational risk capital requirements and any material changes to the Barclays Group's operational risk profile and performance of specific operational risks against agreed risk appetite.                                                                               | <ul style="list-style-type: none"><li>▪ To track operational risk key indicators.</li><li>▪ To consider specific areas of operational risks, including fraud, conduct risk, cyber risk, execution risk, technology and data, including the controls that had been put in place for managing and avoiding such risks.</li><li>▪ To review Barclays' approach to scenario analyses as a risk management tool and assess a range of Structured Scenario Assessments which had been created to support assessments and management of tail risk within the business, stress testing and risk tolerance.</li></ul> | <p>The Committee focused its attention on the financial and capital impacts of operational risk. In relation to cyber risk, the Committee received an update on the transformational improvements to Barclays' security posture and associated controls in this area and endorsed management plans to remediate and implement new controls designed to enable more accurate prediction of cyberattacks and increase speed of detection of cyber events in order to minimise impact on Barclays and client/customers. In relation to Fraud and Transaction Operation risks, the Committee requested and assessed a report on Barclays' fraud capabilities to reduce losses in these areas.</p> <p>The Committee approved the 2018 Operational Risk Tolerance Statement, which proposed a higher tolerance of operational risks, provided these have a 'Risk Reduction Plan' based on approved control improvements.</p> <p>The Committee reviewed and approved two 'material outsourcing' programmes which supported the roll-out of Barclays Cloud outsourcing.</p> |





| Area of focus                                                                                                                                                             | Matter addressed                                                                                                                            | Role of the Committee                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Conclusion/action taken                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Model risk</b><br>i.e. the risk of the potential adverse consequences from financial assessments or decisions based on incorrect or misused model outputs and reports. | Model risk governance.                                                                                                                      | <ul style="list-style-type: none"><li>To evaluate the appropriateness of the Barclays' Model Risk Management framework, and monitor progress on the implementation of an enhanced modelling framework, including receiving updates on findings in relation to specific modelling processes.</li></ul>                                                                                                                                                                                                                                                                                                                                                                   | <p>The Committee reviewed and approved the Model Risk Framework and Tolerance Statement.</p> <p>The Committee maintained oversight of Model risk and in particular monitored planned improvements to Barclays' Model Risk Management framework and ongoing upgrade plans. This included reviewing and assessing Barclays' material alignment with the PRA Supervisory Statement on stress test models. The Committee agreed an approach towards other Large Model Frameworks such as ICAAP, ILAAP and stress testing and monitored progress to ensure that the scope of Model Risk Management (MRM) implementation was expanded to bring into governance non-modelled methods used in other Large Model Frameworks. The Committee urged management to focus on remediation of models used in financial planning and stress testing where these were currently non-compliant with the regulator's guidance.</p> <p>In relation to progress with MRM implementation, the Committee observed progress with validation of Tier 1 (material) models which had been documented under new enhanced standards, as well as the documentation of Tier 2 and Tier 3 models.</p> <p>The Committee also maintained oversight of the models used in the CCAR 2018 submission to ensure these were materially brought into governance by management. The substantive completion of this exercise was believed to have been a significant factor in the positive CCAR result.</p> |
| <b>Risk framework and governance</b>                                                                                                                                      | The frameworks, policies and talent and tools in place to support effective risk management and oversight.                                  | <ul style="list-style-type: none"><li>To track the progress of significant risk management projects, including progress on achieving compliance with the Basel Committee for Banking Supervision (BCBS239) risk data aggregation principles and reviewed the results of the 2017 Risk and Control Self-Assessment (RCSA) process across the Barclays Group together with an update on the approach to the 2018 RCSA process.</li><li>To assess risk management matters raised by Barclays' regulators and the actions being taken by management to respond.</li><li>To review the design of the Barclays Group's Enterprise Risk Management Framework (ERMF).</li></ul> | <p>The Committee assessed during the year the Barclays Group's risk management capability in the form of an independent assessment of the design and effectiveness of the Risk function.</p> <p>The Committee discussed and approved an annual refresh of the Principal Risk Frameworks under the remit of the Committee.</p> <p>The annual update to the ERMF was also approved by the Committee.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Remuneration</b>                                                                                                                                                       | The scope of any risk adjustments to be taken into account by the Board Remuneration Committee when making remuneration decisions for 2018. | <ul style="list-style-type: none"><li>To debate the Risk function's view of performance, making a recommendation to the Board Remuneration Committee on the financial and operational risk factors to be taken into account in remuneration decisions for 2018.</li></ul>                                                                                                                                                                                                                                                                                                                                                                                               | <p>The Committee discussed the report of the Chief Risk Officer and considered the proposal put forward in relation to the impact of relevant risk factors in determining 2018 remuneration.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

Governance: Directors' report

What we did in 2018

Board Risk Committee report

In addition, the Committee also covered the following matters in 2018:

- reviewed and assessed Barclays' liquidity pool investment portfolio from a perspective of the limit framework defined by Risk
- considered and approved a large non-investment grade transaction underwriting commitment on the basis of exposure within distribution activity limits
- considered detailed report of 'Tall Trees' exposure in Corporate lending and Leveraged Finance portfolios
- considered detailed reports in relation to growth opportunities in the Investment Bank from a risk/activities perspective
- considered a report on the effectiveness of the Committee and any areas of the Committee's performance that could be improved
- reviewed and updated its terms of reference, recommending them to the Board for approval.

Governance in action –

Risk of the UK's planned departure from the EU

A key focus of the committee in 2018 was the continued oversight of management's actions to respond to the political and economic uncertainty following the UK's decision to leave the EU, above and beyond the Group's intention to continue to serve its customers in the EU through expansion of its banking licence in Ireland. The Committee's oversight has evolved as the final date for the UK exit from the EU comes closer, and is summarised below:

- Throughout the year, management continued to update the committee on management of UK portfolio risks consistent with the cautious approach recommended in the light of political and economic uncertainty. Relevant risk themes were also monitored by the committee in considering the evolution of the risk profile, in particular those related to UK consumer and corporate risk, UK property price stress and the UK retail sector.
- As the potential for a disorderly exit from the EU increased, the Committee encouraged management to further intensify scrutiny over those sectors of the economy most likely to be adversely impacted and received reports highlighting management actions to proactively address these risks.

- In addition, to provide increased focus on issues of operational resilience associated with a disorderly Brexit, a 'war room' was established by senior management to identify those risks which were most pertinent to continuity of business, and the committee has reviewed and discussed the key risks highlighted and management's risk mitigation approach. The risks considered by the Committee include operational, legal, people, liquidity and capital related risks.
- Finally, as the UK parliamentary process nears its conclusion, the Committee has received updates from management as to its monitoring of expected market volatility with additional oversight established to review and assess market behaviour, risk exposure, and operational impacts in the event of abnormal volatility and transaction volumes.

Governance: Directors' report

How we comply

Leadership

Role of the Board

As highlighted earlier in this report, the Board of Directors is responsible for promoting the highest standards of corporate governance in the Barclays Group. We act in a way that we consider promotes the success of Barclays for the benefit of shareholders as a whole, and are accountable to the shareholders for creating and delivering sustainable value. We are responsible for the overall leadership of the Barclays Group, including establishing its purpose, values and strategy, and satisfying ourselves as to the alignment of Barclays' culture to its purpose, values and strategy. In 2018, the Board approved a new common purpose for the Barclays Group – Creating Opportunities to Rise – which reflects Barclays' entrepreneurial spirit, relentless quest for better, customer and client centricity, and our commitments to society at large and to our colleagues.

The Board is also responsible for ensuring that management maintains a sound system of audit, risk management, compliance and internal control.

For further information about the role of the Board and its responsibilities, together with the Board governance framework, please see page 8 and 9.

The Board of Directors is responsible for promoting the highest standards of corporate governance in the Barclays Group

Roles on the Board

Executive and non-executive Directors share the same duties and are subject to the same constraints. However, in line with the principles of The Code, a clear division of responsibilities has been established. The Chairman is responsible for leading and managing the work of the Board, while responsibility for the day-to-day management of Barclays has been delegated to the Group Chief Executive. The Group Chief Executive is supported in this role by the Barclays Group Executive Committee. Further information on membership of the Barclays Group Executive Committee can be found on page 7.

As a Board we have set out our expectations of each Director in Barclays' *Charter of Expectations*. This includes role profiles and the behaviours and competencies required for each role on the Board, namely the Chairman, Deputy Chairman (to the extent one is required), Senior Independent Director, non-executive Directors, executive Directors and Committee Chairs. Pursuant to the *Charter of Expectations*, non-executive Directors provide effective oversight, strategic guidance and constructive challenge, examine proposals on strategy and empower the executive Directors to implement the strategy approved by the Board, whilst holding the executive Directors to account. The Senior Independent Director provides a sounding board for the Chairman, acts as an intermediary for the other Directors when necessary and is available to shareholders if they have concerns that have not been addressed through the normal channels.

The *Charter of Expectations* is reviewed annually to ensure it remains relevant, and was recently updated to reflect our new corporate structure, the requirements of The New Code and The Regulations, and industry best practice. A copy of the *Charter of Expectations* can be found at [home.barclays/corporategovernance](https://home.barclays/corporategovernance).

Attendance

As members of the Board of Directors we are expected to attend every Board meeting. In 2018, we attended both scheduled and additional Board meetings (which were often called on short notice) and attendance was very strong, as recorded in the table below. The Chairman met privately with the non-executive Directors ahead of each scheduled Board meeting and if, owing to exceptional circumstances, a Director was not able to attend a Board meeting he or she ensured that their views were made known to the Chairman in advance of the meeting.

Governance: Directors' report

How we comply

| Board attendance               | Independent                 | Scheduled meetings eligible to attend | Scheduled meetings attended | % attendance | Additional meetings eligible to attend | Additional meetings attended |
|--------------------------------|-----------------------------|---------------------------------------|-----------------------------|--------------|----------------------------------------|------------------------------|
| <b>Chairman</b>                |                             |                                       |                             |              |                                        |                              |
| John McFarlane                 | On appointment*             | 15                                    | 15                          | 100          | 6                                      | 6                            |
| <b>Executive Directors</b>     |                             |                                       |                             |              |                                        |                              |
| Tushar Morzaria                | Executive Director          | 15                                    | 15                          | 100          | 4                                      | 4                            |
| Jes Staley                     | Executive Director          | 15                                    | 15                          | 100          | 4                                      | 4                            |
| <b>Non-executive Directors</b> |                             |                                       |                             |              |                                        |                              |
| Mike Ashley                    | Independent                 | 15                                    | 15                          | 100          | 5                                      | 5                            |
| Tim Breedon CBE                | Independent                 | 15                                    | 15                          | 100          | 6                                      | 5                            |
| Sir Ian Cheshire               | Independent                 | 15                                    | 15                          | 100          | 6                                      | 6                            |
| Mary Anne Citrino              | Independent                 | 8                                     | 8                           | 100          | 2                                      | 2                            |
| Mary Francis CBE               | Independent                 | 15                                    | 15                          | 100          | 6                                      | 6                            |
| Crawford Gillies               | Senior Independent Director | 15                                    | 15                          | 100          | 6                                      | 6                            |
| Sir Gerry Grimstone            | Independent                 | 15                                    | 15                          | 100          | 6                                      | 6                            |
| Reuben Jeffery III             | Independent                 | 15                                    | 15                          | 100          | 6                                      | 6                            |
| Matthew Lester                 | Independent                 | 15                                    | 15                          | 100          | 6                                      | 5                            |
| Dambisa Moyo                   | Independent                 | 15                                    | 15                          | 100          | 6                                      | 6                            |
| Diane Schueneman               | Independent                 | 15                                    | 15                          | 100          | 6                                      | 4                            |
| Mike Turner CBE                | Independent                 | 15                                    | 15                          | 100          | 6                                      | 6                            |
| <b>Secretary</b>               |                             |                                       |                             |              |                                        |                              |
| Stephen Shapiro                |                             | 15                                    | 15                          | 100          | 6                                      | 6                            |

\* As required by The Code, the Chairman was independent on appointment.

Board Committee cross-membership

The table below shows the number of cross-memberships of our non-executive Directors across our Board Committees.

|                              | Board Audit Committee | Board Nominations Committee | Board Remuneration Committee | Board Reputation Committee |
|------------------------------|-----------------------|-----------------------------|------------------------------|----------------------------|
| Board Risk Committee         | 3                     | 3                           | 1                            | 1                          |
| Board Reputation Committee   | 1                     | 1                           | 2                            |                            |
| Board Remuneration Committee | 2                     | 2                           |                              |                            |
| Board Nominations Committee  | 3                     |                             |                              |                            |

Effectiveness

Composition of the Board

In line with the requirements of The Code, a majority of the Board are independent non-executive Directors. The Board currently comprises a Chairman, who was independent on appointment (as required by The Code), two executive Directors and twelve non-executive Directors. We consider the independence of our non-executive Directors annually, using the independence criteria set out in The Code and by reviewing performance against behaviours that we have identified as essential in order to be considered independent. As part of this process, the Board keeps under review the length of tenure of all Directors, which is a factor that is considered as part of its deliberations when determining the independence of our non-executive Directors.

In accordance with the recommendations of The Code, the independence of Tim Breedon, Reuben Jeffery III and Dambisa Moyo – all of whom have served on the Board for more than six years – was subjected to a more rigorous review. The Board remains satisfied that the lengths of their tenure have no impact on their respective levels of independence or the effectiveness of their contributions.

All appointments to the Board are based on merit and objective criteria, in the context of the strategy of the Barclays Group and the diversity of gender, social and ethnic backgrounds, cognitive and personal strengths, as well as skills, knowledge and experience required for the Board to be effective. Appointments are made following a formal, rigorous and transparent process.

Diversity across the Barclays Group, remains a key area of focus. The Barclays Group recognises and embraces the benefits of a diverse Board, and sees diversity at Board level as an essential element in maintaining a competitive advantage. The Nominations Committee regularly reviews the composition of the Board and the Board Committees. It frequently considers a skills matrix for the Board, which identifies the core competencies, skills, diversity and experience required for the Board to deliver its strategic aims and govern the Barclays Group effectively. Certain attributes identified in the skills matrix have a target weighting attached to them and these are regularly updated to reflect the needs of the Barclays Group. The size of the Board is not fixed and may be revised from time to time to reflect the changing needs of the



business. The Committee reviews the skills matrix when considering a potential new appointment to the Board, as well as reviewing the current and expected Board and Board Committee composition. This helps to determine a timeline for proposed appointments to the Board.

To the extent that the Nominations Committee identifies any gaps in the Board’s profile – which may be a result of the forthcoming retirement of a Director, or in response to changing market needs – that information is used to inform the search for a new Director or Directors. For example, as at the date of this report, there are four female Directors (27%) against a target of having 33% female representation on the Board by 2020, to which we remain committed.

Directors are subject to election or re-election each year by shareholders at the AGM. Having served on the Board for nine years, Reuben Jeffery III and Dambisa Moyo will both be retiring from the Board at this year’s AGM and will not, therefore, be standing for re-election.

In recent years, the Board has assessed its effectiveness, and that of the Board Committees and the individual Directors, annually in a process facilitated by an independent third party. This has been driven by the Board’s belief that an effective board is key to the delivery of a company’s strategy. A full external review of the effectiveness of the Board, the Board Committees and the individual Directors was assessed in Q4 of 2018 in a process facilitated by Independent Board Evaluation, an independent, external corporate governance consultancy. The review assessed whether each of the Directors continues to discharge their respective duties and responsibilities effectively, and concluded that they do. The results of the review were considered when deciding whether individual Directors would offer themselves for election or re-election at the AGM. More information on the 2018 Board effectiveness review, and the Board’s progress against the findings of the 2017 effectiveness review, can be found on page 25 and 26.

Our biographies containing our relevant skills and experience, Board Committee membership and other principal appointments can be found on pages 5 and 6. Details of changes to the Board in 2018 and year to date are disclosed on page 43.

The service contracts for the executive Directors and the letters of appointment for the Chairman and non-executive Directors are available for inspection at our registered office.

Time commitment

All potential new Directors are asked to disclose their significant commitments, and to give an indication of the time spent on those commitments. The Nominations Committee will then take this into account when considering a proposed appointment on the basis that all Directors are expected to allocate sufficient time to their role on the Board in

order to discharge their responsibilities effectively. This includes attending, and being well-prepared for, all Board and Board Committee meetings, as well as making time to understand the business, meet with executives and regulators, and complete ongoing training. As stated in our *Charter of Expectations*, the time commitment associated with their respective roles is agreed with each non-executive Director on an individual basis. All significant new commitments require prior approval. Set out below is the average expected time commitment for the role of non-executive Directors and the other non-executive positions on the Board. For these additional positions there is an expectation that, in order to effectively fulfil extra responsibilities, additional time commitment is required.

| Time commitment             |                                                                                                                                 |
|-----------------------------|---------------------------------------------------------------------------------------------------------------------------------|
| Role                        | Expected time commitment                                                                                                        |
| Chairman                    | Equivalent to up to 80% of a full time position                                                                                 |
| Senior Independent Director | As required to fulfil the role                                                                                                  |
| Non-executive Director      | 30 days per year (membership of one Board Committee included, increasing to 40 days a year if a member of two Board Committees) |
| Committee Chairs            | At least 60 days per year (including non-executive Director time commitment)                                                    |

The Chairman must commit to expend whatever time is necessary to fulfil his duties and, while this is expected to be equivalent to up to 80% of a full time position, the role as Chairman of the Barclays Group, and leadership of the Board, have priority over other business commitments. In exceptional circumstances, we are all expected to commit significantly more time to our work on the Board.

As mentioned above, Directors are now obliged to obtain pre-clearance prior to taking on any additional commitments, including but not limited to directorships, and to indicate in the clearance request the likely time commitment involved. The Company Secretary maintains a record of each Director’s commitments. For the year ended 31 December 2018, and as at the date of this report, the Board is satisfied that none of the Directors is over-committed and that each of the Directors allocates sufficient time to his or her role in order to discharge their responsibilities effectively.

Induction

On appointment to the Board, all Directors receive a comprehensive induction which is tailored to the new Director’s individual requirements. The induction schedule is designed to quickly provide the new Director with an understanding of how the Barclays Group works and the key issues that it faces. The Company Secretary consults the Chairman when designing an induction schedule, giving consideration to the particular needs of the new Director. When a Director is joining a Board Committee, the schedule includes an induction to the operation of that committee.

On completion of the induction programme, the Director should have sufficient knowledge and understanding of the nature of the business, and the opportunities and challenges facing Barclays, to enable them to effectively contribute to strategic discussions and oversight of the Barclays Group.

Following her appointment in 2018, Mary Anne Citrino received such an induction. She met with the Company Secretary, the current non-executive Directors and members of the Barclays Group Executive Committee, and certain other senior executives, as part of that process. An extensive induction programme for Nigel Higgins is underway.

Training and development

In order to continue to contribute effectively to Board and Board Committee meetings, Directors are regularly provided with the opportunity to take part in ongoing training and development and can also request specific training that we may consider necessary or useful. As part of our annual performance review with the Chairman, we discuss any particular development needs that can be met through either formal training or meeting with a particular senior executive. In 2018, Directors received ongoing training in relation to legal and regulatory developments in the form of regular briefings. Topics included whistleblowing and the Senior Managers and Certification Regime.

Conflicts of interest

In accordance with the Companies Act 2006, and the Articles of Association, the Board has the authority to authorise conflicts of interest. Directors are required to declare any potential or actual conflicts of interest that could interfere with their ability to act in the best interests of the Barclays Group. The Company Secretary maintains a conflicts register, which is a record of actual and potential conflicts, together with any Board authorisation of the conflict. The authorisations are for an indefinite period but are reviewed annually by the Nominations Committee, which also considers the effectiveness of the process for authorising Directors’ conflicts of interest. The Board retains the power to vary or terminate the authorisation at any time.

Governance: Directors' report

How we comply

Information provided to the Board

The Role Profile for the Chairman, as set out in our *Charter of Expectations*, confirms his responsibility for ensuring that Board agendas are primarily focused on strategy, performance and key value creation issues and that members of the Board receive accurate, timely and high-quality information. In particular, we require information about Barclays' performance to enable us to take sound decisions, monitor effectively and provide advice to promote the success of the Company. Working in collaboration with the Chairman, the Company Secretary is responsible for ensuring good governance and consults Directors to ensure that the Board receives the information it requires in order to be effective.

Throughout the year, both the executive Directors and senior executives keep the Board informed of key developments in the business through regular reports and updates. These are in addition to the presentations that the Board and Board Committees receive as part of their formal meetings. Directors are able to seek independent and professional advice at Barclays' expense, if required, to enable them to fulfil their obligations as members of the Board.

Accountability

Internal governance processes have been developed to ensure the effective operation of the individual boards and board committees of each of Barclays PLC, Barclays Bank UK PLC and Barclays Bank PLC respectively, in recognition of the fact that this is key to the development and execution of the Barclays Group's strategy. Generally, there is one set of rules for the Barclays Group; Barclays Group-wide frameworks, policies and standards are required to be adopted throughout the Barclays Group unless local laws or regulations (or the ring-fencing obligations applicable to Barclays Bank UK PLC) require otherwise, or the Barclays Group Executive Committee decides otherwise in a particular instance.

Risk management and internal control

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

The Barclays Group is committed to operating within a strong system of internal control that enables business to be transacted and risk taken without exposure to unacceptable potential losses or reputational damage. Barclays has an overarching framework that sets out the approach of the Barclays Group to internal governance, *The Barclays Guide*, which establishes the mechanisms, principles and processes by which management implements the strategy set by the Board to direct the organisation, through setting the tone and expectations from the top, delegating its authority, exercising oversight and assessing compliance.

A key component of *The Barclays Guide* is the Enterprise Risk Management Framework (ERMF). The purpose of the ERMF is to identify and set minimum requirements in respect of the main risks to achieving the strategic objectives of the Barclays Group. The key elements of the Barclays Group's system of risk management and internal control, which are aligned to the recommendations of *The Committee of Sponsoring Organizations of the Treadway Commission, Internal Control – Integrated Framework* (2013 COSO), are set out in the risk frameworks relating to each of our eight Principal Risks and the Barclays Control Framework, which details requirements for the delivery of control responsibilities. Barclays Group-wide frameworks, policies and standards enable Barclays to meet regulators' expectations relating to internal control and assurance.

Effectiveness of internal controls

Key controls are assessed on a regular basis for both design and operating effectiveness. Issues arising out of business risk and control assessments and other internal and external sources are examined to identify pervasive themes. Where appropriate, control issues are reported to the Audit Committee. You can read more about the work of the Audit Committee on pages 12 to 21.

Risk management and internal control framework

The ERMF is the risk management and internal control framework for the Barclays Group. There are eight Principal Risks under the ERMF: Credit risk, Market risk, Treasury and Capital risk, Operational risk, Model risk, Reputation risk, Conduct risk and Legal risk.

The Audit Committee formally reviews the risk management and internal control system, including the ERMF, annually. Throughout the year ended 31 December 2018 and to date, the Barclays Group has operated a system of internal control that provides reasonable assurance of effective operations covering all controls, including financial and operational controls and compliance with laws and regulations. Processes are in place for identifying, evaluating and managing the Principal Risks facing the Barclays Group in accordance with the *'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting'* published by the FRC.

The review of the effectiveness of the risk management and internal control system is achieved through reviewing the effectiveness of the frameworks, principles and processes contained within *The Barclays Guide*, the ERMF and the Barclays Control Framework. Key considerations of the most recent review were:

- The operation of Controls Committees of the Barclays Group and the key legal entities, businesses and functions in the Barclays Group to monitor, review and challenge the effective operation of key risk management and control processes, including the results of audits and reviews undertaken by BIA (which include assessments of the control environment and management control approach) and examinations and assessments undertaken by our primary regulators, on an ongoing basis. The remediation of issues identified within the control environment is regularly monitored by management and the Audit Committee.
- Testing of the operation of executive committees to provide assurance that the committees are operating as per their Terms of Reference and are effectively overseeing the control environment and associated risk management and internal control processes, where appropriate.
- A review of the key governance processes and principles which comprise *The Barclays Guide* to confirm that the processes have operated effectively.

Regular reports are made to the Board covering significant risks to the Barclays Group. The Risk Committee and the Reputation Committee examine reports covering the Principal Risks as well as reports on risk measurement methodologies and risk appetite. The Audit Committee oversees the control environment (and remediation of related issues), and assesses the adequacy of credit impairment. Further details of risk management procedures and potential risk factors are given in the Risk review section on pages 83 to 90.

Controls over financial reporting

A framework of disclosure controls and procedures is in place to support the approval of the financial statements of the Barclays Group. Specific governance committees are responsible for examining the financial reports and disclosures to ensure that they have been subject to adequate verification and comply with applicable standards and legislation.

These committees report their conclusions to the Audit Committee, which debates its conclusions and provides further challenge. Finally, the Board scrutinises and approves results announcements and the Barclays PLC annual report, and ensures that appropriate disclosures have been made. This governance process ensures that both management and the Board are given sufficient opportunity to debate and challenge the financial statements of the Barclays Group and other significant disclosures before they are made public.

Management’s report on internal control over financial reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed under the supervision of the principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and issued by the International Accounting Standards Board. Internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail:

- Accurately and fairly reflect transactions and dispositions of assets.
- Provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS and that receipts and expenditures are being made only in accordance with authorisations of management and the respective Directors.
- Provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of assets that could have a material effect on the financial statements.

Internal control systems, no matter how well designed, have inherent limitations and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that internal controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has assessed the internal control over financial reporting as of 31 December 2018. In making its assessment, management utilised the criteria set out in the 2013 COSO framework and concluded that, based on its assessment, the internal control over financial reporting was effective as of 31 December 2018.

Our independent registered public accounting firm has issued a report on the Group’s internal control over financial reporting, which is set out on page 203

The system of internal financial and operational controls is also subject to regulatory oversight in the UK and overseas. Further information on supervision by the financial services regulators is provided under Supervision and Regulation in the Risk review section on pages 83 to 84.

Changes in internal control over financial reporting

There have been no changes in the Barclays Group’s internal control over financial reporting which have materially affected or are reasonably likely to materially affect the Barclays Group’s internal control over financial reporting during the year. The Barclays Group adopted IFRS 9 on 1 January 2019 and has updated and modified certain controls over financial reporting as a result of the new accounting standard, embedding them into the existing control environment.

Remuneration

The Board has delegated responsibility for the consideration and approval of the remuneration arrangements of the Chairman, executive Directors, other senior executives and certain Barclays Group employees to the Remuneration Committee. The Board as a whole, with the non-executive Directors abstaining, considers annually the fees paid to non-executive Directors. Information on the activities of the Remuneration Committee in 2018 can be found in the Remuneration report on pages 53 to 80, which forms part of this Governance section of the Annual Report.

Relations with shareholders

The Board recognises the importance of listening to, and understanding the views of, our shareholders such that this information can be used to inform the Board’s decision-making.

Shareholders

The Board is committed to promoting effective channels of communication with our shareholders and upholding good corporate governance as a means of building stronger and more engaged relationships with them. Our comprehensive Investor Relations engagement with the market helps us to understand investor views about Barclays, which are communicated regularly to the Board. Our shareholder communication guidelines, which underpin all investor engagement, are available on our website at [home.barclays/investorrelations](https://www.barclays.com/investorrelations).

Institutional investors

In 2018, our Investor Relations engagement with institutional investors took place throughout the year, both following our quarterly results as well as outside of the reporting cycle. We increased our level of engagement with shareholders year over year, allowing the opportunity for existing and potential new investors to engage with Barclays regularly, promoting dialogue on longer-term strategic developments as well as on the recent financial performance of the Barclays Group.

The Directors, in conjunction with the senior executive team and Investor Relations, participated in varied forms of engagement, including investor meetings, seminars and conferences across many geographic locations, reflecting the diverse nature of our equity and debt institutional ownership. In 2018, we placed greater emphasis on shareholder engagement with a broader range of divisional management presenting to investors, deepening understanding of Barclays’ investment case, and promoting greater awareness and understanding of our operating businesses.

During 2018, discussions with investors included, but were not limited to: the improved operating performance of the Barclays Group in the first nine months post-structural reform; the continued digitisation of the bank and ongoing investment in technology as well as the value being created by Barclays Execution Services in improving the mix and efficiency of our cost base. We discussed how these actions have, collectively, created the capacity for investment in growth opportunities, helping drive long-term sustainable returns for shareholders. Investors also discussed topics including prudent risk management and steps taken to mitigate the potential impact from the uncertainty surrounding Brexit, as well as ESG factors, our corporate and investment bank strategy, our valuation and capital levels.

Investor meetings focused on corporate governance also took place throughout the year, with the Chairman, Senior Independent Director, other Board representatives and the Company Secretary.

We held conference calls/webcasts for our quarterly results briefings and an in-person presentation for our 2017 full year results in February 2018, all hosted by the Group Chief Executive and Group Finance Director who also maintain a dialogue with investors throughout the year. In addition, the Group Finance Director held a quarterly breakfast briefing for sell-side analysts. For fixed income investors, we held conference calls at our full year and half year results hosted by the Group Finance Director and Group Treasurer. Following each event, a transcript of the discussion was uploaded to our website.

The Investor Relations section of our website is an important communication channel that enables the effective distribution of information to the market in a clear and consistent manner. Executive management presentations, speeches and, where possible, webcast replays are uploaded to our website on a timely basis.

Private shareholders

During 2018, we continued to communicate with our private shareholders through our shareholder mailings. Shareholders can also choose to sign up to Shareview so that they receive information about Barclays PLC and their shareholding directly by email.

On a practical level, over 60,000 shareholders did not cash their Shares Not Taken Up (SNTU) cheque following the Rights Issue in September 2013. In 2018, we continued the tracing process to reunite these shareholders with their SNTU monies and any unclaimed dividends and by the end of the year, we had returned approximately £65,000 to our shareholders, in addition to approximately £200,000 returned in 2017, £1.65m returned in 2016 and £2.2m in 2015.



## Governance: Directors’ report

# How we comply

Each year we launch a Share Dealing Service aimed at shareholders with relatively small shareholdings for whom it might otherwise be uneconomical to deal. One option open to shareholders is to donate their sale proceeds to ShareGift. As a result of this initiative, £46,957 was donated in 2018, taking the total donated since 2015 to over £345,000.

### Our AGM

The Board and the senior executive team continue to consider our AGM as a key date for shareholder engagement. The AGM provides us with our main opportunity to engage with shareholders, particularly our private shareholders, on the key issues facing

the Barclays Group and any questions they may have. A number of Directors, including the Chairman, are available for informal discussion either before or after the meeting.

All resolutions proposed at the 2018 AGM, which were considered on a poll, were passed with votes ‘For’ ranging from 88.48% to 99.94% of the total votes cast.

The 2019 AGM will be held on Thursday 2 May 2019 at 11:00am at the QEII Conference Centre in London. The Notice of AGM can be found in a separate document, which is sent out at least 20 working days before the AGM and also made available at [home.barclays/agm](#). Voting on the resolutions will again be

by poll and the results will be announced via the Regulatory News Service and made available on our website on the same day. We encourage any shareholders who are unable to attend on the day to vote in advance of the meeting via [home.barclays/investorrelations/vote](#) or through Shareview ([shareview.co.uk](#)).

## Governance reporting for 2019

Having reviewed our existing governance arrangements against the requirements of The New Code and The Regulations, and industry best practice, a number of amendments to documentation and certain enhancements to practices have already been implemented. Changes to the *Charter of Expectations*, the Board’s *Schedule of Matters Reserved*, and each Board Committee’s terms of reference have been effected. Enhancements to practices, including but not limited to the below, either have been or will be implemented during 2019 and we will report against The New Code in our next Annual Report.

**Board composition.** As mentioned above, Directors are now obliged to obtain pre-clearance prior to taking on any additional commitments, including but not limited to directorships, and to indicate in the clearance request the likely time commitment involved. This will help to ensure that Directors allocate sufficient time to their role on the Board and discharge their responsibilities effectively.

**Culture.** Our code of conduct, *The Barclays Way*, provides a clear path towards achieving a dynamic and positive culture within the Barclays Group, outlining our common purpose – Creating Opportunities to Rise – and values, which govern our way of working. *The Barclays Way*, and Barclays’ Purpose and Values, will be reviewed by the Board annually. The Board already receives regular reports on the alignment of Barclays’ culture with its purpose, values and strategy, but will also start receiving annual thematic updates as to workforce policies and their alignment with our purpose, values and strategy. To the extent that the Board takes any action with regard to culture during the course of a year, this will be explained in the relevant annual report.

**Stakeholder engagement.** From next year, the annual report will include disclosures as to how the Directors have discharged their duty under section 172 of the Companies Act 2006 and how the interests of customers and clients, colleagues, suppliers and other stakeholders have informed the Board’s decision-making.

The Barclays Group has a long standing commitment to the importance and value of colleague engagement. It is colleagues that drive our success. You can read more about our commitment to colleagues in the People section on page 47. As part of this long standing commitment, senior management developed an extensive engagement matrix. Consequently, there are a number of existing channels for engagement with colleagues and for ensuring that the Board is made aware of views expressed. This engagement matrix with colleagues includes multi-channel communications, townhalls and question and answer sessions, country and site visits, ex officio committee memberships, *Your View* surveys, focus groups, mentoring programmes, talent programmes, Diversity and Inclusion programmes, the Wellbeing programme, and workforce change engagement.

We have an established partnership approach to industrial relations. In the UK, we have a formal Partnership with Unite which has been in place for over 18 years. In Europe, we have a consultation forum (European Works Council) known as the Barclays Group European Forum. Through these partnerships, and at individual country level with local recognised trade unions and works councils, we consult regularly on a wide range of topics.

In 2018, an all colleague *Your View* survey was conducted. The effectiveness of our existing colleague engagement mechanisms was reflected in a 79% sustainable engagement score. The results of the survey were presented to senior management, and used as one of a number of inputs to inform overall colleague engagement and progress with embedding our desired culture.

The Barclays Group has established mechanisms in place to report to the Board. In particular, the Board receives qualitative and quantitative feedback on matters of interest to colleagues through the *Culture Dashboard*, which measures and tracks our progress in embedding the desired culture, talent and succession updates, Diversity and Inclusion updates, periodic engagement updates and

the results of the *Your View* surveys (including the survey conducted in 2018).

In addition to the *Culture Dashboard* and *Your View*, we plan to introduce further qualitative mechanisms – including the establishment of regional focus groups, and obtaining formal feedback on core topics from Unite and the Barclays’ Group European Forum – to enhance the information that is already gathered.

In relation to understanding other stakeholders’ views, the impact of our behaviour and business on customers and clients, colleagues and society is monitored by the Board with support from the Reputation Committee, which tracks key indicators across the areas of culture, citizenship, conduct, and customer and client satisfaction on an ongoing basis. In 2018, we built on conversations started at the AGM to engage in a continual dialogue with NGOs and other interest groups, to improve our understanding of emerging and existing environmental and societal topics. Throughout the year, we regularly engaged with these stakeholders through participation in forums and roundtables and joined industry, sector and topic debates and this will continue in 2019.

**Remuneration.** Following changes to the Remuneration Committee’s terms of reference, the Remuneration Committee now has responsibility for reviewing workforce remuneration and related policies, ensuring the alignment of incentives and rewards with culture, and ensuring that these matters are taken into account when considering and approving the remuneration arrangements of the executive Directors. It is proposed that the Remuneration Committee report to the Board on these matters in order to further support the Board in satisfying its obligation to assess and monitor culture. Next year’s annual report will include an enhanced Director’s remuneration report and a summary of any discretion that has been exercised in the award of Director remuneration.



Governance: Directors' report

Other statutory information

The Directors present their report together with the audited accounts for the year ended 31 December 2018.

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

|                                                                                                                | Page |
|----------------------------------------------------------------------------------------------------------------|------|
| Employee involvement                                                                                           | 47   |
| Policy concerning the employment of disabled persons                                                           | 50   |
| Financial instruments                                                                                          | 233  |
| Hedge accounting policy                                                                                        | 237  |
| Remuneration policy, including details of the remuneration of each Director and Directors' interests in shares | 53   |
| Corporate governance report                                                                                    | 1    |
| Risk review                                                                                                    | 81   |
| Disclosures required pursuant to Listing Rule 9.8.4R can be found on the following pages:                      |      |
|                                                                                                                | Page |
| Long-term incentive schemes                                                                                    | 64   |
| Waiver of Director emoluments                                                                                  | 77   |
| Allotment for cash of equity securities                                                                        | 276  |
| Waiver of dividends                                                                                            | 43   |

**Profit and dividends**

Statutory profit after tax for 2018 was £2,372m (2017: loss £894m). The 2018 full year dividend of 4.0p per share will be paid on 5 April 2019 to shareholders whose names are on the Register of Members at the close of business on 1 March 2019. With the 2018 half year dividend totalling 2.5p per ordinary share, paid in September 2018, the total distribution for 2018 is 6.5p (2017: 3.0p) per ordinary share. The half year and full year dividends for 2018 amounted to £768m (2017: £509m).

The nominee company of certain Barclays' employee benefit trusts holding shares in Barclays in connection with the operation of the Company's share plans has lodged evergreen dividend waivers on shares held by it that have not been allocated to employees. The total amount of dividends waived during the year ended 31 December 2018 was £0.85m (2017: £0.68m).

Barclays understands the importance of the ordinary dividend for our shareholders. Barclays is therefore committed to maintaining an appropriate balance between total cash returns to shareholders, investing in the business, and maintaining a strong capital position. Going forward, Barclays intends to pay an annual ordinary dividend that takes into account these objectives, and the medium-term earnings outlook of the Barclays Group. It is also the Board's intention to supplement the ordinary dividends with additional returns to shareholders as and when appropriate.

The Board notes that in determining any proposed distributions to shareholders, the Board will consider the expectation of servicing more senior securities.

Board of Directors

The names of the current Directors of Barclays PLC, along with their biographical details, are set out on pages 5 and 6 and are incorporated into this report by reference. Changes to Directors during the year are set out below.

| Name              | Role                   | Effective date of appointment / resignation |
|-------------------|------------------------|---------------------------------------------|
| Mike Turner       | Non-executive Director | Appointed 1 January 2018                    |
| Mary Anne Citrino | Non-executive Director | Appointed 25 July 2018                      |

Appointment and retirement of Directors

The appointment and retirement of Directors is governed by the Company's Articles of Association (the Articles), The UK Corporate Governance Code 2016 (The Code), the Companies Act 2006 and related legislation.

The Articles may only be amended by a special resolution of the shareholders. The Board has the power to appoint additional Directors or to fill a casual vacancy amongst the Directors. Any such Director holds office only until the next AGM and may offer himself/herself for re-election. The Code recommends that all directors of FTSE 350 companies should be subject to annual re-election. All Directors will stand for election or re-election at the 2019 AGM, with the exception of Reuben Jeffery III and Dambisa Moyo.

Directors' indemnities

Qualifying third party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force during the course of the financial year ended 31 December 2018 for the benefit of the then Directors and, at the date of this report, are in force for the benefit of the Directors in relation to certain losses and liabilities which they may incur (or have incurred) in connection with their duties, powers or office. In addition, the Company maintains Directors' & Officers' Liability Insurance which gives appropriate cover for legal action brought against its Directors.

Qualifying pension scheme indemnity provisions (as defined by section 235 of the Companies Act 2006) were in force during the course of the financial year ended 31 December 2018 for the benefit of the then Directors, and at the date of this report are in force for the benefit of directors of Barclays Pension Funds Trustees Limited as Trustee of the Barclays Bank UK Retirement Fund. The directors of the Trustee are indemnified against liability incurred in connection with the company's activities as Trustee of the Barclays Bank UK Retirement Fund.

Similarly, qualifying pension scheme indemnities were in force during 2018 for the benefit of directors of Barclays Executive Schemes Trustees Limited as Trustee of Barclays Bank International Limited Zambia Staff Pension Fund (1965), Barclays Capital International Pension Scheme (No.1), and Barclays PLC Funded Unapproved Retirement Benefits Scheme. The directors of the Trustee are indemnified against liability incurred in connection with the company's activities as Trustee of the schemes above.

Governance: Directors' report

Other statutory information

Political donations

The Barclays Group did not give any money for political purposes in the UK, the rest of the EU or outside of the EU, nor did it make any political donations to political parties or other political organisations, or to any independent election candidates, or incur any political expenditure during the year.

In accordance with the US Federal Election Campaign Act, Barclays provides administrative support to a federal Political Action Committee (PAC) in the US funded by the voluntary political contributions of eligible employees. The PAC is not controlled by Barclays and all decisions regarding the amounts and recipients of contributions are directed by a steering committee comprising employees eligible to contribute to the PAC. Contributions to political organisations reported by the PAC during the calendar year 2018 totalled \$140,000 (2017: \$67,250).

Environment

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

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

We have disclosed global greenhouse gas emissions (GHG) that we are responsible for as set out by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. We provide fuller disclosure on (i) financing solutions for the lower carbon economy, (ii) environmental risk management and (iii) management of our carbon and environmental footprint in the Barclays Environmental Social Governance (ESG) Report available on our website at [home.barclays.com/citizenship](https://home.barclays.com/citizenship). We have also provided initial disclosures aligned with the Task Force on Climate-related Financial Disclosures in the Strategic Report and ESG Report.

|                                                                        | Current Reporting Year <sup>a</sup> 2018 | Previous Reporting Year 2017 | Previous reporting Year 2016 | Previous reporting Year 2015 |
|------------------------------------------------------------------------|------------------------------------------|------------------------------|------------------------------|------------------------------|
| Global Green House Gas Emissions <sup>b</sup>                          |                                          |                              |                              |                              |
| Total CO <sub>2</sub> e (tonnes)                                       | 292,151                                  | 344,816                      | 401,340                      | 469,502                      |
| Scope 1 CO <sub>2</sub> e emissions (tonnes) <sup>c</sup>              | 25,553                                   | 24,779                       | 26,814                       | 29,146                       |
| Scope 2 CO <sub>2</sub> e emissions (tonnes) <sup>d</sup>              | 197,365                                  | 249,396                      | 307,190                      | 341,978                      |
| Scope 3 CO <sub>2</sub> e emissions (tonnes) <sup>e</sup>              | 69,233                                   | 70,641                       | 67,337                       | 98,379                       |
| Intensity Ratio                                                        |                                          |                              |                              |                              |
| Total Full Time Employees (FTE)                                        | 83,500                                   | 79,900                       | 76,500                       | 85,800                       |
| Total CO <sub>2</sub> e per FTE (tonnes) <sup>f</sup>                  | 3.50                                     | 4.32                         | 5.25                         | 5.47                         |
| Scope 2 CO <sub>2</sub> e market based emissions (tonnes) <sup>d</sup> | 249,294                                  | 297,128                      | 337,483                      |                              |

- Notes
- a The carbon reporting year for our GHG emissions is 1 October to 30 September. The carbon reporting year is not fully aligned to the financial reporting year covered by the Directors' report.
- b The methodology used to calculate our GHG is the Greenhouse Gas Protocol (GHG). A Corporate Accounting and Reporting Standard Revised Edition, defined by the World Resources Institute/World Business Council for Sustainable Development (ERI/WBCSD). We have adopted the operational control approach on reporting boundaries to define our reporting boundary. Where properties are covered by Barclays' consolidated financial statements but are leased to tenants, these emissions are not included in the Barclays Group GHG calculations. Where Barclays is responsible for the utility costs, these emissions are included. We continuously review and update our performance data based on updated carbon emissions factors, improvements on data quality and updates to estimates previously applied. For 2019 we have applied the latest DEFRA and IEA emission factors where our performance has changed by more than 1% we have restated the balances and baseline. Emissions (tonnes CO<sub>2</sub>e) previously reported for 2015, 2016 and 2017 are 479,934, 402,531 and 347,165 respectively.
- On 1 June 2017, we completed the sale of a 33.7% stake in Barclays Africa Group Limited (BAGL) resulting in a non-controlling position. In 2017, we restated our CHG emissions through the 2015 baseline to account for this and BAGL emissions are not reported from 2015 onwards in order to ensure accurate tracking against our 30% carbon reduction commitment. In addition, we have restated our Scope 3 emissions to remove erroneous air data which was identified as part of 2018 reporting process.
- c Scope 1 covers direct combustion of fuels and company owned vehicles (from UK only, which is the most material contributor). Fugitive emissions reported in Scope 1 cover emissions from UK, Americas, Asia Pacific and Europe.
- d Scope 2 covers emissions from electricity and steam purchased for own use. Market based emissions have been reported for 2018, 2017 and 2016 only.
- e Scope 3 covers indirect emissions from business travel (global flights and ground transport from the UK, USA and India. USA and India ground transport covers onwards car hire only which has been provided directly by the supplier). Ground transportation data (excluding Scope 1 company cars) covers only countries where robust data is available directly from the supplier.
- f Intensity ratio calculations have been calculated using location based emission factors only.

Research and development

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

Share capital

Share capital structure

The Company has ordinary shares in issue. The Company's Articles also allow for the issuance of sterling, US dollar, euro and yen preference shares (together, preference shares). No preference shares have been issued as at 19 February 2019 (the latest practicable date for inclusion in this report). Ordinary shares therefore represent 100% of the total issued share capital as at 31 December 2018 and as at 19 February 2019 (the latest practicable date for inclusion in this report).

Details of the movement in ordinary share capital during the year can be found in Note 29 on page 276.

Voting

Every member who is present in person or represented at any general meeting of the Company, and who is entitled to vote, has one vote on a show of hands. Every proxy present has one vote. The proxy will have one vote for and one vote against a resolution if he/she has been instructed to vote for or against the resolution by different members or in one direction by a member while another member has permitted the proxy discretion as to how to vote.

On a poll, every member who is present or represented and who is entitled to vote has one vote for every share held. In the case of joint holders, only the vote of the senior holder (as determined by order in the share register) or his/her proxy may be counted. If any sum payable remains unpaid in relation to a member's shareholding, that member is not entitled to vote that share or exercise any other right in relation to a meeting of the Company unless the Board otherwise determines.

If any member, or any other person appearing to be interested in any of the Company's ordinary shares, is served with a notice under section 793 of the Companies Act 2006 and does not supply the Company with the information required in the notice, then the Board, in its absolute discretion, may direct that that member shall not be entitled to attend or vote at any meeting of the Company. The Board may further direct that if the shares of the defaulting member represent 0.25% or more of the issued shares of the relevant class, that dividends or other monies payable on those shares shall be retained by the Company until the direction ceases to have effect and that no transfer of those shares shall be registered (other than certain specified 'excepted transfers'). A direction ceases to have effect seven days after the Company has received the information requested, or when the Company is notified that an excepted transfer of all of the relevant shares to a third party has occurred, or as the Board otherwise determines.

Transfers

Ordinary shares may be held in either certificated or uncertificated form. Certificated ordinary shares may be transferred in writing in any usual or other form approved by the Company Secretary and executed by or on behalf of the transferor. Transfers of uncertificated ordinary shares must be made in accordance with the Companies Act 2006 and CREST Regulations.

The Board is not bound to register a transfer of partly-paid ordinary shares or fully-paid shares in exceptional circumstances approved by the FCA. The Board may also decline to register an instrument of transfer of certificated ordinary shares unless it is (i) duly stamped, deposited at the prescribed place and accompanied by the share certificate(s) and such other evidence as reasonably required by the Board to evidence right to transfer, (ii) it is in respect of one class of shares only, and (iii) it is in favour of a single transferee or not more than four joint transferees (except in the case of executors or trustees of a member).

In accordance with the provisions of Section 84 of the Small Business, Enterprise and Employment Act 2015, preference shares may only be issued in registered form. Preference shares shall be transferred in writing in any usual or other form approved by the Company Secretary and executed by or on behalf of the transferor. The Company's registrar shall register such transfers of preference shares by making the appropriate entries in the register of preference shares. Each preference share shall confer, in the event of a winding up or any return of capital by reduction of capital (other than, unless otherwise provided by their terms of issue, a redemption or purchase by the Company of any of its issued shares, or a reduction of share capital), the right to receive out of the surplus assets of the Company available for distribution amongst the members and in priority to the holders of the ordinary shares and any other shares in the Company ranking junior to the relevant series of preference shares and pari passu with any other class of preference shares (other than any class of shares then in issue ranking in priority to the relevant series of preference shares), repayment of the amount paid up or treated as paid up in respect of the nominal value of the preference share together with any premium which was paid or treated as paid when the preference share was issued in addition to an amount equal to accrued and unpaid dividends.

Variation of rights

The rights attached to any class of shares may be varied either with the consent in writing of the holders of at least 75% in nominal value of the issued shares of that class, or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. The rights of shares shall not (unless expressly provided by the rights attached to such shares) be deemed varied by the creation of further shares ranking equally with them or subsequent to them.

Limitations on foreign shareholders

There are no restrictions imposed by the Articles of Association or (subject to the effect of any economic sanctions that may be in force from time to time) by current UK laws which relate only to non-residents of the UK and which limit the rights of such nonresidents to hold or (when entitled to do so) vote the ordinary shares.

Exercisability of rights under an employee share scheme

Employee Benefit Trusts (EBTs) operate in connection with certain of the Barclays Group's Employee Share Plans (Plans). The trustees of the EBTs may exercise all rights attached to the shares in accordance with their fiduciary duties other than as specifically restricted in the relevant Plan governing documents. The trustees of the EBTs have informed the Company that their normal policy is to abstain from voting in respect of the Barclays shares held in trust. The trustees of the Global Sharepurchase EBT and UK Sharepurchase EBTs may vote in respect of Barclays shares held in the EBTs, but only as instructed by participants in those Plans in respect of their partnership shares and (when vested) matching and dividend shares. The trustees will not otherwise vote in respect of shares held in the Sharepurchase EBTs.

Special rights

There are no persons holding securities that carry special rights with regard to the control of the Company.

Major shareholders

Major shareholders do not have different voting rights from those of other shareholders. Information provided to the Company by substantial shareholders pursuant to the FCA's Disclosure Guidance and Transparency Rules are published via a Regulatory Information Service and is available on the Company's website. As at 31 December 2018, the Company had been notified under Rule 5 of the Disclosure Guidance and Transparency Rules of the holdings of voting rights in its shares set out below.

| Person interested                            | Number of Barclays shares | % of total voting rights attaching to issued share capital <sup>a</sup> | Nature of holding (direct or indirect) |
|----------------------------------------------|---------------------------|-------------------------------------------------------------------------|----------------------------------------|
| The Capital Group Companies Inc <sup>b</sup> | 1,172,090,125             | 6.84                                                                    | indirect                               |
| Qatar Holding LLC <sup>c</sup>               | 1,017,455,690             | 5.40                                                                    | direct                                 |
| BlackRock, Inc <sup>d</sup>                  | 1,018,388,143             | 5.94                                                                    | indirect                               |
| Sherborne Investors <sup>e</sup>             | 923,787,634               | 5.39                                                                    | indirect                               |
| Norges Bank                                  | 514,068,594               | 3.00                                                                    | direct                                 |

Notes

a The percentage of voting rights detailed above was calculated at the time of the relevant disclosures made in accordance with Rule 5 of the Disclosure Guidance and Transparency Rules.

b The Capital Group Companies Inc (CG) holds its shares via CG Management companies and funds. Part of the CG holding is held as American Depositary Receipts. On 14 February 2019, CG disclosed by way of a Schedule 13G filed with the SEC, beneficial ownership of 277,002,140 ordinary shares of the Company as of 31 December 2018, representing 1.6% of that class of shares.

c Qatar Holding LLC (QH) is wholly-owned by Qatar Investment Authority.

d Total shown includes 8,879,783 contracts for difference to which voting rights are attached. Part of the holding is held as American Depositary Receipts. On 4 February 2019, BlackRock, Inc. disclosed by way of a Schedule 13G filed with the SEC beneficial ownership of 1,119,810,169 ordinary shares of the Company as of 31 December 2018, representing 6.5% of that class of shares.

e We understand from disclosures that the Sherborne Shares are held via three funds ultimately controlled by Edward Bramson and Stephen Welker in their capacity as managing directors of Sherborne Investors Management GP, LLC (Sherborne Management GP) and Sherborne Investors GP, LLC. Sherborne Management GP is the general partner of Sherborne Investors Management LP (Sherborne Investors) which is the investment manager to two of the funds, Whistle Investors LLC and Whistle Investors II LLC. Sherborne Investors Management (Guernsey) LLC, the investment manager to the third fund, SIGC, LP, is wholly owned by Sherborne Investors. On 8 February 2019, Sherborne Investors disclosed by way of a Schedule 13D filed with the SEC beneficial ownership of 943,949,089 ordinary shares of the Company as of 29 January 2019, representing approximately 5.5% of that class of shares. Such Schedule 13D also disclosed Edward Bramson and Stephen Welker as the ultimate deemed beneficial owners of the Sherborne Shares and that 505,086,254 of such shares were purchased through funded derivative transactions.

Between 31 December 2018 and 19 February 2019 (the latest practicable date for inclusion in this report), the Company was notified that Norges Bank now holds 509,562,903 Barclays shares, representing 2.97% of the total voting rights attached to the issued share capital and that Sherborne now holds 943,949,089 Barclays shares, representing approximately 5.5% of the total voting rights attached to the issued share capital.



Governance: Directors' report

Other statutory information

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

The powers of the Directors are determined by the Companies Act 2006 and the Company's Articles. The Directors are authorised to issue and allot shares and to buy back shares subject to annual shareholder approval at the AGM. Such authorities were granted by shareholders at the 2018 AGM. It will be proposed at the 2019 AGM that the Directors be granted new authorities to allot and buy back shares.

Repurchase of shares

The Company did not repurchase any of its ordinary shares during 2018 (2017: none). As at 19 February 2019 (the latest practicable date for inclusion in this report) the Company had an unexpired authority to repurchase ordinary shares up to a maximum of 1,706m ordinary shares.

Distributable Reserves

As at 31 December 2018, the distributable reserves of Barclays PLC (the parent company) were £5,282m.

Following announcement of its intention to carry out a capital reorganisation to convert the share premium account of Barclays PLC into distributable reserves and subsequent shareholder approval at the Annual General Meeting on 1 May 2018, this was undertaken by way of a court-approved capital reduction. On 11 September 2018, the capital reduction became effective following confirmation of the High Court of Justice in England and Wales that the share premium account had been cancelled, with the balance of £17,873m being credited to retained earnings.

On filing of the 2018 Annual Report, the distributable reserves of Barclays PLC would be £24,471m taking into consideration the cancellation of share premium account and other movements in reserves for the year.

Change of control

There are no significant agreements to which the Company is a party that are affected by a change of control of the Company following a takeover bid. There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

Going concern

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

The Directors considered it appropriate to prepare the financial statements on a going concern basis.

In preparing each of the Barclays Group and parent company financial statements, the Directors are required to:

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

Disclosure of Information to the Auditor

Each Director confirms that, so far as he/she is aware, there is no relevant audit information of which the Company's auditors are unaware and that each of the Directors has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information. This confirmation is given pursuant to section 418 of the Companies Act 2006 and should be interpreted in accordance with and subject to those provisions.

Directors' responsibilities

The following statement, which should be read in conjunction with the report of the independent registered public accounting firm set out on page 203 to 204, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the auditors in relation to the accounts.

The Directors are required by the Companies Act 2006 to prepare Group and Company accounts for each financial year and, with regards to Group accounts, in accordance with Article 4 of the IAS Regulation. The Directors have prepared Group and Company accounts in accordance with IFRS as adopted by the EU. Under the Companies Act 2006, the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Barclays Group and the Company and of their profit or loss for that period.

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

Having taken all the matters considered by the Board and brought to the attention of the Board during the year into account, the Directors are satisfied that the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Barclays Group and Company's position and performance, business model and strategy.

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

Directors' responsibility statement

The Directors have responsibility for ensuring that the Company and the Barclays Group keep accounting records which disclose with reasonable accuracy the financial position of the Company and the Barclays Group and which enable them to ensure that the accounts comply with the Companies Act 2006.

The Directors are also responsible for preparing a Strategic report, Directors' report, Directors' remuneration report and Corporate governance statement in accordance with applicable law and regulations.

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

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

The Directors, whose names and functions are set out on pages 5 and 6, confirm to the best of their knowledge that:

- (a) the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- (b) includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Stephen Shapiro  
Company Secretary  
20 February 2019

Registered in England.  
Company No. 48839



Governance: Directors’ report

People

As highlighted in ‘Our People and Culture’ on page 11, we continue to make progress towards increasing the diversity of our workforce underpinned by an inclusive culture and engaged employees. This section provides an overview of some of the programmes, initiatives and ways in which we are supporting our colleagues, which in turn enables us to support our customers, clients and the community.

Career opportunities

We aspire to be the most accessible, inclusive and sought after employer. Attracting new talent into the organisation remains key to our success, demonstrated through the continued growth of newer strategic locations and world class campuses (Glasgow, Whippany, North West UK and Pune). Our Early Careers programmes recruited 1,100 interns, 800 graduates, and over 530 apprenticeships in 2018. These varied entry points help provide pathways for progression supported by recognised qualifications and, in doing so, help to create an internal talent pipeline.

The Encore! programme has run globally in selected locations and has been a lever to encourage talented women returners to Barclays. All Encore! fellows are provided with support sessions to assist with their re-acclimation back into the workforce and Barclays intends to broaden the programme to continue to enhance our diversity, inclusion and location strategies with more sites offering the programme.

The Barclays Global Alumni Programme helps colleagues to stay connected to Barclays and to other Alumni. Membership has grown to over 7,000 since the programme launched in 2014 and we have a thriving, networked global community with members receiving monthly e-newsletters, invitations to events, updates about career opportunities and access to Barclays Insights as part of their membership.

Our “Able to Enable” programme provides a platform for candidates with disabilities, allowing us to provide more tailored support for them to enter the workforce through our Apprentice channels. Multigenerational opportunities have also been opened through our Bolder Apprentice Programme. More broadly, we have policies and practices in place to ensure that all recruitment decisions are fair and candidate shortlists are diverse.

Once on board, we have created multiple tools and resources for colleagues all at levels to find internal career opportunities and for managers to find and assess suitable internal candidates. In 2018 37% of our roles were filled by internal candidates.

Learning, development and talent management

Advancements have been made in our approach to learning throughout 2018, with a focus on systems and processes as well as content. This included launching new digital channels and working in conjunction with industry leading partners to keep improving and updating our skills based learning solutions.

We remain focussed on identifying talent based on objective assessment. We develop our successors and ensure that we have a strong pipeline of internal talent with the potential to step into critical roles in the future. Ex-officio positions on the Group Executive Committee and across the business unit and functional Executive Committees provided further development and exposure for senior leaders and allowed the leadership teams to work closely with talented colleagues who have brought new ideas and diverse perspectives to the table.

Four Enterprise Leaders Summits across London and New York provided 135 senior leaders from Barclays International, Barclays UK and Barclays Execution Services with an opportunity to further broaden their understanding of our business beyond their business area and function and to develop an enterprise mind-set.

This year we also hosted a Women Managing Directors Forum for c.130 senior female leaders from across the Bank who convened in London in October 2018 to create an engaged and mutually supportive global community of senior female leaders at Barclays and to inspire further actions to accelerate gender diversity.

Industrial relations and workforce

Barclays places great importance on our constructive approach to global employee and industrial relations. During 2018 we continued to work with Unite, our recognised trade union in the UK and with 9 other unions and staff associations directly or through works councils internationally. In the UK, we consulted extensively with Unite on a wide range of restructuring proposals and in respect of changes to compensation structures. Our shared aim where there is restructuring – consistent with our partnership approach to industrial relations – is to minimise compulsory job losses wherever possible. This is achieved through voluntary redundancy and extensive redeployment processes and arrangements.

In Europe we held regular consultations with our European Works Council (the Barclays Group European Forum) on a wide range of topics including transnational restructuring proposals, in addition to local consultation with in-country works councils. All colleagues who are displaced as a result of restructuring are offered career transition support. In 2018 c.900 colleagues were supported globally (a take up rate of over 80% of those impacted by restructuring), with over 95% satisfied with the career transition support provided.

Performance management

Effective Performance management underpins our values-based culture. To support our success, colleagues align their objectives to business and team goals, this is ‘what’ they will deliver. Behavioural expectations are set in the context of our values, this is ‘how’ they will achieve their objectives. We encourage connected performance conversations throughout the year and we continue to run our global recognition programme to recognise the achievements of those who have demonstrated our values in the workplace.

Colleagues are also encouraged to be involved with the Company’s performance by participating in our all-employee share plans, which have been running successfully for over 10 years.

Employee communications

Barclays regularly updates employees on the financial and economic factors affecting the company’s performance and the delivery of the strategy through Barclays Group CEO and senior leader communications, line manager briefing packs, infographics, videos, interviews and talking points distributed to employees every quarter in accordance with our financial reporting calendar.

We also hold a variety of events for employees so they can hear directly from the Group Executive Committee and employees are kept regularly informed about what is happening in their area and across Barclays through regular local engagement initiatives and communications that allow for discussion and build awareness and understanding. Campaigns and colleague stories throughout the year bring to life how we are living Barclays’ Purpose, ‘Creating opportunities to rise’ and Values: Respect, Integrity, Service, Excellence and Stewardship on a daily basis, providing ongoing evidence of how we are supporting our colleagues, customers and clients and the communities and societies in which we work.

# Governance: Directors’ report

## People

### Be Well – Barclays wellbeing programme

Barclays global wellbeing programme “Be Well” has focused on two key areas in 2018; a refreshed commitment to make Barclays a “mental health confident” organisation, further development of our supportive culture and the implementation of new global digital infrastructure as the gateway to the programme.

The mental health confident agenda has worked to address both the stigma that can prevent open conversations about mental health – building on Barclays “This is Me” programme – while developing colleagues’ capability to understand, identify and take appropriate action where others need help. The global launch campaign involved a film of senior leaders and Board members sharing their personal reflections on mental health issues and the important role that support from colleagues can play in helping others. The call to action to colleagues was to become mental health confident themselves by completing new online development programmes on “mental health awareness” and “mental health confident”. By year end over 16,000 colleagues had completed “awareness” and c.3,500 had completed the “confident” module.

85% of colleagues already feel that their line manager takes a sincere interest in their wellbeing according to the 2018 Your View survey. To help translate this consistently into practical action, a new guide “Leading our supportive culture” was launched in November for managers, addressing key scenarios and the range of supportive actions that they can take.

The launch in November of a new global Be Well portal and online health check has provided access to all Barclays wellbeing content and support in one place. The portal incorporates an interactive health check tool which targets content in the portal according to colleagues’ identified health risks.

### Diversity and inclusion

We aim to ensure that Barclays is a workplace where everyone is valued as an individual and feels welcomed, respected, supported and able to be their authentic selves. Working in an inclusive environment provides employees with the opportunity to rise. Our global Diversity & Inclusion (D&I) strategy establishes objectives, initiatives and plans across five core agendas: disability, gender, LGBT+, multicultural, and multigenerational.

We are proud of the recognition we have received this year for our diversity and inclusion efforts, including:

- The Times Top 50 Employers for Women 2018
- Stonewall Top Global Employer for LGBT+ employees, 2018
- Working Families UK Best for Embedded flexibility for Dynamic Working, 2018
- UK Top 10 employer for Working Families, 2018
- Department of Work and Pensions Disability Confident Leader, 2017 to 2020
- Business in the Community Best Employer for Race 2018

This year 91% of colleagues reported through our Your View engagement survey that they feel able to bring their whole selves to work reflecting our progress in our diversity and inclusion agenda.

To help ensure all employees at Barclays have the support and environment to succeed, we have seven employee diversity networks.

These networks provide a forum for employees to raise awareness of various challenges and initiatives, engage in development opportunities and to build relationships with colleagues across Barclays and with external constituents in the communities where we operate. Every network is open to all employees who wish to support the firm in accomplishing its diversity goals and creating an inclusive culture.

### Gender

Barclays remains focussed on improving gender diversity through a workplace environment and culture that supports and empowers women. We also have a keen focus on the gender diversity of our senior leadership and have established ambitions on gender diversity from our Board of Directors to our graduate population, partnering with the Hampton Alexander Review and HM Treasury Finance Charter to encourage progress across the Financial Services industry. Our commitment to improving the gender diversity of the leadership at Barclays is being supported by an integrated talent management lead approach which includes data monitoring, sponsorship and development programs and our Win gender network, all intended to enhance our ability to achieve our ambitions.

Internally we are committed to:

Leadership accountability including gender diversity targets and the introduction of a gender task force

Focusing on a more inclusive work environment to ensure all colleagues have the flexibility to achieve personal and professional goals

Ensuring we are developing leaders who are equipped to meet the demands of a more diverse workforce

2020 Gender diversity commitments

- Board of Directors 33%
- Leadership 33% (Group ExCo and their direct reports)

Cultural change

- Dynamic Working
- Progressive parental policies
- Barclays’ Win Gender Network

Talent management

- Leadership succession planning
- *Ex-officio* leadership roles
- Internal mobility

Leadership development

- Unconscious bias training
- Global Women in Leadership Conference
- Enterprise Leaders summits

Externally we are committed to:

Engaging men globally in gender equality in partnership with the United Nations

Providing enhanced employment opportunities and attracting diverse candidates

Community impact

UN HeForShe

- Global Impact Champion

Barclays role models

- External engagement of Barclays’ senior women across Financial Services, IT and STEM

Creating new career opportunities

- Encore! Returnship Programme
- Expanded Apprenticeship Programme
- 50% female graduate hires

Strategic partnerships

- Women’s Business Council
- 30% Club

At the end of 2018 the female representation across our Board of Directors was 27%; female representation among the Group Executive Committee and their direct reports was 28% and the percentage of female Managing Directors and Directors stood at 24%. We first made a commitment in our 2013 Annual Report that we would aim to increase the percentage of women at Managing Director and Director levels from 21% to 26% by 2018.

That was a stretching goal, which acted as a catalyst for significantly increased focus on gender diversity at Barclays, including important changes like dynamic working. But the reality is, disappointingly, that we missed the target despite our best efforts. One of the principle reasons for us missing this target was due to the divestment of the Africa business which reduced our YoY progress by 2 percentage points.

We do still believe, however, that targets are an effective way to drive and track our progress. They give us an unambiguous measure of our success, and they make us focus on what makes the biggest difference most quickly. So we are setting ourselves a target of 28% female Managing Directors and Directors by the end of 2021.

The Performance Measurement Framework, which is tied to senior management's compensation, ensures that we are managing Barclays in the interests of all our stakeholders – including employees. The 28% target will be included as part of that framework and we will hold each other accountable for it through monthly business reviews at the Group Executive Committee. Each of the Group Executive Committee members will also have their own actions, specific to the context in which their business operates.

To better align how we report on the gender diversity of our senior leadership population, and to more closely align to the definition of 'senior managers' within the Companies Act, the scope of the 'senior manager' population within this disclosure has been revised this year to reflect the Group Executive Committee and their direct reports. This represents a narrower scope than in previous years, however in reporting on the Group Executive Committee and their direct reports, this disclosure is now fully aligned to Barclays Hampton Alexander commitments.

Of our global workforce of 86,800 (47,900 male, 38,900 female), 81 were senior managers (58 male, 23 female). The global workforce of 86,800 represents the total number of employees on a headcount basis, which is a wider scope than the disclosures provided above which are representative of full time equivalent (FTE).

Barclays gender pay gap results 2018 (UK only)

The Gender Pay Gap reflects the difference between average male pay and average female pay in an organisation, which is largely the result of differences in seniority between male and female employees.

It compares all employees and does not take into account differences in the role performed, individual expertise and experience, or other factors which legitimately impact the way in which different employees are paid.

Paying our employees fairly and equitably relative to their role, skills, experience and performance is central to our global reward philosophy. We review our global reward structures on an ongoing basis to ensure that there is no unfair gender or other bias in how colleagues are paid.

We are confident that men and women across our organisation are paid equally for doing the same job, unless there are clear business reasons for different levels of pay such as level of experience, specific skills and performance.

We have evolved our approach to reporting for 2018 to also include the overall pay gap for our UK employees combined, as opposed to publishing only by legal employing entity. This greater transparency enables us to more easily compare ourselves with other organisations, and track progress across Barclays as a whole. We have still published entity-specific figures to enable a full, detailed comparison with previous years.

UK-wide gender pay gap results 2018

The Ordinary Pay Gap represents the difference in the average regular pay for male and female employees. The bonus pay gap represents the difference in the average bonus pay for male and female employees. Also reported is the proportion of males and the proportion of females receiving a bonus, and the proportion of males and females in each pay quartile. Pay quartiles are prepared by ordering the population by ordinary pay from lowest to highest, and then dividing it into four equal sub-populations (upper quartile, upper middle quartile, lower middle quartile and lower quartile) to show how the distribution of males and females varies according to each quartile.

We are also additionally publishing the Gender Pay Gap for Barclays PLC, our group holding company with approximately 90 employees. While this falls below the mandatory reporting threshold of 250 employees, we believe it is important to include this to give the most accurate picture of our overall position.

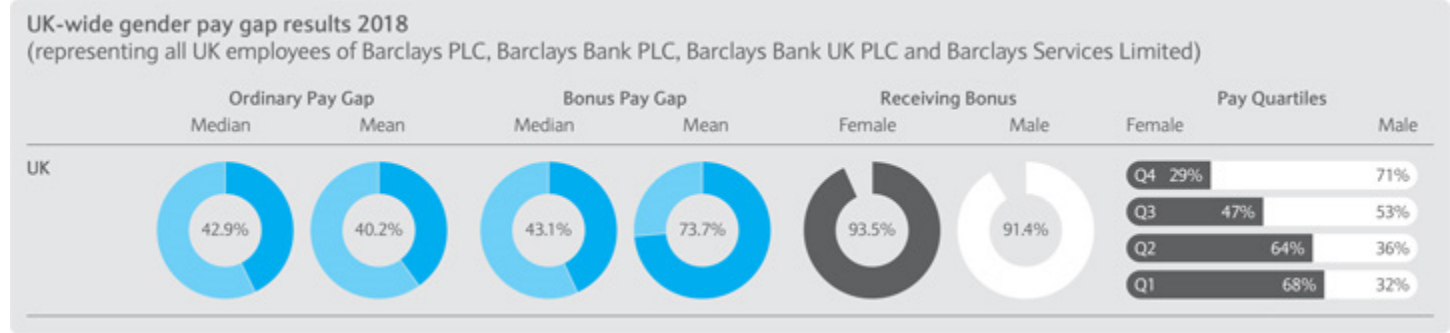
Legal entity gender pay gap results 2018

Whilst we observe small positive changes, overall our Gender Pay Gap results are similar to those for 2017. The average man at Barclays is still more senior than the average woman.

The proportion of men and women at each of our corporate grades in 2018 is broadly the same as for 2017. Our Gender Pay Gap results will only change significantly when we see significant changes in the shape of our employee population. This will take time.

There are many drivers for the proportion of men and women at each corporate grade. For example, in our retail bank we have historically, like others in the industry, attracted many women to more junior roles in branches that are both local and flexible, allowing our employees to balance their work with other commitments. In our corporate and investment bank, where there are a greater number of more senior roles, we have historically attracted more men and we have struggled to find and attract female applicants.

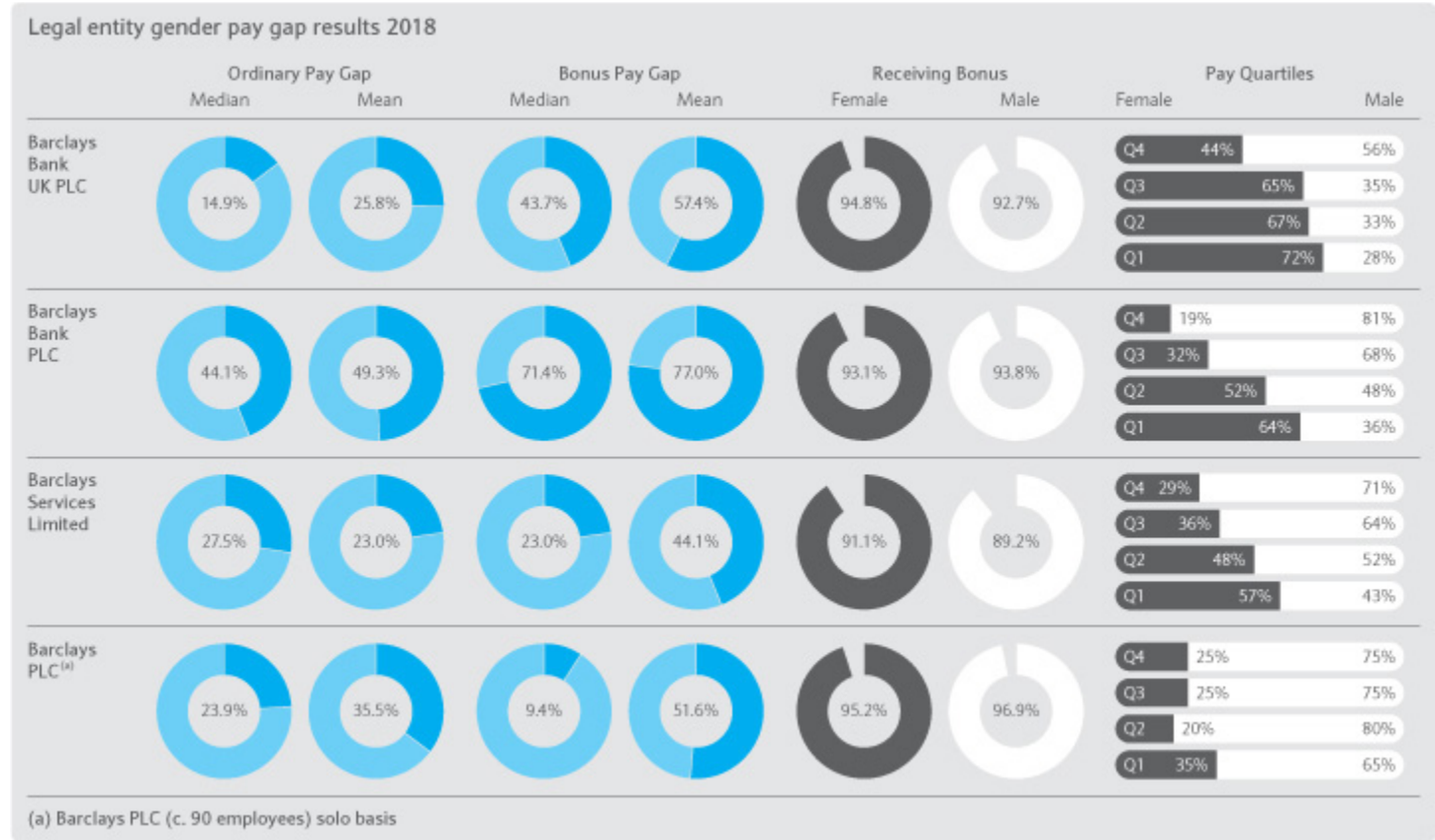
We have developed many initiatives over a number of years, and although the changes in population are very small year on year, looking back over a longer period shows a positive trend in terms of increasing female seniority in our UK population.





Governance: Directors' report

People



In our UK population, there has been a 6.5% increase in the proportion of senior colleagues within the female population since 2014. In contrast there has been a 9.9% decrease in the proportion of senior colleagues within the male population since 2014.

This shows that while we still have more senior male employees than senior female employees, over the last four years, the rate of change is positive in terms of moving towards more even representation. There has also been a 15.0% increase in the proportion of mid-level colleagues within the female population, compared to a 4.9% increase in the proportion of mid-level colleagues within the male population.

We are pleased to see that our initiatives on gender equality are beginning to work, but disappointed that change has been so slow. It will take some time to redress the historic imbalance we observe at Barclays and in financial services. We need to focus on how to increase the rate of change. To do all that we can to achieve this, in announcing our 2021 women in senior leadership target set out above, the Group CEO has become the accountable Group Executive Committee member for gender with support from the Group Executive Committee.

LGBT+ and Spectrum

Barclays has been helping UK society move forward for 328 years – and supporting the LGBT+ community is one of the ways we do that. Barclays led the parade at the biggest ever Pride event in London as the headline sponsor for the fifth year, with our message

‘Love goes the distance’. The theme celebrated how far society and attitudes have moved forward, yet keeps the focus on the unfinished journey – that there’s more to overcome to achieve full inclusion. Our message reached over half a million people across multiple communications channels and across the UK over 2,000 Barclays colleagues participated in 21 regional Pride events across the UK.

An inclusive culture that enables colleagues to bring their whole selves to work is built on having leadership participation and visible role models. Now in its fourth year, our Spectrum Allies campaign hosted a successful recognition of International Day Against Homophobia, Transphobia and Biphobia (IDAHOBT) globally with leaders pledging to challenge homophobia, biphobia and transphobia in the workplace and provide support to LGBT+ colleagues. Independent recognition reflects the progress we are making and the impact of our strategy. For the sixth consecutive year, Stonewall has recognised Barclays as one of only 12 Top Global Employers.

To further support our LGBT+ agenda, we have instituted a new gender neutral title option of Mx, available for a number of countries. Mx can now be used by anyone who does not want their title to denote their gender, regardless of how they identify their gender. Additionally, we are making our buildings more inclusive as we have established gender neutral toilet facilities in London, India, and Whippyany, and will continue this trend as part of our location strategy.

Finally, we have expanded our health care schemes to meet the needs of our colleagues who identify as transgender. In the UK we have expanded transgender specific healthcare benefits into our private healthcare scheme.

Disability and mental health

Supporting colleagues with disabilities and mental health conditions to achieve their goals is a key priority. As part of our role as a Disability Confident Leader under the UK Government’s Department of Work and Pensions Disability Confident scheme, Barclays has taken an active role in encouraging more businesses to join the scheme, which now exceeds 7,000. To mark International Day of Persons with Disabilities we launched a paper “Building disability and mental health confidence” which documents our journey to becoming a more accessible and inclusive business.

Our policies for hiring and selection, and in the broad management of our teams, require all employees at Barclays to give full and fair consideration of disabled persons on the basis of their skills and aptitudes. As part of the Disability Confident scheme we actively encourage applications from those with a disability or health condition, and we continually develop different recruitment models to remove the barriers to work for people of all abilities. Our Able to Enable internship is just one example. We encourage everyone who is either working with Barclays, or considering doing so, to open up and share information that will help us to provide the



Governance: Directors’ report

support and adjustments, including appropriate training, that they need to be able to feel valued and fulfilled at work. Barclays’ policies are designed to provide training, career development and promotion opportunities for all, including employees with a disability or health condition.

Reach, the disability and mental health network

Reach, our disability and mental health colleague network, supports colleagues with disabilities, and physical and mental health conditions, to develop and grow their careers within Barclays. It has engaged colleagues through a range of campaigns during 2018 including World Autism Week, Deaf Awareness Week and World Sight Day. They have grown the number of colleague-led mental health peer support groups both within the UK and in the US. In July, they launched a new global interactive version of the Workplace Adjustment Passport to create an even simpler way for colleagues to record their adjustments and make for easier conversations as they move through their careers at Barclays. Through the ‘Your View’ survey 6% of respondents disclosed a disability or mental health condition and the number colleagues registering as allies through our Reach Purple Champions initiative doubled during 2018 with over 1,600 colleagues registering.

Multigenerational

Our Multigenerational agenda aims to enable Barclays to be an employer of choice across generations and life stages by providing tools and programmes that enable our colleagues to balance their work lives with their personal commitments, while providing them with career development opportunities at each life stage.

We are proud to have joined the Equality and Human Rights Commission’s ‘Working Forward’ campaign which aims to make workplaces the best they can be for pregnant women and new parents.

Both the 2017 and 2018 multigenerational figures have been reported on the basis of revised definitions of the multigenerational groupings, in order to better align our reporting to both internal and external categorisations of generations within the workplace.

Dynamic Working – helping shape the agile culture for a technology led workplace

We are committed to creating an inclusive environment and supporting our colleagues in managing their work and non-work priorities through our pioneering campaign Dynamic Working. This flagship campaign of the Multigenerational agenda helps colleagues to integrate their professional and personal lives, whether they are millennials, ‘midlifers’, dads, mums, colleagues with disabilities or carers.



In 2018, 63% of respondents reported as working dynamically (through Your View, our colleague engagement survey). Leading the efforts are 2,100 colleagues who have signed up as Dynamic Working champions. Champions support in organising local activities including Dynamic Working clinics where managers have an opportunity to learn more about how to ensure Dynamic Working can work for them and for their teams.

Since the launch of the campaign in 2015, more than 4,500 leaders have attended a Dynamic Working clinic. In 2018, we held 55 clinics with more than 550 enrolments across the clinics.

During International Women’s Day 2018 we published a white paper on Dynamic Working where we shared what we have learnt over three years of our campaign execution. The paper is aimed at helping other organisations who are looking to embark on a similar journey of cultural transformation. The campaign was recognised externally at the UK Working Families Best Practice Awards 2018 where Barclays won the award for the Best for Embedded Flexibility.

Bridge: a new multigenerational network

In 2018, we launched ‘Bridge’ – a multigenerational employee diversity network. The network offers two forums – the already successful ‘Emerge’ for colleagues who are early in their career either with Barclays or in financial services, and the ‘Midlife’ forum for our more experienced colleagues. Both forums offer development and collaboration opportunities to their members.

Working Families network – our award winning network for parents and carers

Our Working Families Network offers a supportive network for Barclays colleagues who are parents, parents-to-be or carers, and to help with the challenges of balancing family, life and work. The network which has more than 4,600 members runs regular speaker events, webinars and seminars for colleagues, as well as provide useful information on working family-related topics.

The network also gets involved in helping shape inclusive family friendly policies. In Asia Pacific, the representatives from the Working Families Network collaborated with the Win network, Spectrum, the LGBT+ networks and HeForShe supporters towards an enhancement of erstwhile paternity leave. To reflect our inclusive approach, the leave has evolved to a gender-neutral non-primary caregiver leave entitlement. It has been tripled to six weeks paid leave for colleagues in all Barclays entities in China, Hong Kong, Japan and Singapore and India.

The network was recognised as best family network in the Working Families’ Best Practice Awards 2018 (UK) winning the Cityparents Best Family Network this year. In the US, we’ve been recognised by Working Mother Media in their Diversity Best Practices Inclusion Index as a top employer and as one of the Best Companies for Women in India. Barclays was also named as a Top 10 employers for Working Families by the UK’s work-life balance charity Working Families. The placings are based on the highly competitive Working Families’ benchmarking survey, which examines all aspects of workplace agility/ flexibility and how employers support the work-life balance of all their staff.

Multicultural

During 2018, we celebrated The Embracing Us campaign for the second year challenging global stereotypes and mind-sets in relation to nationality, faith, ethnicity, race and language. The campaign saw positive colleague participation during World Culture Day celebrations in May. Colleagues were engaged through multiple communications channels, events, leadership forums and the launch of the Barclays Culture Wizard, an online learning platform designed to enhance your global mind-set through courses, videos, articles, quizzes, self-assessments and more. A number of Barclays colleagues were also featured on the EMapower 2018 Ethnic Minorities Leaders List published in the Financial Times.

Governance: Directors’ report

People



We are proud to be a signatory for the new Race at Work Charter announced by the UK Prime Minister in October 2018. The Charter, developed jointly by the Government and Business in the Community (BITC), sets out a number of principles and actions that businesses are asked to publicly commit to, helping to tackle ‘ethnic disparities in the workplace’. This Charter builds on the work of the 2017 McGregor-Smith review, ‘Race in the workplace’. By being one of the first organisations to sign up to the charter, we are demonstrating our commitment to taking practical steps to ensure our workplace is tackling barriers that ethnic minorities may face.

The chart above shows the percentage of underrepresented populations that make up our global and regional populations. Underrepresented populations include Asian, Mixed, Black, Hispanic/Latino, Native Hawaiian or Other Pacific Islander and Native American colleagues. To improve the accuracy of reporting on underrepresented populations, colleagues with an undisclosed ethnicity (22% of our global population) have been excluded from all calculations, both for 2018 and retrospectively for 2017.

Barclays workforce strategy has driven the year-on-year increase in our permanent headcount, primarily within the Technology function, where there has been a continued focus on both reducing third party staff and bringing intellectual property in house through permanent employment. In addition, in some parts of the firm we have placed additional focus on hiring specific skill sets externally across our strategic hubs, in line with our location strategy.

Permanent employees by region

|                                    | 2018   | 2017   | 2016    |
|------------------------------------|--------|--------|---------|
| United Kingdom                     | 49,900 | 48,700 | 46,400  |
| Continental Europe and Middle East | 3,200  | 3,600  | 4,700   |
| Americas                           | 10,600 | 10,400 | 9,700   |
| Asia Pacific                       | 19,800 | 17,200 | 15,700  |
| Africa                             | –      | –      | 42,800  |
| Total                              | 83,500 | 79,900 | 119,300 |

Cultural change

Over the last three years we have focused on developing and embedding a Culture measurement framework, and in 2018 with the launch of our new Purpose, have continued to evolve the framework so that it generates useful insights for senior management to take action on to drive cultural change.

This year, the Culture Dashboard has remained anchored in our Values; with consistency in metrics maintained as far as is practical whilst also addressing business feedback regarding the flexibility to include business specific metrics. Reporting continues to the Board Reputation Committee, Group Executive Committee and Business Unit and Functional Executive Committees stimulating discussion and debate.

Colleague engagement is a useful data point contained in the Culture Dashboard and one measure of how we are embedding the desired culture. This year, we have seen the engagement of colleagues improve by 4% points since 2016 to 79% in 2018, underscoring the continued efforts to make Barclays a great place to work. Other key highlights which also demonstrate the continued embedding of the Values of Respect and Stewardship include “Barclays is focused on achieving good customer and client outcomes” (92% favourable, up 9% points on 2016); “I can be myself at work” (91% favourable) and “I would recommend Barclays as a good place to work” (83% favourable, up 7% points on 2016).

Examples of group wide actions that are key to unlocking colleague engagement and embedding the desired culture include the continued focus on our Dynamic Working campaign. An area of continued opportunity is embedding the value of Excellence, by enabling our colleagues through enhanced technology and collaboration tools. The ongoing investment in our technology is having an impact with colleague responses to the question “My business has been successful in eliminating obstacles to efficiency” (59% favourable, up 23% points on 2016) which is a sign that progress is being made, albeit there is still more to do.

*Note: The Your View comparisons are shown as 2018 v 2016 because in 2016 was the last all employee survey. During 2017 we ran quarterly surveys surveying 25% of our population each quarter.*

Governance: Remuneration report

# Annual statement from the Chairman of the Board Remuneration Committee



Our focus is on aligning pay with performance, while ensuring we continue to attract and retain the employees critical to delivering our strategy. Our Fair Pay Agenda is a key lens the Committee applies when considering the appropriateness of pay outcomes

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## Remuneration Committee members

- Chairman  
Crawford Gillies
- Members  
Tim Breedon  
Mary Francis  
Dambisa Moyo

### Dear Fellow Shareholders

As Chairman of the Board Remuneration Committee, I am pleased to introduce the Remuneration report for 2018.

I have been a member of the Committee since May 2014 and Chairman since April 2015. Through this period, I have observed an increased focus in our discussions on many of the important themes encapsulated within Barclays' Fair Pay Agenda. While each of the concepts has evolved at Barclays over many years, the way that they are strategically incorporated within the overall agenda and the prominence that this takes in the collective thinking of the Committee has certainly changed. It has become an increasingly important lens through which we consider the appropriateness of pay outcomes throughout the Group. As a Committee we are proud of the ongoing work in this area, and in particular of the Fair Pay Report that we publish this year to highlight some of the achievements to date, while importantly setting out our areas of focus for the future.

As well as fair pay, the Committee continues to focus on rewarding sustainable performance as one of the key elements of our remuneration philosophy. Rewarding sustainable performance means looking at performance through multiple lenses throughout the business, to ensure that we align how our staff are paid with a holistic view of their performance.

2018 has also seen the Remuneration Committees of two of our major subsidiary entities (Barclays Bank UK PLC and Barclays Bank PLC) become fully operational. The Committee has valued the additional oversight that both Committees bring, and the positive interactions that have taken place with the Barclays PLC Committee.

I would like to thank you for your strong support of the implementation of the remuneration policy at the last Annual General Meeting (AGM), at which it received almost 96% of shareholder votes in favour. I have set out below a summary of our 2018 performance, the key decisions made on remuneration and the areas of focus for 2019.

**Performance and pay**

2018 has been a year of positive strategic and financial performance for the Group. Strong progress towards our external financial targets has been made, with profit before tax<sup>1</sup> (PBT) up £953m (20%) from 2017 to £5,701m. Group return on tangible equity<sup>2</sup> (RoTE) is 8.5%, up 2.9% points on prior year and on track to achieve our targets for 2019 and 2020. Our Common Equity Tier 1 (CET1) ratio is 13.2%, at the end-state target range of c13%.

It has also been another year of successful execution against our strategy. This included the stand-up of the UK ring-fenced bank, full regulatory deconsolidation of Barclays Africa

Group Limited (BAGL), and the conclusion of a number of significant legacy litigation and conduct matters.

The Committee shares the disappointment that this positive performance has not yet translated into share price performance, as macroeconomic factors continue to weigh heavily on investor sentiment. In determining the appropriate pay outcomes for 2018, we have taken a balanced view of performance, reflecting both the significant progress made during the year and the foundations laid for further and sustainable future improvements. It is important for the Committee to recognise these positive steps in performance, ensuring that Barclays continues to be able to attract and retain the talent needed to deliver our strategy and returns to our shareholders.

The Committee has approved a Group incentive pool of £1,649m, up 9% from 2017, against a PBT<sup>1</sup> increase of 20%. This pool change is the first increase in our incentive pool since 2013. Since 2010, our incentive pool is down 53%. This trend means that in some areas of the bank, pay is now positioned behind our peers when adjusted for performance. A small part of the increase in the incentive pool is intended to ensure that we continue to align pay with performance and retain high performing talent in key business areas.

The increase also reflects some strategic

Notes

1 Excluding litigation and conduct

2 Excluding litigation and conduct. The prior year excludes litigation and conduct, Deferred Tax Asset re-measurement and the loss on the sale of 33.7% of BAGL's issued share capital and the impairment of Barclays' holding in BAGL.



Governance: Remuneration report

Annual statement from the

Chairman of the Board Remuneration Committee

hiring into key areas as well as an increase in permanent staff headcount, as we reduce outsourcing and third party arrangements in favour of building internal capability in line with our technology strategy to deliver ongoing cost efficiencies and retain intellectual property for the Group.

The Committee reviews key compensation ratios as part of its decision making on the pool, for example the Group compensation to net income ratio<sup>3</sup>, which continues to improve, down year on year from 38.0% to 36.6%. The ratio of Group staff costs to income<sup>3</sup> also reduced from 40.6% in 2017 to 40.2%, demonstrating the effectiveness of the insourcing strategy in reducing overall staff costs.

The total incentive pool incorporates appropriate adjustments for risk and conduct matters, reflecting the ongoing seriousness with which the Committee views these issues.

Fair pay

We continue to be committed to fair pay, ensuring that all our employees are appropriately and fairly rewarded for their contribution. The 2018 Fair Pay Report sets out our progress against each of the five themes of Barclays' Fair Pay Agenda as referenced in last year's remuneration report.

Our gender pay gap reporting is included within Gender Pay Gap 'equal opportunities to progress', given the underlying drivers of the pay gaps relate to the distribution of male and female staff within the organisation.

The Committee notes that the disclosed gender pay gaps, while down slightly, are broadly consistent with the 2017 outcomes. Through 2018, Barclays' approaches have been assessed against the 'Evidence-based actions' list as published by the UK Government Equalities Office and the Behavioural Insights Team, which has been very informative. While in many areas our existing approaches are aligned with those listed as effective actions, there is scope for further improvement. The Fair Pay Report sets out areas of focus to increase the rate of change.

Additionally, as well as supporting the Government's consultation on Ethnicity Pay Gap reporting, we have decided to include our ethnicity pay gap for the first time, ahead of any mandatory reporting requirements. This is intended to foster further positive conversations in this space, as the gender pay gap reporting has done across our industry and more broadly in society.

Some of the other highlights noted by the Committee through 2018 have included the ongoing work in ensuring that we treat our lowest paid employees fairly through initiatives such as increasing pension

contributions to our most junior populations in the UK, to be followed by a review in other locations during 2019.

We also make sure that employees are appropriately represented in remuneration decision-making. We listen to our employees (as we do with other stakeholders) through a number of different channels, both formally and informally. Many of my fellow Committee members at both the Group and subsidiary levels have spent time with staff and listened to their views and perspectives around how they are paid. An example of a more structured piece of employee engagement on remuneration within Barclays UK is included in the Fair Pay Report. It included conducting a pulse survey of over 2,000 employees, as well as 25 focus groups held across multiple sites and business areas. The key themes that emerged resonated with the Group remuneration philosophy, including a desire for greater simplicity and transparency. Work is ongoing to respond to this feedback, which will be communicated to our colleagues in Barclays UK during 2019.

The Committee reviews pay proposals for appropriateness across both businesses and corporate grade structures, with pay for executive Directors thereby set in the context of business performance and pay for all employees. Additionally, we disclose our CEO pay ratios once again, following on from our first disclosure last year. Ahead of requirements from the UK government, this year we also include the UK employee upper quartile and lower quartile reference points.

A high level summary of our Fair Pay Report is included on page 61. Our full Fair Pay Report can be found on [home.barclays/annualreport](http://home.barclays/annualreport).

Key remuneration decisions for executive Directors

In line with the current Directors' Remuneration Policy (DRP) approved by shareholders at the 2017 AGM, the Committee considered the executive Directors' performance against the financial and strategic non-financial performance measures which had been set to reflect company priorities for 2018. Separately, performance against their personal objectives was assessed on an individual basis.

Based on Jes Staley's performance against the performance measures set at the beginning of the year, the Committee approved a 2018 bonus of £1,061,000 (48.3% of maximum) of which 62% will be deferred. This incentive outcome is slightly down from 2017, despite the strong strategic progress and significant improvement in financial performance over the year. This is because of the very stretching financial targets in the annual bonus plan set by the Committee, which paid below target

despite 20% year on year PBT<sup>4</sup> growth. The Committee's deliberations on his 2018 personal performance have taken account of financial delivery, in particular ensuring that the Group is on track to deliver against our 2019 and 2020 financial targets. The Committee has also taken account of the successful completion of the Structural Reform programme, with the UK ring-fenced bank fully operational and Barclays UK adequately capitalised. The significant work required to ensure that the Group is prepared for Brexit has also been recognised, as Barclays Bank Ireland is on track to be operational in its expanded form from 29 March 2019. The Committee has also noted the significant progress in strategic non-financial performance across the Group, in particular against our Citizenship agenda and Colleague metrics as well as improvements in key Customer and Client measures.

As previously announced, malus has been applied to Jes Staley's 2016 variable compensation. Following the conclusion of the FCA and PRA investigations into Jes Staley, the Committee determined to reduce the awarded value of his 2016 variable compensation by £500,000.

Based on Tushar Morzaria's performance against the performance measures set at the beginning of the year, the Committee approved a 2018 bonus of £729,000 (49.3% of maximum) of which 45% will be deferred. Similar to the annual bonus outcome for Jes Staley, this is slightly down on 2017 as a result of very stretching financial targets in the annual bonus plan. The Committee has taken account of the instrumental role Tushar Morzaria has played in delivering the 2018 financial outcomes, continuing to make improvements in cost management, as well as applying greater control and management of the allocation and deployment of capital across the Group. The Committee has also noted his key role in the execution of the Structural Reform programme. Tushar Morzaria has exemplified our Values and delivered favourable engagement scores within his Finance function. Additionally, he continues to demonstrate effective management of key stakeholders, receiving excellent feedback from the Board, regulators and shareholders.

The Committee decided to make an award under the 2019–2021 Long Term Incentive Plan (LTIP) cycle to Jes Staley and Tushar Morzaria with a face value at grant of 120% of their respective Total fixed pay. This reflects their strong performance in 2018, as well as the importance that they are retained during the coming years to continue to deliver our strategy.

Note

<sup>3</sup>Basis aligned with disclosure in the Results Announcement

<sup>4</sup>Excluding litigation and conduct



The Committee reflected on the appropriateness of making a full LTIP award for the 2019-2021 cycle, given the decline in share price over the last year and considering key institutional investor guidance. It concluded that this would be appropriate, as macroeconomic uncertainties have played a key part in the share price reductions, reflected across our industry. Additionally, the LTIP award has stretching performance conditions attached and given the long vesting periods (up to 8 years), shares will be released from this and other LTIP awards across different economic cycles at different share prices. Importantly, the Committee also retains complete discretion to reduce the number of vested shares should it appear that the executive Directors will benefit in a way not aligned with performance. The Committee determined the outcomes of the 2018 annual bonus and the LTIP award alongside each other, ensuring that the outcomes are appropriately balanced. This was based on a full assessment of performance across all of the relevant factors.

The performance measures for the LTIP have been reviewed and continue to align with our external key performance targets. RoTE and cost: income ratio have been retained as the key financial metrics, with the weightings remaining unchanged at 50% and 20% respectively. The RoTE measure remains subject to a CET1 ratio underpin.

Both executive Directors' Fixed Pay will be unchanged for 2019 at £2,350,000 for Jes Staley and £1,650,000 for Tushar Morzaria; aligned with the DRP approved at the 2017 AGM.

Looking ahead

As a Committee, we will be reviewing the DRP to ensure that future arrangements are aligned with our strategy and meet any new regulatory requirements. This will be developed over the coming months and we will engage constructively with shareholders and regulators ahead of the 2020 AGM, where we will be seeking shareholder approval.

The Committee has reviewed the updated UK Corporate Governance Code, and is pleased that Barclays remuneration policies align to its requirements in many areas, including vesting periods for deferred shares and the ability to apply malus, clawback to awards made and post-employment shareholding requirements. While the Committee has for many years reviewed remuneration policies and outcomes for the broader workforce, this has now been formalised within its Terms of Reference and will continue to be considered throughout 2019 when making decisions for both the executive Directors, other senior employees and the wider workforce.

In finalising our plans ahead of the departure of the UK from the EU, the Committee will continue to work on the remuneration aspects associated with the operationalisation of Barclays Bank Ireland in its expanded form.

Finally, the Committee continues to focus on our Fair Pay Agenda as thinking and best

practice in this important area evolves.

Remuneration report

We have provided an 'At a glance' summary of 2018 performance and pay on the next page. The annual report on Directors' remuneration provides further details. In line with UK regulations, we are seeking shareholder approval at the 2019 AGM for the Remuneration report. Further details can be found in the 2019 AGM Notice of Meeting.

Crawford Gillies

Chairman, Board Remuneration Committee  
20 February 2019

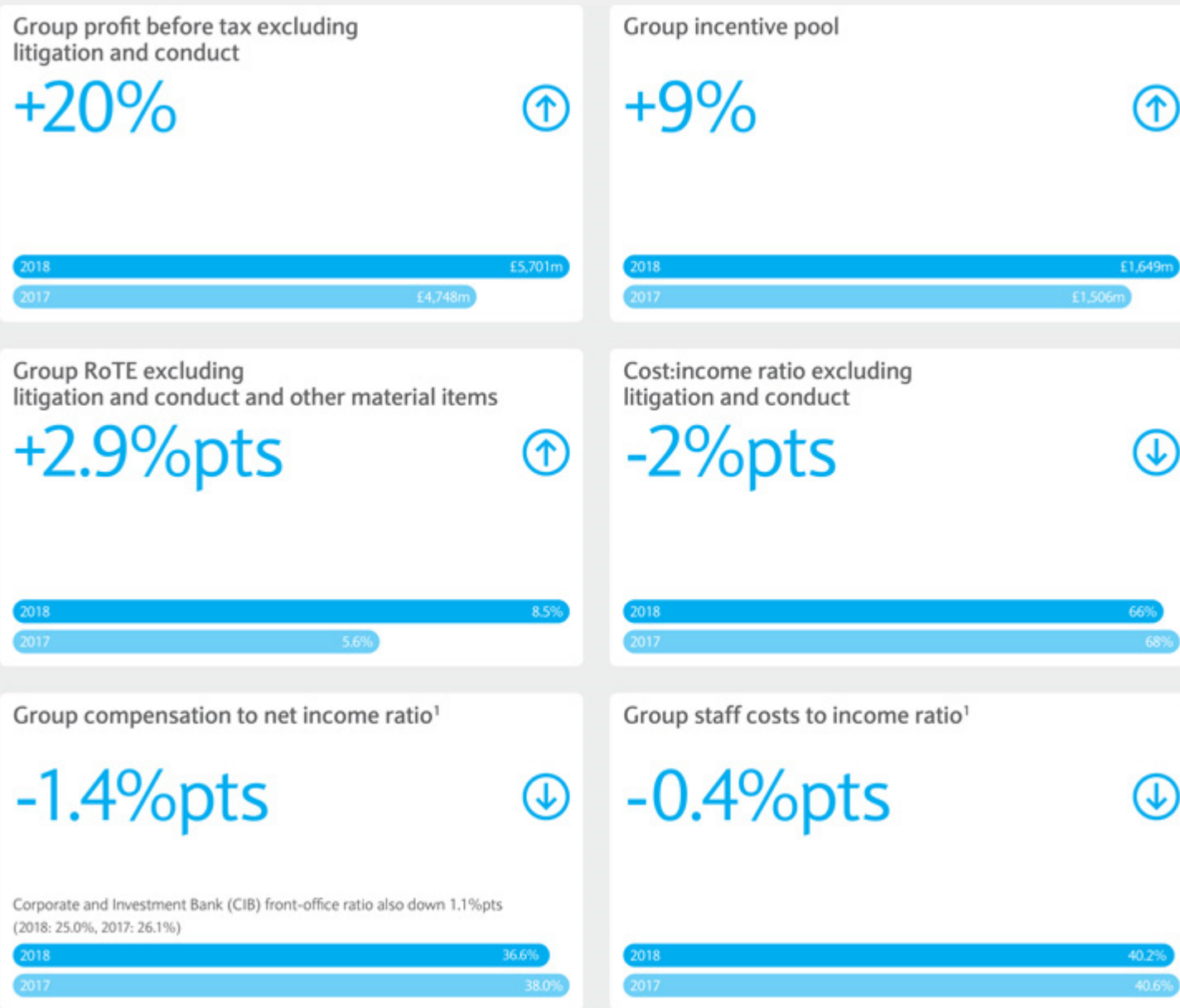
Governance: Remuneration report

# At a glance – Group performance and pay for 2018

## Group performance and pay

Significant strategic progress was made in 2018 including:

- Strong progress towards 2019 and 2020 financial targets
- Successful stand-up of the UK ring-fenced bank
- Full regulatory deconsolidation of BAGL
- Year of strong strategic performance, including improvements in:
  - Customer & Client measures such as Net Promoter Scores®
  - Colleague measures such as improved engagement scores
  - Citizenship measures including exceeding carbon emissions target
- Pool increase of 9% aligns with stronger financial performance (PBT<sup>2</sup> up 20% and RoTE<sup>3</sup> up 2.9%pts) and significant strategic execution
- Incentive pool has been materially repositioned since 2010 (2018 incentive pool outcome is down 53% on 2010)

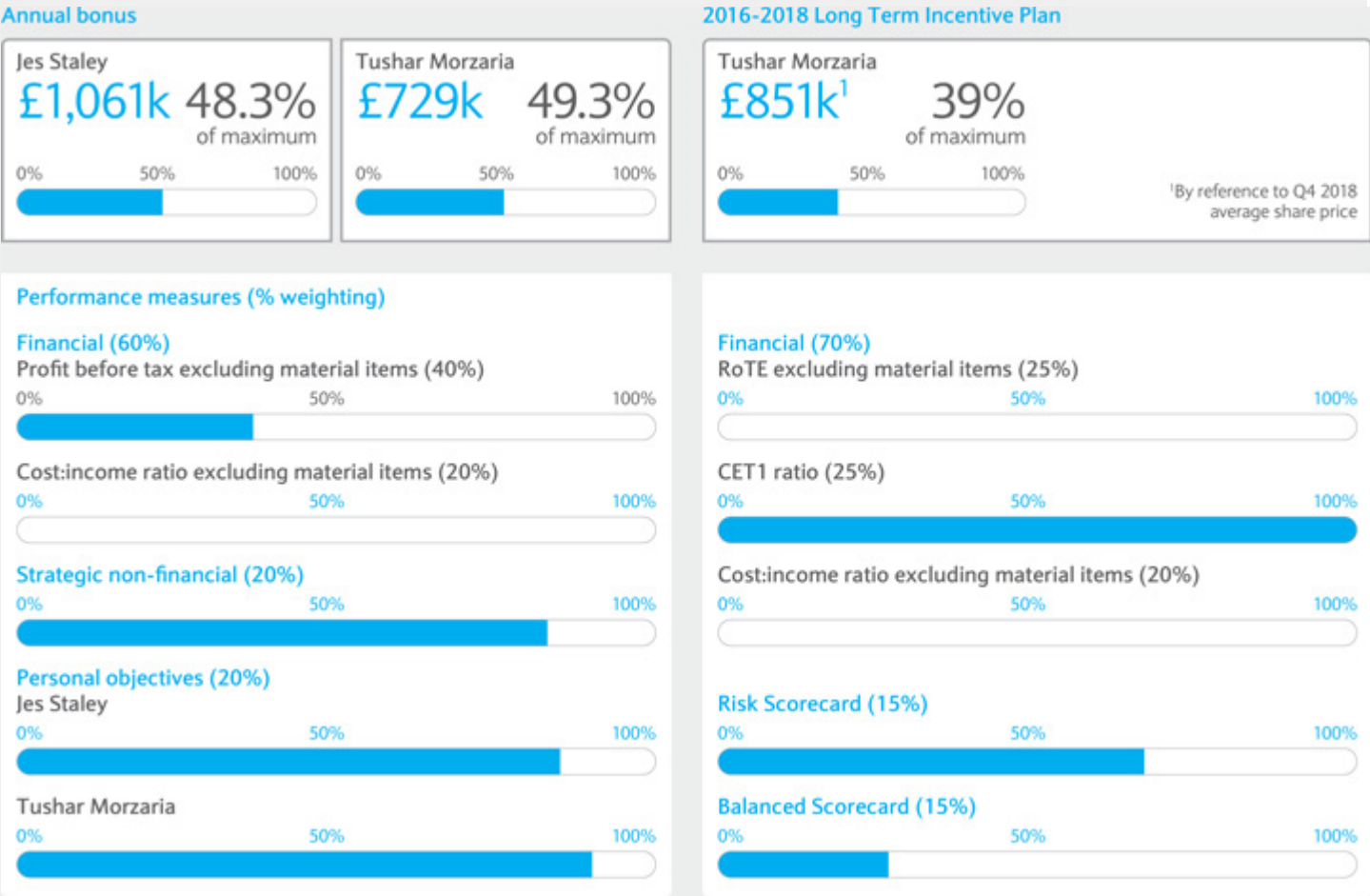


<sup>1</sup> Excluding litigation and conduct

<sup>2</sup> Excluding litigation and conduct. The prior year excludes litigation and conduct, Deferred Tax Asset re-measurement and the loss on the sale of 33.7% of BAGL's issued share capital and the impairment of Barclays' holding in BAGL.

<sup>3</sup> Basis aligned with disclosure in the Results Announcement. In future the ratio will be disclosed as 'Group compensation to total income' to fully align with the disclosure in the Results Announcement. In this transitional year, both figures are provided: the Group compensation to total income ratio for 2018 is 34.1%, up slightly from 33.8% in 2017. The slight increase is due to insourcing, as seen in the reduced ratio of Group staff costs to income shown above. CIB front-office to total income ratio is broadly flat at 25.6%.

Executive Directors: Performance outcomes



Executive Directors: Remuneration outcomes



<sup>2</sup> Jes Staley was not a participant in the 2015-2017 or 2016-2018 LTIP cycles; the LTIP figures for 2017 and 2018 are therefore zero for him  
<sup>3</sup> This outcome does not reflect the malus applied to Jes Staley's 2016 variable compensation, which is required to be included in the 2018 single total figure table.

Executive Directors: Share ownership



- Shareholding requirement policy:
- minimum of 200% of Total fixed pay (i.e. Fixed Pay plus Pension) within five years from date of appointment
  - shareholding requirement for two years post termination of 100% of Total fixed pay (or pro-rata thereof) introduced from 2017

Governance: Remuneration report

Remuneration policy for all employees

This section sets out Barclays' remuneration policy for all employees, explaining the philosophy underlying the structure of remuneration packages, and how this links remuneration to the achievement of sustained high performance and long-term value creation.

Remuneration philosophy

In October 2015, the Committee formally adopted a revised, simplified remuneration philosophy which articulates Barclays' overarching remuneration approach and is set out below.

| Barclays' remuneration philosophy                                |                                                                                                                                                                                                                    |
|------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Attract and retain talent needed to deliver Barclays' strategy   | Long-term success depends on the talent of our employees. This means attracting and retaining an appropriate range of talent to deliver against our strategy, and paying the right amount for that talent          |
| Align pay with investor interests                                | Ensure employees' interests are aligned with those of investors (equity and debt holders), both in structure and the appropriate balance of returns                                                                |
| Reward sustainable performance                                   | Sustainable performance means making a positive contribution to stakeholders, in both the short and longer term, playing a valuable role in society                                                                |
| Support Barclays' Values and culture                             | Results must be achieved in a manner consistent with our Values. Our Values and culture should drive the way that business is conducted                                                                            |
| Align with risk appetite, risk exposure and conduct expectations | Designed to reward employees for achieving results in line with the Bank's risk appetite and conduct expectations                                                                                                  |
| Be clear, transparent and as simple as possible                  | All employees and stakeholders should understand how we reward our employees. Remuneration structures should be as simple as possible so that everyone can understand how they work and the behaviours they reward |

Performance and remuneration

Barclays' remuneration philosophy links remuneration to achieving sustained high performance and creating long-term value. Our remuneration philosophy applies to all employees globally across Barclays and aims to reinforce our belief that effective performance management is critical to enabling the delivery of our business strategy in line with our Values. Employees who adhere to the Barclays' Values and contribute to Barclays' success are rewarded accordingly.

This is achieved by basing performance assessment on clear standards of delivery and behaviour, and starts with employees aligning their objectives ('what' they will deliver) to business and team goals in order to support the delivery of the business strategy and good client/customer outcomes. Behavioural expectations ('how' people will achieve their objectives) are set in the context of our Values.

Performance is assessed against both financial and non-financial criteria. Other factors are also taken into consideration within the overall performance assessment, including core job responsibilities, behaviours towards risk and control, colleague and stakeholder feedback as well as input from the Risk and Compliance functions, where appropriate.

Through our approach to performance, the equal importance of both 'what' an individual has delivered as well as 'how' the individual has achieved this is emphasised, encouraging balanced consideration of each dimension. Both of these elements are assessed and rated independently of each other. There is no requirement to have an overall rating which allows for more robust and reflective conversations between managers and team members on the individual components of performance.

A key part of the performance philosophy promotes ongoing quality dialogue throughout the year. This helps manage performance messages effectively and allows for more timely recognition as well as appropriate coaching, feedback and support where needed.

By linking individual performance assessment to Barclays' strategy and our Values and, in turn, to remuneration decisions, a clear alignment between what we are striving to achieve, how we go about this, and ultimately, how we recognise this in individual financial terms is achieved.



Risk, conduct and remuneration

Another key feature of our remuneration philosophy is the alignment of remuneration with our risk appetite and with the conduct expectations of Barclays, our regulators and stakeholders. The Committee takes risk and conduct events very seriously and ensures that there are appropriate adjustments to individual remuneration and, where necessary, the incentive pool.

The Remuneration Review Panel, which reports to the Committee, supports the Committee in this process. The Panel is chaired by the Group HR Director and includes the Group Heads of Risk, Compliance, Legal and Internal Audit as well as the CEOs of Barclays UK and Barclays International. It sets the policy and processes for assessing compensation adjustments for risk and conduct events.

We have robust processes for considering risk and conduct as part of individual performance management processes with outcomes reflected in individual remuneration decisions. Line managers have primary accountability for ensuring that risk and conduct issues are considered when assessing performance and making remuneration decisions. In addition, there is a secondary review by the control functions for individuals involved in significant failures of risk management, conduct issues, regulatory actions or other major incidents which impact either the Group or business to ensure these issues are also considered. When considering individual responsibility, a variety of factors are taken into account such as whether an individual was directly responsible or whether the individual, by virtue of seniority, could be deemed indirectly responsible, including staff who drive the Group's culture and set its strategy.

Actions which may be taken where risk management and conduct falls below required standards include:

|            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Adjustment | Current year annual bonuses are adjusted downwards where individuals are found to be responsible (either directly or indirectly) in a risk or misconduct event.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Malus      | Deferred unvested bonuses from prior years are subject to malus provisions which enable the Committee to reduce the vesting level of deferred bonuses (including to nil) at its discretion. Events which may lead the Committee to do this include, but are not limited to, employee misconduct or a material failure of risk management.                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Clawback   | <p>Clawback applies to any variable remuneration awarded to a Material Risk Taker (MRT) on or after 1 January 2015 in respect of years for which they are a MRT. Barclays may apply clawback if, at any time during the seven-year period from the date on which variable remuneration is awarded to a MRT: (i) there is reasonable evidence of employee misbehaviour or material error, and/or (ii) the firm or the business unit suffers a material failure of risk management, taking account of the individual's proximity to and responsibility for that incident.</p> <p>Clawback may be extended to 10 years for PRA Senior Managers where there are outstanding internal or regulatory investigations at the end of the seven-year clawback period.</p> |

In addition to reductions to individuals' bonuses, the Committee considers and makes collective adjustments to the incentive pool for specific risk and conduct events. For 2018, the impact of these collective adjustments, resulting from both the direct financial impact on performance and the additional adjustments applied by the Committee, is a reduction of c.£290m.

We have also adjusted the incentive pool to take account of an assessment of a wide range of future risks including conduct, non-financial factors that can support the delivery of a strong risk management, control and conduct culture and other factors including reputation, impact on customers, markets and other stakeholders. The Committee was supported in its consideration of this adjustment by the Board Risk Committee and the Board Reputation Committee.

Governance: Remuneration report

Remuneration policy for all employees

Remuneration structure

The remuneration structure for employees is closely aligned with that for executive Directors, set out in detail in the DRP which can be found on pages 108 to 120 of the 2016 Annual Report. The primary exception being that the executive Directors participate in the Barclays' LTIP and receive part of their Fixed Pay in Barclays PLC shares.

Employees receive salary, pension and other benefits and are eligible to be considered for an annual bonus. Employees in some customer-facing businesses participate in formulaic incentive plans, including plans which have good customer outcomes as the primary performance measure. The plans also recognise how results have been achieved in line with Barclays' Values. Some senior employees also receive Role Based Pay (RBP). Remuneration of MRTs is subject to the 2:1 maximum ratio of variable to fixed remuneration. A total of 1,590 (2017: 1,642 or 1,570 excluding BAGL) individuals were MRTs in 2018.

The remuneration of employees engaged in control functions is determined independently from the business they support and within the parameters of the incentive pool allocated to them by the Committee. Remuneration for control function employees is less weighted towards variable remuneration as compared to front-office employees and variable remuneration is typically limited to one times fixed remuneration. This leads to less volatility in overall control function remuneration as compared to front-office outcomes.

Fixed remuneration

|                      |                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Salary               | Salaries reflect individuals' skills and experience and are reviewed annually.<br><br>They are increased where justified by role change, increased responsibility or a change in the appropriate market rate. Salaries may also be increased in line with local statutory requirements and in line with union and works council commitments.                                                                                            |
| Role Based Pay (RBP) | A small number of senior employees receive a class of fixed pay called RBP to recognise the seniority, breadth and depth of their role.                                                                                                                                                                                                                                                                                                 |
| Pension and benefits | The provision of a competitive package of benefits is important to attracting and retaining the talented staff needed to deliver Barclays' strategy. Employees have access to a range of country-specific company-funded benefits, including pension schemes, healthcare, life assurance and Barclays' share plans as well as other voluntary employee funded benefits. The cost of providing these benefits is defined and controlled. |

Variable remuneration

Annual bonus

Annual bonuses incentivise and reward the achievement of Group, business and individual objectives, and reward employees for demonstrating individual behaviours in line with Barclays' Values.

The ability to recognise performance through variable remuneration enables the Group to control its cost base flexibly and to react to events and market circumstances. Bonuses remain a key feature of remuneration practice in the highly competitive and mobile market for talent in the financial services sector. The Committee is careful to control the proportion of variable to fixed remuneration paid to individuals and also to ensure an appropriate amount is deferred to future years.

The typical deferral structures are:

| For MRTs:              |                                               | For non-MRTs:   |                             |
|------------------------|-----------------------------------------------|-----------------|-----------------------------|
| Incentive award        | Amount deferred                               | Incentive award | Amount deferred             |
| < £500,000             | 40% of total award                            | Up to £65,000   | 0%                          |
| £500,000 to £1,000,000 | 60% of total award                            | > £65,000       | Graduated level of deferral |
| ≥ £1,000,000           | 60% up to £1,000,000<br>100% above £1,000,000 |                 |                             |

Deferred bonuses are generally delivered in equal portions as deferred cash and deferred shares subject to the rules of the deferred cash and share plans (as amended from time to time) and continued service. Deferred bonuses are subject to either a 3, 5 or 7-year deferral period in line with regulatory requirements.

Where dividend equivalents cannot be delivered on deferred bonus shares, the number of deferred bonus shares awarded will be calculated using a share price discounted to reflect the absence of dividend equivalents during the vesting period.

Share plans

Alignment of senior employees with shareholders is achieved through deferral of incentive pay. We also encourage wider employee shareholding through the all-employee share plans. 98% of the global employee population is eligible to participate (up from 86% in 2017).

Fair Pay Agenda

The principles and policies that govern our approach to pay have evolved over many years. Through five broad themes, our Fair Pay Agenda brings that approach together in one place; to explain clearly how we think about pay, and how it sits alongside the other support we provide to help our people succeed both in and outside of work. We are committed to ensuring that pay is not only fair, but simple and transparent to all of our stakeholders. We have published a standalone Fair Pay Report for the first time this year.

The following sets out some highlights. We encourage you to read the full Fair Pay Report, which can be found on [home.barclays/annualreport](http://home.barclays/annualreport).



1 Fair Pay for the lowest paid

Pay for our lowest-paid employees is sufficient, simple and transparent, appropriately rewarding all of our people for their work. It is important to us that all of our employees feel fulfilled and can bring the best version of themselves to work, which means that they must be paid in a way that supports a decent quality of living.

Barclays was the first major financial services institution to become an accredited UK living wage employer in 2013, with all UK permanent employees and those who provide services at our sites being paid at least the current National Living Wage (and London Living Wage in London) as set by the Living Wage Foundation.

For our lower-paid employees, more of their remuneration is delivered in fixed pay, which means that their total compensation is less volatile and less at risk.

In difficult years, where budgets are most constrained, pay increases are focused on more junior populations.

Bonuses are a smaller part of the overall package for lower-paid employees but are available for people that really deliver for our customers and clients.

To begin to extend our living wage commitment beyond the UK, and will use the Fight for \$15 as a reference point in the US. We have plans for enhanced pension arrangements for our most junior employees in the UK, and are reviewing the pay structures for our branch and contact centre staff.

2 Equal opportunities to progress

We believe that diverse organisations perform better, and that diverse perspectives across the leadership of our organisation lead to better decisions. We are an equal opportunities employer. This means that we hire diverse people from all backgrounds, and that all of our employees have the same opportunity to progress.

We have a number of initiatives in place to support employees in reaching their full potential, and in balancing their life commitments and their work commitments. These are described in more detail in the People section on pages 47 to 52 and are intended to support all of our employees.

As part of our review of our progress in our Gender Pay Gap disclosure, we have tested our initiatives against best practice for closing Gender Pay Gaps as set out by the Government Equalities Office and the Behavioural Insights Team, and are pleased that a number of initiatives in place should be effective over the long-term. This assessment can be reviewed in our Fair Pay Report.

We still have more to do, and continue to develop our Diversity and Inclusion programmes and initiatives as part of our key agendas on gender, multicultural, LGBT+, disability & mental health and multigenerational.

Governance: Remuneration report

Remuneration policy for all employees

3

Equal pay

We take specific steps to ensure that employees are paid equally for doing the same job, which means ensuring they are rewarded fairly, with regard to their specific role, responsibilities and the other factors that appropriately affect pay. We have formalised this commitment to Equal Pay for the first time in our Fair Pay Report.

Our Equal Pay Commitment sets out the steps we take, including:

- Being explicit with those who make pay decisions through clear guidance and training, that those decisions must reflect the individual's role and contribution
- Requiring that pay decisions must not, directly or indirectly, take into account an individual's gender, age, ethnicity, religion, sexual orientation, marital status, pregnancy, maternity, shared parental, paternity or parental leave, veteran status, disability or any other protected characteristic
- Subjecting our annual pay review to a rigorous check and challenge process internally
- Working closely with Unite in the UK to evaluate the fairness of performance management and pay distribution concerning the union-recognised population
- Communicating more with our staff and other stakeholders about pay, and increasing the transparency of our Fair Pay Agenda
- Continuing to look for opportunities to simplify our pay structures where appropriate

We continue to develop our processes to manage Equal Pay, and to review pay outcomes for all of our employees

4

Listening to employees

We make sure that employees are appropriately represented in remuneration decision-making.

It is important to us that there is engagement between employees and the Board on a broad range of issues, including remuneration. This helps the Board to ensure that Barclays is run for the benefit of all stakeholders.

Management listens to employees through a wide range of different channels, and reports its views to the Board. This includes through senior management dialogue with the Remuneration Committee and through the year-end performance and pay review processes.

In addition, several of our jurisdictions are covered by unions or works councils, with approximately 83% of the UK workforce being represented by Unite, our recognised trade union in the UK.

We also report employee views to the Board through the annual employee opinion survey and a dedicated culture dashboard. Additionally, the Board receives the CEO's monthly Barclays PLC report which covers engagement and diversity.

5

Performance-linked pay

We ensure that both executive pay and employee pay are linked to sustainable business performance.

We reward sustainable performance. This means making a positive contribution to stakeholders, in both the short and longer term. To do this, we review performance through financial and non-financial lenses, and assess individual performance both on "what" is achieved and "how" it is achieved.

In line with our commitment to fair pay for the lowest paid, we ensure that employees at the most junior levels are not significantly exposed to fluctuations in business performance. This helps to plan and manage income more effectively.

Our Fair Pay Report includes illustrations of our approaches to pay for individuals at different levels of the organisation. It shows that as employees progress through the organisation and become more senior, a greater proportion of their remuneration is linked to individual and business performance, and is therefore at risk. Pay at the most senior levels is most heavily weighted towards performance-related incentives. A significant proportion of remuneration for senior employees is also delivered in deferred shares, ensuring longer-term alignment with company performance. The shares are deferred over 3, 5 or 7 years depending on level of pay and seniority.



Governance: Remuneration report

Directors’ remuneration policy

This section sets out a summary of the Barclays’ forward-looking DRP and is provided for information only. The DRP was approved at the 2017 AGM held on 10 May 2017 and applies for three years from that date. The full DRP can be found on pages 108 to 120 of the 2016 Annual Report or at [home.barclays/annualreport](#).

Remuneration policy summary – executive Directors

| Element and purpose                                                                                                                                                                                                                                                                                                                                                                                       | Operation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Implementation in 2019                                                                                                                                                                                                                                                                                                                                                              |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Fixed Pay</b><br>To reward skills and experience appropriate for the breadth and depth of the role and to provide the basis for a competitive remuneration package                                                                                                                                                                                                                                     | <p>Fixed Pay is determined with reference to market practice and historical market data (on which the Committee receives independent advice), and reflects the individual's experience and role.</p> <p>Total compensation is benchmarked against comparable roles in banks. 50% of Fixed Pay is delivered in cash (paid monthly), and 50% is delivered in shares. The shares are delivered quarterly and are subject to a holding period with restrictions lifting over five years (20% each year). As the executive Directors beneficially own the shares, they will be entitled to any dividends paid on those shares. There are no performance measures.</p> <p>Malus and clawback provisions do not apply to Fixed Pay.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | <p>No change from 2018.</p> <ul style="list-style-type: none"><li>▪ Jes Staley: £2,350,000</li><li>▪ Tushar Morzaria: £1,650,000</li></ul> <p>These amounts are fixed and will not change during the policy period for these individuals.</p>                                                                                                                                       |
| <b>Pension</b><br>To enable executive Directors to build long-term retirement savings                                                                                                                                                                                                                                                                                                                     | <p>Executive Directors receive an annual cash allowance in lieu of participation in a pension arrangement.</p> <p>For new hires, the pension allowance is limited to 10% of Fixed Pay.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <p>No change from 2018.</p> <ul style="list-style-type: none"><li>▪ Jes Staley: £396,000<br/>(Equivalent to 17% of Fixed Pay)</li><li>▪ Tushar Morzaria: £200,000<br/>(Equivalent to 12% of Fixed Pay)</li></ul> <p>These amounts are fixed and will not change during the policy period for these individuals.</p>                                                                 |
| <b>Benefits</b><br>To provide a competitive and cost effective benefits package appropriate to the role and location                                                                                                                                                                                                                                                                                      | <p>Executive Directors’ benefits provision includes, but is not restricted to, private medical cover, annual health check, life and ill health income protection, car cash allowance, and use of a Company vehicle and driver when required for business purposes.</p> <p>In addition to the above, if an executive Director were to relocate, additional support would be provided for a defined and limited period of time in line with Barclays’ general employee mobility policy. Barclays will pay the tax on relocation costs but will not tax equalise and will also not pay tax on any other employment income.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <p>No change from 2018.</p>                                                                                                                                                                                                                                                                                                                                                         |
| <b>Annual bonus</b><br>To reward delivery of short- term financial targets set each year, the individual performance of the executive Directors in achieving those targets, and their contribution to delivering Barclays’ strategic objectives<br><br>Delivery in part in shares with a holding period increases alignment with shareholders. Deferred bonuses encourage longer term focus and retention | <p>The maximum annual bonus opportunity is 80% of Total fixed pay. For these purposes Total fixed pay is Fixed Pay plus Pension.</p> <p>The performance measures include financial and non-financial measures, including risk related measures and other personal objectives. Financial measures will be at least 60% of the bonus opportunity. The Committee has discretion to vary the measures and their respective weighting within each category.</p> <p>Annual bonuses are delivered as a combination of cash and shares, a proportion of which may be deferred and/or subject to a holding period. Deferral proportions and vesting profiles will be structured so that, in combination with any LTIP award, the proportion of variable pay that is deferred is no less than that required by regulations.</p> <p>Dividend equivalents are payable on vested deferred bonus shares. If dividend equivalents are not permissible during the vesting period under regulations, the number of shares to be awarded will be determined using a share price discounted by reference to the expected dividend yield.</p> <p>A notional discount may be applied to deferred bonuses for the purposes of calculating the 2:1 cap to the extent permitted by regulations.</p> <p>Awards are subject to malus during the vesting period and clawback for a period of seven years (10 years in specific circumstances) from the date of award.</p> | <p>Details of performance measures are set out on page 74.</p> <p>Shares issued are subject to a holding period of one year after vesting.</p> <p>As dividend equivalents are not permissible under regulations, the number of shares to be awarded will be calculated using a share price discounted to reflect the absence of dividend equivalents during the vesting period.</p> |

Governance: Remuneration report

Directors’ remuneration policy

| Element and purpose                                                                                                                                                                                                                                                                                                                                                                   | Operation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Implementation in 2019                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Annual bonus</b><br>continued                                                                                                                                                                                                                                                                                                                                                      | <p>Non-deferred cash components of any bonus are paid following the performance year to which they relate, normally in March. Non-deferred share bonuses are also awarded normally in March and are subject to a holding period (after the payment of tax) in line with regulations.</p> <p>Deferred share bonuses are structured so that no deferred shares vest faster than permitted by regulations. Any shares that vest are subject to an additional holding period (after payment of tax) in line with regulations.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Long Term Incentive Plan (LTIP) award</b><br>To reward execution of Barclays’ strategy over a multi-year period<br><br>Long-term performance measurement, deferral and holding periods encourage a long-term view and align executive Directors’ interests with those of shareholders. Malus and clawback provisions discourage excessive risk-taking and inappropriate behaviours | <p>The maximum annual LTIP award is 120% of Total fixed pay. For these purposes Total fixed pay is Fixed Pay plus Pension.</p> <p>Forward-looking performance measures will be based on financial performance and other long-term strategic measures. Financial measures will be at least 70% of the total opportunity. Straight-line vesting applies between threshold and maximum for the financial measures with no more than 25% vesting at threshold performance.</p> <p>LTIP awards are structured so that when combined with the annual bonus the proportion of variable pay that is deferred is no less than that required by regulations.</p> <p>The Committee has discretion to vary the measures year on year and their respective weighting within each category. The Committee also has discretion to amend targets, measures and the number of awards in exceptional circumstances and to reduce the vesting of any award, including to nil, if it deems that the outcome is not consistent with performance.</p> <p>Dividend equivalents are payable on vested deferred shares. If dividend equivalents are not permissible during the vesting period under the regulations, the number of shares to be awarded will be determined using a share price discounted by reference to the expected dividend yield.</p> <p>A notional discount may be applied to LTIP awards for the purposes of calculating the 2:1 cap to the extent permitted by regulations.</p> <p>Awards are subject to malus during the vesting period and clawback for a period of seven years (10 years in specific circumstances) from the date of award.</p> <p>No LTIP award vests before the third anniversary of grant and an award vests no faster than permitted by regulations (currently in five equal tranches with the first tranche vesting on or around the third anniversary of grant and the last tranche vesting on or around the seventh anniversary of the grant date). Any shares that vest are subject to an additional holding period (after payment of tax) in line with regulations.</p> | <p>Details of performance measures and targets for awards to be made in 2019 (in respect of 2018) are set out on page 73.</p> <p>For awards to be made in respect of 2019, the measures and targets will be determined at the end of 2019 for the performance period commencing on 1 January 2020.</p> <p>On vesting, the award is subject to a holding period of one year.</p> <p>As dividend equivalents are not permissible under regulations, the number of shares to be awarded will be calculated using a share price discounted to reflect the absence of dividend equivalents during the vesting period.</p> |
| <b>Shareholding requirement</b><br>To further enhance the alignment of shareholders’ and executive Directors’ interests in long-term value creation                                                                                                                                                                                                                                   | <p>Executive Directors must build up a shareholding of 200% of Total fixed pay (i.e. Fixed Pay plus Pension) within five years from the date of appointment as executive Director.</p> <p>Executive Directors must also continue to hold a shareholding of 100% of Total fixed pay (or pro-rata thereof ) for two years post-termination.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <p>No change from 2018.</p> <p>(Equivalent to 457% of Salary for the Group Chief Executive under the previous DRP.)</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |

Remuneration policy summary – non-executive Directors

| Element and purpose                                                                                                                                                                                                                                                                                                                                                                      | Operation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Implementation in 2019 <sup>a</sup> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|
| <b>Fees</b><br>Reflect individual responsibilities and membership of Board Committees and are set to attract non-executive Directors who have relevant skills and experience to oversee the implementation of our strategy<br><br>Fees are set at a level which reflects the role, responsibilities and time commitment which are expected from the Chairman and non-executive Directors | <p>The Chairman is paid an all-inclusive fee for all Board responsibilities. The Chairman has a minimum time commitment equivalent to at least 80% of a full-time role. The other non-executive Directors receive a basic Board fee, with additional fees payable where individuals serve as a member or Chairman of a Committee of the Board.</p> <p>Fees are reviewed each year by the Board as a whole. Other than in exceptional circumstances, fees will not increase by more than 20% above the current fee levels during this policy period (basic fees last increased in 2011).</p> <p>£30,000 (Chairman: £100,000) after tax and national insurance contributions per annum of each non-executive Director's basic fee is used to purchase Barclays' shares which are retained on the non-executive Director's behalf until they retire from the Board.</p> <p>Some non-executive Directors may also receive fees as directors of subsidiary companies of Barclays PLC</p> | No change from 2018.                |
| <b>Benefits</b>                                                                                                                                                                                                                                                                                                                                                                          | <p>The Chairman is provided with private medical cover subject to the terms of the Barclays' scheme rules from time to time, and is provided with the use of a Company vehicle and driver when required for business purposes.</p> <p>Benefits which are minor in nature and do not exceed a cost of £500 may be provided to non-executive Directors in specific circumstances</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | No change from 2018.                |
| <b>Expenses</b>                                                                                                                                                                                                                                                                                                                                                                          | The Chairman and non-executive Directors are reimbursed for any reasonable and appropriate expenses incurred for business reasons. Any tax that arises on these reimbursed expenses is paid by Barclays                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | No change from 2018.                |

<sup>a</sup> Nigel Higgins joins the Board as a non-executive Director on 1 March 2019 and will assume the role of Chairman with effect from the conclusion of the Barclays AGM on 2 May 2019. Nigel Higgins will be appointed for an initial term of three years, subject to re-election by shareholders. Prior to expiry of the initial term Nigel Higgins may be invited to serve a further three-year term. In accordance with the Directors' remuneration policy, Nigel Higgins will be paid an annual fee of £80,000 for so long as he is a non-executive Director, and an all-inclusive annual fee of £800,000 (the same rate as the current Chairman) with effect from his assuming the Chairman role and will be provided with private medical cover and the use of a Company vehicle and driver when required for business purposes. While he is Chairman, Nigel Higgins will be required to use £100,000 per annum of his fee after tax and national insurance contributions to purchase Barclays' shares. Nigel Higgins will be expected to commit up to 4 days a week to the role and it will be his principal working commitment. Nigel Higgins' notice period shall be 6 months from the Company and 6 months from the Chairman.

Service contracts and letters of appointment

All executive Directors have a service contract whereas all non-executive Directors have a letter of appointment. Copies of the service contracts and letters of appointment are available for inspection at the Company's registered office. The effective dates of the current Directors' appointments disclosed in their service contracts or letters of appointment are shown in the table below.

As stated in the letters of appointment, Non-executive Directors are appointed for an initial term of three years and are subject to the annual re-election by shareholders. On expiry of the initial term and subject to the needs of the Board, Non-executive Directors may be invited to serve a further three years. Non-executive Directors appointed beyond six years will be at the discretion of the Board Nominations Committee. All Directors are subject to annual re-election by shareholders.

|                                                                                                                                                                                                                                                             | Effective date of appointment                                                                                                                                                                              |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Chairman</b><br>John McFarlane                                                                                                                                                                                                                           | 1 January 2015 (non-executive Director), 24 April 2015 (Chairman)                                                                                                                                          |
| <b>Executive Directors</b><br>Jes Staley<br>Tushar Morzaria                                                                                                                                                                                                 | 1 December 2015<br>15 October 2013                                                                                                                                                                         |
| <b>Non-executive Directors</b><br>Mike Ashley<br>Tim Breedon<br>Sir Ian Cheshire<br>Mary Anne Citrino<br>Mary Francis<br>Crawford Gillies<br>Sir Gerry Grimstone<br>Reuben Jeffery III<br>Matthew Lester<br>Dambisa Moyo<br>Diane Schueneman<br>Mike Turner | 18 September 2013<br>1 November 2012<br>3 April 2017<br>25 July 2018<br>1 October 2016<br>1 May 2014<br>1 January 2016<br>16 July 2009<br>1 September 2017<br>1 May 2010<br>25 June 2015<br>1 January 2018 |

Notes  
<sup>a</sup> With effect from 1 April 2018, the Company issued all Non-executive Directors with updated letters of appointment to address the change in corporate structure post Structural Reform. Where Non-executive Directors have other appointments to Barclays' subsidiaries additional letters of appointment have been issued as appropriate.

Governance: Remuneration report

Annual report on Directors' remuneration

This section explains how our Directors' remuneration policy was implemented during 2018.

Executive Directors

Executive Directors: Single total figure for 2018 remuneration

The following table shows a single total figure for 2018 remuneration in respect of qualifying service for each executive Director together with comparative figures for 2017.

|                 | Fixed Pay<br>£000 |       | Pension<br>£000 |      | Taxable benefits<br>£000 |      | Annual bonus<br>£000 |       | LTIP<br>£000     |                    | Reduction of<br>unvested deferred<br>awards<br>£000 |      | Total<br>£000 |       |
|-----------------|-------------------|-------|-----------------|------|--------------------------|------|----------------------|-------|------------------|--------------------|-----------------------------------------------------|------|---------------|-------|
|                 | 2018              | 2017  | 2018            | 2017 | 2018                     | 2017 | 2018                 | 2017  | 2018             | 2017               | 2018                                                | 2017 | 2018          | 2017  |
|                 |                   |       |                 |      |                          |      |                      |       |                  |                    |                                                     |      |               |       |
| Jes Staley      | 2,350             | 2,350 | 396             | 396  | 55                       | 62   | 1,061                | 1,065 | –                | –                  | (500) <sup>d</sup>                                  | –    | 3,362         | 3,873 |
| Tushar Morzaria | 1,650             | 1,614 | 200             | 200  | 49                       | 44   | 729                  | 747   | 851 <sup>a</sup> | 982 <sup>b,c</sup> | –                                                   | –    | 3,479         | 3,587 |

Notes  
a No significant movement in share price between grant and vest (based on Q4 2018 average price), no discretion applied  
b The LTIP amount includes a reduction of c£200k attributable to 17% share price depreciation between date of grant and vesting date; no discretion applied  
c LTIP and dividend equivalent figures for 2017 have been adjusted to reflect the share price on the date of vesting (211 pence) rather than the Q4 2017 average price.  
d This represents malus applied to Jes Staley's 2016 variable compensation, following consideration by the Committee of the findings of the FCA and PRA investigations into Jes Staley matter in 2016.

Additional information in respect of each element of pay for the executive Directors

**Fixed Pay**  
Fixed Pay is delivered 50% in cash and 50% in shares (subject to a five-year holding period lifting pro-rata).

**Pension**  
Executive Directors are paid cash in lieu of pension contributions. The cash allowance in 2018 was £396,000 for Jes Staley and £200,000 for Tushar Morzaria. No other benefits were received by the executive Directors from any Barclays' pension plan.

**Taxable benefits**  
Taxable benefits include private medical cover, life and ill health income protection, tax advice, relocation, car allowance, the use of a Company vehicle and driver when required for business purposes and other benefits that are considered minor in nature.

**Annual bonus**  
Annual bonuses are typically awarded in Q1 following the financial year to which they relate. The Committee considered the executive Directors' performance against the financial (60% weighting) and strategic non-financial (20% weighting) performance measures which had been set to reflect company priorities for 2018. Performance against their individual personal objectives (20% weighting) was assessed on an individual basis.

**Financial (60% weighting)**  
The approach taken to assessing financial performance against each of the financial measures was based on a straight-line outcome between 20% for threshold performance and 100% applicable to each measure for achievement of maximum performance. The PBT measure is also subject to a CET1 underpin. The CET1 ratio reached a temporary low point in Q1 of 12.7%, driven primarily by the settlement of a historical litigation and conduct case. As the CET1 recovered to 13.0% in Q2, the Committee determined to pay out the PBT measure fully in line with the formulaic outcome.

The formulaic outcome against the financial measures set at the beginning of the year gave a total of 14.8% out of 60% being payable attributable to those measures. A summary of the assessment is provided in the following table.

| Financial performance measure                                                    | Weighting | Threshold<br>20% | Maximum<br>100% | 2018<br>Actual | 2018<br>Outcome |
|----------------------------------------------------------------------------------|-----------|------------------|-----------------|----------------|-----------------|
| Profit before tax excluding material items <sup>a</sup> with CET1 ratio underpin | 40%       | £5.00bn          | £6.50bn         | £5.32bn        | 14.8%           |
| Cost: income ratio excluding material items <sup>a</sup>                         | 20%       | 66.5%            | 62.0%           | 68.2%          | 0%              |
| Total Financial                                                                  | 60%       |                  |                 |                | 14.8%           |

Note  
a Material items consist of charges for PPI and settlement with regard to residential mortgage-backed securities (RMBS)

**Strategic (20% weighting)**  
Progress in relation to each of the strategic measures, organised around three main categories, was assessed by the Committee. The Committee used the following scale in relation to each measure: 0% to 1% firmly below performance expectations, 1.5% to 3% slightly below performance expectations, 3.5% to 5.5% meeting or slightly exceeding performance expectations, and 6% to 7% clearly above performance expectations. Based on this approach to assessing performance against the 2018 Performance Measurement Framework milestones, the Committee agreed a 16.5% outcome out of a maximum of 20%. The assessment is provided in the following table.





Note  
a All markets ranks and shares; Coalition, FY18 Preliminary Competitor Analysis based on the Coalition Index and Barclays' internal business structure.

Governance: Remuneration report

Annual report on Directors’ remuneration

| Category and key outcomes                                                                                                                                                                                                                                                                              | Measure                                                 | Performance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Outcome          |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| Citizenship:<br><br><i>Making decisions and doing business in a way that provides our clients, customers, shareholders, colleagues and the communities which we serve with access to a prosperous future</i><br><br><i>Proactively managing the environmental and societal impacts of our business</i> | Delivery against our Shared Growth Ambition             | <ul style="list-style-type: none"><li>Target exceeded on against our annual internal milestones for a focus area of ‘Access to financing’</li><li>‘Access to digital and financial empowerment’ also exceeded target</li><li>Target exceeded on against our annual internal milestones for a focus area of ‘Access to employment’.</li><li>Volumes for selected social and environmental segments: facilitated £27.3bn in social and environmental financing. We expanded our green product portfolio, including the launch of the first Green Mortgage for retail customers by a mainstream UK institution</li><li>We helped support around 260,000 people with access to financial and digital empowerment in 2018 (2017: 205,000)</li><li>We helped improve the skills of over 2.4 million people in 2018 (2017: 2.1 million), driven by a range of employability partnerships around the world</li></ul> | 6%               |
|                                                                                                                                                                                                                                                                                                        | Proactively managing environmental and societal impacts | <ul style="list-style-type: none"><li>We exceeded target on carbon emissions: reduced emissions by 38% against the 2015 baseline (target 30%)</li><li>We released statements on our approach to Ramsar Wetlands and World Heritage Sites, as well as a comprehensive statement on energy and climate (which strengthened and replaced our previous coal statement)</li><li>On-time payment by value to our suppliers was 82%, falling short of our target of 85%. Given that this KPI is reported as a three-month rolling average, it was disproportionately affected by a systems transformation in late October 2018.</li></ul>                                                                                                                                                                                                                                                                           |                  |
|                                                                                                                                                                                                                                                                                                        | Colleague engagement in citizenship activities          | <ul style="list-style-type: none"><li>We celebrate our colleague engagement and participation through our annual Citizenship Awards. 2018 was the 21st anniversary of the Awards, which saw almost 1,500 employees nominated.</li><li>87% of colleagues who responded to the annual Your View employee survey are proud of Barclays’ contribution to the community and society, above the global Financial Services Companies norm.</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                  |
|                                                                                                                                                                                                                                                                                                        | External benchmarks and surveys                         | <ul style="list-style-type: none"><li>Our performance was broadly stable across a set of ratings. Institutional Shareholder Services (ISS) released new environmental and social quality scores to assess corporate disclosures. On a 1-10 scale (‘1’ highest), Barclays was rated ‘1’ for social reporting and ‘2’ for environmental reporting</li><li>The FTSE4Good ESG rating remained flat at 4.3/5. Barclays was rated as A- in the 2018 Carbon Disclosure Project climate disclosure survey, up from B in 2017.</li></ul>                                                                                                                                                                                                                                                                                                                                                                              |                  |
|                                                                                                                                                                                                                                                                                                        |                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 16.5% out of 20% |

Individual outcomes including assessment of personal objectives

Individual performance against each of the executive Directors’ personal objectives (20% weighting overall) was assessed by the Committee (objectives as set out on page 109 of the 2017 Annual Report).

The below summarises their performance against the shared personal objectives.

| Shared objectives for Jes Staley and Tushar Morzaria                                                         | Outcomes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|--------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Deliver on 2018 financial goals such that we remain on track to achieve our returns targets                  | <ul style="list-style-type: none"><li>Financial goals delivered and on track to achieve external returns targets in 2019 and 2020</li><li>Strong financial improvements in PBT and RoTE and maintenance of CET1 in end-state range. 2018 RoTE close to 2019 target of greater than 9%</li></ul>                                                                                                                                                                                                                                                                        |
| Seek opportunities for further cost savings and optimise the capital allocation within the Group             | <ul style="list-style-type: none"><li>2018 cost target of £13.9bn achieved</li><li>Capital allocation optimised and deployed to key strategic areas</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                          |
| Complete the Structural Reform programme successfully, ensuring the UK ring-fenced bank is fully operational | <ul style="list-style-type: none"><li>Structural Reform programme largely completed, including the stand-up of the ring-fenced bank in the UK. This was completed in April and is recognised as one of the biggest technological shifts carried out in financial services, requiring a huge coordinated effort from teams across the bank</li></ul>                                                                                                                                                                                                                    |
| Finalise the implementation plan for an effective Brexit outcome                                             | <ul style="list-style-type: none"><li>The Group is operationally prepared for the UK to leave the EU, with an extended licence for Barclays Bank Ireland in place and the entity prepared to be fully operational by the end of March 2019</li></ul>                                                                                                                                                                                                                                                                                                                   |
| Continue to drive strategic initiatives to enhance growth in shareholder value in the medium term            | <ul style="list-style-type: none"><li>The Committee noted the strategic initiatives to improve returns to shareholders, both within the businesses and also through our state of the art operating platform, Barclays Execution Services</li><li>In 2018, based on strong capital position, the restoration of the dividend to 6.5 pence, and the redemption of the expensive preference shares dating from the financial crisis, saw us deploy around £1.8 billion of capital. While this represents progress, we acknowledge that it is not yet sufficient</li></ul> |
| Manage risk and control effectively and make continued progress in resolving outstanding conduct matters     | <ul style="list-style-type: none"><li>Significant improvements in the control environment resulting from the wide-ranging ‘BICEP’ (Barclays Improved Controls Enhancement Programme) work</li><li>Major outstanding legacy conduct matters resolved, including reaching a reasonable settlement with the US Department of Justice in relation to RMBS, and having the UK SFO charges relating to the 2008 fundraising against the bank dismissed</li></ul>                                                                                                             |

In addition to the shared personal objectives described above, the below summarises Jes Staley’s performance against the objectives specific to him.

| Jes Staley's objectives                                                                                                                                                                     | Outcomes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Continue to strengthen the Bank's cyber readiness, operational and financial controls                                                                                                       | <ul style="list-style-type: none"><li>Significant progress to strengthen controls in relation to cyber readiness, operations and financial reporting, including through the BICEP (Barclays Internal Controls Enhancement Programme) work</li><li>Cyber security enhanced with a second joint operation centre opened in Whippany, New Jersey to enhance our ability to monitor and address incidents on a global basis</li><li>Both operational issues and risk events have reduced significantly during 2018</li></ul>                                                                                                                                                                                                                                                                                                                              |
| Further improve customer and client satisfaction, with a particular focus on reducing the number of overall complaints                                                                      | <ul style="list-style-type: none"><li>Jes Staley has been instrumental in upgrading key talent that has led to strong performance in the Markets business which has increased market share<sup>a</sup> in each asset class and delivered 5 consecutive quarters of outperformance vs peers. Banking maintained its 6th rank in UK and US and remained top 3 in UK</li><li>Similarly, within customer satisfaction, Barclays UK Net Promoter Score (NPS) increased to +17 from +14 in 2017</li><li>Jes Staley has driven a focus on customer outcomes across the bank with his senior executive teams, reducing the number of overall complaints in Barclays UK (including PPI) 1% from 2017, while underlying UK complaint volumes reduced by 9% year-on-year excluding PPI (PPI complaints were up 2%).</li></ul>                                    |
| As part of the ongoing succession planning for Group and Business Unit/ Functional Executive Committees, continue the focus on improving the percentage of women in senior leader positions | <ul style="list-style-type: none"><li>While the percentage of females in senior leadership positions is increasing slowly, Jes Staley has personally taken accountability for trying to redress the historic gender imbalance at our most senior levels</li><li>In 2018, key initiatives included the work of the Global Gender Taskforce, responsible for the Women's Managing Director Forum, as well as the extension of the ex officio role (a rotating position on senior management committees providing opportunities for talented individuals to contribute) from the Group Executive Committee down through the organisation</li><li>Jes Staley also personally launched a set of 2019 specific initiatives which are aiming to make the biggest difference most quickly to the proportion of women in senior leadership positions</li></ul> |

Recognising his very strong performance against both his individual and shared personal objectives during 2018, the Committee judged that 17% of a maximum of 20% attributable to individual objectives was appropriate.

The below summarises Tushar Morzaria's performance against the objectives specific to him.

| Tushar Morzaria's objectives                                                                                                                                                     | Outcomes                                                                                                                                                                                                                                                                                     |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Demonstrate effective management of external relationships and reputation                                                                                                        | <ul style="list-style-type: none"><li>Feedback from the Board, regulators and investors continues to show that Tushar Morzaria is extremely well respected internally and externally, and that the management of external relationships and reputation of the Group remains strong</li></ul> |
| Continue to strengthen team performance (especially following the creation of the Group Service Company), talent base and employee engagement in Group Finance, Tax and Treasury | <ul style="list-style-type: none"><li>The performance of the Finance function has continued to strengthen, with a diverse and experienced management team in place and good sustainable engagement scores</li></ul>                                                                          |

The Committee also recognised Tushar Morzaria's very strong performance (against both his individual and shared personal objectives) during 2018, and judged that 18% out of a maximum of 20% attributable to individual objectives was appropriate.

(i) Jes Staley

A summary of the assessment for Jes Staley is provided in the following table.

| Performance measure                                  |                        | Weighting | 2018 Outcome |
|------------------------------------------------------|------------------------|-----------|--------------|
| Financial                                            | See table on page 66   | 60%       | 14.8%        |
| Strategic                                            | See table on page 67   | 20%       | 16.5%        |
| Personal objectives                                  | Judgemental assessment | 20%       | 17.0%        |
| Total                                                |                        | 100%      | 48.3%        |
| Final outcome approved by the Remuneration Committee |                        |           | 48.3%        |

In aggregate, the performance assessment for Jes Staley resulted in an overall formulaic outcome of 48.3% of maximum bonus opportunity being achieved. The Committee considered the outcome and noted that a 2018 annual bonus of £1,061,000 (of which 62% is deferred under the Share Value Plan) is slightly down against his 2017 annual bonus outcome, and therefore is not reflective of the improved performance observed. The Committee reflected on the disconnect between the positive financial and strategic performance across the Group and the relatively low outcomes against the financial measures given the extremely stretching financial targets in the annual bonus plan. Based on a balanced assessment across all of the relevant factors, including recognising share price performance (while not solely attributable to the executive Directors), the Committee decided that the outcome would remain at £1,061,000.

(ii) Tushar Morzaria

A summary of the assessment for Tushar Morzaria is provided in the following table.

| Performance measure                                  |                        | Weighting | 2018 Outcome |
|------------------------------------------------------|------------------------|-----------|--------------|
| Financial                                            | See table on page 66   | 60%       | 14.8%        |
| Strategic                                            | See table on page 67   | 20%       | 16.5%        |
| Personal objectives                                  | Judgemental assessment | 20%       | 18.0%        |
| Total                                                |                        | 100%      | 49.3%        |
| Final outcome approved by the Remuneration Committee |                        |           | 49.3%        |

Notes  
a All markets ranks and shares; Coalition, FY18 Preliminary Competitor Analysis based on the Coalition Index and Barclays' internal business structure.

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In aggregate, the performance assessment for Tushar Morzaria resulted in an overall formulaic outcome of 49.3% of maximum bonus opportunity being achieved. The Committee considered the outcome and again noted that a 2018 annual bonus of £729,000 (of which 45% is deferred under the Share Value Plan) was slightly down against his 2017 annual bonus outcome despite stronger Group performance (financial and non-financial). Similar to the assessment for Jes Staley, it decided that the outcome would remain at £729,000.

In line with the DRP, and due to the regulations prohibiting dividend equivalents being paid on unvested deferred share awards, the number of shares awarded to each executive Director under the Share Value Plan will be calculated using a share price at the date of award, discounted to reflect the absence of dividend equivalents during the vesting period. The valuation will be aligned to IFRS 2, with the market expectations of dividends during the deferral period being assessed by an independent adviser. These shares will vest in two equal tranches on the first and second anniversary (subject to the rules of the Share Value Plan as amended from time to time). All shares (whether deferred or not) are subject to a further one-year holding period from the point of release. 2018 bonuses are subject to clawback provisions and, additionally, unvested deferred 2018 bonuses are subject to malus provisions which enable the Committee to reduce the vesting level of deferred bonuses (including to nil).

**LTIP**

The LTIP amount included in Tushar Morzaria’s 2018 single total figure is the value of the amount scheduled to be released in relation to the LTIP award granted in 2016 in respect of the performance period 2016–2018 (by reference to Q4 2018 average share price). As Jes Staley was not a participant in this cycle, the LTIP figure in the single figure table is zero for him. Release is dependent on, among other things, performance over the period from 1 January 2016 to 31 December 2018 with straight-line vesting applied between the threshold and maximum points. The performance achieved against the performance targets is as follows:

| Performance measure                                                            | Weighting | Threshold                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Maximum vesting                   | Actual | % of award vesting |
|--------------------------------------------------------------------------------|-----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|--------|--------------------|
| Average return on tangible equity (RoTE) excluding material items <sup>a</sup> | 25%       | 6.25% of award vests for RoTE of 7.5%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | RoTE of 10.0%                     | 5.6%   | 0%                 |
|                                                                                |           | CET1 ratio must remain at or above an acceptable level for any of this element to vest. The threshold will be reviewed and set annually based on market conditions and regulatory requirements (11.3% in 2018)                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                   |        |                    |
| CET1 ratio as at 31 December 2018                                              | 25%       | 6.25% of award vests for CET1 ratio of 11.6%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | CET1 ratio of 12.7%               | 13.2%  | 25%                |
| Cost: income ratio excluding material items <sup>a</sup>                       | 20%       | 5% of award vests for average cost: income ratio of 66%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Average cost: income ratio of 58% | 70%    | 0%                 |
| Risk Scorecard                                                                 | 15%       | Performance against the Risk Scorecard is assessed by the Committee, with input from the Group Risk function, Board Risk Committee and Board Reputation Committee as appropriate, to determine the percentage of the award that may vest between 0% and 15%. Since its introduction in 2016, the Risk Scorecard has been aligned by the Committee to the annual incentive risk alignment framework reviewed with the regulators. Following this alignment, the current framework measures performance against three broad categories – Capital and Liquidity, Control Environment and Conduct – using a combination of quantitative and qualitative metrics. |                                   |        | 10%                |
| Balanced Scorecard                                                             | 15%       | Performance against the Balanced Scorecard is assessed by the Committee to determine the percentage of the award that may vest between 0% and 15%. Each of the 5Cs in the Balanced Scorecard has equal weighting. Assessment was made against the Balanced Scorecard targets established at the beginning of the performance period.                                                                                                                                                                                                                                                                                                                         |                                   |        | 4%                 |
| Total                                                                          |           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                   |        | 39%                |
| Final outcome approved by the Remuneration Committee                           |           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                   |        | 39%                |

Note

a Material items include PPI, gain on disposal or Barclays’ share of Visa Europe Limited and own credit in 2016; PPI, losses relating to the sell down of BAGL and a one-off net charge due to the re-measurement of US deferred tax assets in 2017; PPI and settlement with regard to RMBS in 2018.

A summary of the Committee’s assessment against the Risk Scorecard performance measure over the three year performance period is provided below.

| Category            | Weighting | Performance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Outcome |
|---------------------|-----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| Capital & Liquidity | 5%        | <ul style="list-style-type: none"><li>Stress test results showed improvement over the period. Although Barclays did not meet its CET1 systemic reference points in 2016, no revised capital plans were required in light of the steps already taken. In 2017, the Bank of England recognised that the increases in CET1 capital and in Tier 1 leverage ratios over the year were sufficient for it to meet the systemic reference points in the test. Barclays passed the 2018 test.</li><li>Group CET1% grew from 11.4% to 13.2% over the period, and remained comfortably above the regulatory minimum throughout.</li><li>Our liquidity risk appetite measure and the Liquidity Coverage Ratio remained above targets.</li></ul> | 4%      |
| Controls            | 5%        | <ul style="list-style-type: none"><li>The Control Environment is monitored by senior management and the Board via various reports, dashboards, and deep dives. Summary ratings are also used to track improvement and remediation plans.</li><li>These summary ratings improved over the period, notably following the completion of the Barclays Internal Controls Enhancement Programme (BICEP). This programme facilitated the resolution of the most material control issues, and implemented a system of tracking and reporting risk events and controls issues against a new Controls Maturity Model.</li></ul>                                                                                                               | 3%      |



|         |     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |     |
|---------|-----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|
| Conduct | 5%  | <ul style="list-style-type: none"><li>▪ The Conduct category focuses on two internal forward-looking tools:</li><li>▪ The Conduct dashboard showed a downward trend in conduct issues and complaints alongside an upward trend in confidence with respect to speaking up about potential conduct risks and issues, although a need for continued focus remains.</li><li>▪ The occurrence of conduct breaches among senior leaders is referenced, in particular as a leading cultural indicator reflecting ‘tone from the top’. The number of occurrences remained negligible throughout the year.</li></ul> | 3%  |
| Total   | 15% |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 10% |

A summary of the Committee’s assessment against the Balanced Scorecard performance measures over the three year performance period is provided below.

| Category            | Weighting | Performance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Outcome |
|---------------------|-----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| Customer and Client | 3%        | <ul style="list-style-type: none"><li>▪ While positive progress has been made, with Barclays UK relationship NPS up to +17 (2017: +14; 2016: +10), the very ambitious target of ranking 1st against peers has not been achieved</li><li>▪ Similarly, Client Franchise Rank performance was at 5th and 6th over the period, below the plan target of top 3</li></ul>                                                                                                                                                                                                                                                                                 | 0%      |
| Colleague           | 3%        | <ul style="list-style-type: none"><li>▪ Good progress has been made in colleague engagement, increasing from 75% in 2016 to 78% in 2017 and to 79% in 2018. However this fell below the very stretching plan target of 87%-91%</li><li>▪ Continued improvement of +1% per year in the percentage of women in senior leadership roles to 24% at the end of 2018. This falls below the plan target of 26% (calibrated including the BAGL business). Had BAGL continued to have been included, the outcome would have been c2% higher and the target would have been achieved</li></ul>                                                                | 1%      |
| Citizenship         | 3%        | <ul style="list-style-type: none"><li>▪ The plan targets were exceeded on 4 measures (access to financing, financial and digital empowerment, access to employment and carbon emissions reduction)</li><li>▪ Barclays Way training was on track</li><li>▪ On-time payment to our suppliers is behind track, but in H2 2018 only, for the first time since it was introduced in 2015</li></ul>                                                                                                                                                                                                                                                       | 2%      |
| Conduct             | 3%        | <ul style="list-style-type: none"><li>▪ Conduct Reputation, as measured by the YouGov survey, remained at 5.2 - 5.4 over the period and below our plan target of 6.5</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 0%      |
| Company             | 3%        | <ul style="list-style-type: none"><li>▪ RoE and RoTE targets established to deliver greater than cost of equity in 2018. While there has been positive trajectory towards the 2019 and 2020 external commitments, the timeframe was ambitious and returns are not yet at that level</li><li>▪ Cost:income ratio plan target of below 60%. This has improved but there is still further progress required to achieve a ratio below 60%</li><li>▪ Significant strengthening in the CET1 ratio over the period, with the ratio now within our end-state target range of c13% and exceeding 100-150 basis points above the regulatory minimum</li></ul> | 1%      |
| Total               | 15%       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 4%      |

The LTIP award is also subject to a discretionary underpin whereby the Committee must be satisfied with the underlying financial health of the Group. The Committee was satisfied that this underpin was met, and accordingly determined that the award should be considered for release at 39% of the maximum number of shares under the total award. The shares are scheduled to be released in March 2019. After release, the shares are subject to an additional two year holding period.

(i) LTIP awards granted during 2017

The performance measures for the awards made under the 2017–2019 LTIP cycle are as follows:

| Performance measure                                               | Weighting | Threshold                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Maximum vesting                                  |
|-------------------------------------------------------------------|-----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|
| Average return on tangible equity (RoTE) excluding material items | 25%       | 6.25% of award vests for RoTE excluding material items of 7.5%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | RoTE excluding material items of 9.5%            |
|                                                                   |           | CET1 ratio must remain at or above an acceptable level for any of this element to vest. The threshold will be reviewed and set annually based on market conditions and regulatory requirements (11.7% on 31 December 2019)                                                                                                                                                                                                                                                                                                                                                                           |                                                  |
| CET1 ratio as at 31 December 2019                                 | 25%       | 6.25% of award vests for CET1 ratio 100 basis points above the mandatory distribution restrictions (MDR) hurdle (currently 11.7%)                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | CET1 ratio 200 basis points above the MDR hurdle |
| Cost: income ratio excluding material items                       | 20%       | 5% of award vests for average cost: income ratio of 63%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Average cost: income ratio of 58%                |
| Risk Scorecard                                                    | 15%       | The Risk Scorecard captures a range of risks and is aligned with the annual incentive risk alignment framework reviewed with the regulators. The current framework measures performance against three broad categories – Capital and Liquidity, Control Environment and Conduct – using a combination of quantitative and qualitative metrics. The framework may be updated from time to time in line with the Group’s risk strategy. Specific targets within each of the categories are deemed to be commercially sensitive. Retrospective disclosure will be made in the 2019 Remuneration report. |                                                  |

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| Performance measure     | Weighting | Threshold                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Maximum vesting |
|-------------------------|-----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| Strategic non-financial | 15%       | <div>The evaluation will focus on key performance measures from the Performance Measurement Framework, with a detailed retrospective narrative on progress throughout the period against each category. Performance against the strategic non-financial measures will be assessed by the Committee to determine the percentage of the award that may vest between 0% and 15%. The measures are organised around three main categories: Customer and Client, Colleague and Citizenship. Each of the three main categories has equal weighting. Measures will likely include, but will not be limited to, the following:</div> <div><div><div>▪ Customer and Client: NPS for consumer businesses, Client rankings and market shares for the Corporate and Investment Bank, complaints performance and volume of lending provided to customers and clients.</div><div>▪ Colleague: Diversity and Inclusion statistics (including women in senior leadership), Employee sustainable engagement survey scores and conduct and culture measures.</div><div>▪ Citizenship: Delivery against our Shared Growth Ambition, Colleague engagement in Citizenship activities and external benchmarks and surveys.</div></div></div> |                 |

Straight-line vesting applies between the threshold and maximum points in respect of the financial measures.

The award is subject to a discretionary underpin by which the Committee must be satisfied with the underlying financial health of the Group.

(ii) LTIP awards granted during 2018

An award was made to Jes Staley and Tushar Morzaria on 8 March 2018 under the 2018–2020 LTIP at a share price of £1.7775, which has been discounted to reflect the absence of dividend equivalents during the vesting period, in accordance with our DRP. This is the price used to calculate the face value below.

|                 | % of<br>Total fixed pay | Number of<br>shares | Face value<br>at grant | Performance<br>period |
|-----------------|-------------------------|---------------------|------------------------|-----------------------|
| Jes Staley      | 120%                    | 1,853,891           | 3,295,200              | 2018–2020             |
| Tushar Morzaria | 120%                    | 1,248,980           | 2,220,000              | 2018–2020             |

The performance measures for the 2018–2020 LTIP awards are as follows:

| Performance measure                                               | Weighting | Threshold                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Maximum vesting                   |
|-------------------------------------------------------------------|-----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|
| Average return on tangible equity (RoTE) excluding material items | 50%       | <div>10% of award vests for RoTE of 7.75% (based on an assumed CET1 ratio of c.13%)</div> <div>Vesting of this element will depend on CET1 levels during the performance period:</div> <div><div><div>▪ if CET1 goes below the MDR hurdle (currently 11.7%) in any year of the period, no part of the RoTE element will vest</div><div>▪ if CET1 goes below the MDR hurdle +150bps but remains above the hurdle during the period, the Committee will exercise its discretion to determine what portion of the RoTE element should vest, based on the causes of the CET1 reduction</div></div></div>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                   |
| Average cost: income ratio excluding material items               | 20%       | 4% of award vests for average cost: income ratio of 62.5%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Average cost: income ratio of 58% |
| Risk Scorecard                                                    | 15%       | <div>The Risk Scorecard captures a range of risks and is aligned with the annual incentive risk alignment framework reviewed with the regulators. The current framework measures performance against three broad categories – Capital and Liquidity, Control Environment and Conduct – using a combination of quantitative and qualitative metrics. The framework may be updated from time to time in line with the Group's risk strategy. Specific targets within each of the categories are deemed to be commercially sensitive. Retrospective disclosure will be made in the 2020 Remuneration report, subject to commercial sensitivity no longer remaining.</div>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                   |
| Strategic non- financial                                          | 15%       | <div>The evaluation will focus on key performance measures from the Performance Measurement Framework, with a detailed retrospective narrative on progress throughout the period against each category. Performance against the strategic non-financial measures will be assessed by the Committee to determine the percentage of the award that may vest between 0% and 15%. The measures are organised around three main categories: Customer and Client, Colleague and Citizenship. Each of the three main categories has equal weighting. Measures will likely include, but will not be limited to, the following:</div> <div><div><div>▪ Customer and Client: NPS for consumer businesses, client rankings and market shares for the CIB, complaints performance and volume of lending provided to customers and clients.</div><div>▪ Colleague: Diversity and Inclusion statistics (including women in senior leadership), Employee sustainable engagement survey scores and conduct and culture measures.</div><div>▪ Citizenship: Delivery against our Shared Growth Ambition, Colleague engagement in Citizenship activities and external benchmarks and surveys.</div></div></div> |                                   |

Straight-line vesting applies between the threshold and maximum points in respect of the financial measures.

The award is subject to a discretionary underpin by which the Committee must be satisfied with the underlying financial health of the Group.

LTIP awards to be granted during 2019

The Committee decided to make an award under the 2019–2021 LTIP cycle to Jes Staley and Tushar Morzaria (based on their performance in 2018) with a face value at grant of 120% of their respective Total fixed pay at 31 December 2018.

The 2019–2021 LTIP award will be subject to the following forward-looking performance measures.

| Performance measure                                                                  | Weighting | Threshold                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Maximum vesting             |
|--------------------------------------------------------------------------------------|-----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| Average return on tangible equity ex litigation and conduct and other material items | 50%       | 10% of award vests for RoTE of 8.5% (based on an assumed CET1 ratio of c.13%)<br>Vesting of this element will depend on CET1 levels during the performance period: <ul style="list-style-type: none"><li>If CET1 goes below the MDR hurdle (currently 11.7%) in any year of the performance period, no part of the RoTE element will vest</li><li>If CET1 goes below the end-state target (c.13%) but remains above the hurdle during the year, the Committee will exercise its discretion to determine what portion of the RoTE element should vest, based on the causes of the CET1 reduction</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | RoTE of 10.5%               |
| 2021 Cost: income ratio ex litigation and conduct and other material items           | 20%       | 4% of award vests for cost: income ratio of 60%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Cost: income ratio of 58.5% |
| Risk Scorecard                                                                       | 15%       | The Risk Scorecard captures a range of risks and is aligned with the annual incentive risk alignment framework shared with the regulators. The current framework measures performance against three broad categories - Capital and Liquidity, Control Environment and Conduct - using a combination of quantitative and qualitative metrics. The framework may be updated from time to time in line with the Group's risk strategy. Specific targets within each of the categories are deemed to be commercially sensitive. Retrospective disclosure will be made in the 2021 Remuneration report, subject to commercial sensitivity no longer remaining.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                             |
| Strategic non-financial                                                              | 15%       | The evaluation will focus on key performance measures from the Performance Measurement framework, with a detailed retrospective narrative on progress throughout the period against each category. Performance against the strategic non-financial measures will be assessed by the Committee to determine the percentage of the award that may vest between 0% and 15%. The measures are organised around three main categories: Customer and Client, Colleague and Citizenship. Each of the three main categories has equal weighting. Measures will likely include, but not be limited to, the following: <ul style="list-style-type: none"><li>Customer and Client: NPS for consumer businesses, Client rankings and market shares for the Corporate and Investment Bank, complaints performance and volume of lending provided to customers and clients.</li><li>Colleague: Diversity and Inclusion statistics (including women in senior leadership), Employee sustainable engagement survey scores and conduct and culture measures.</li><li>Citizenship: Delivery against our Shared Growth Ambition, Colleague engagement in Citizenship activities and external benchmarks and surveys.</li></ul> |                             |

Matters for which the Committee has exercised discretion

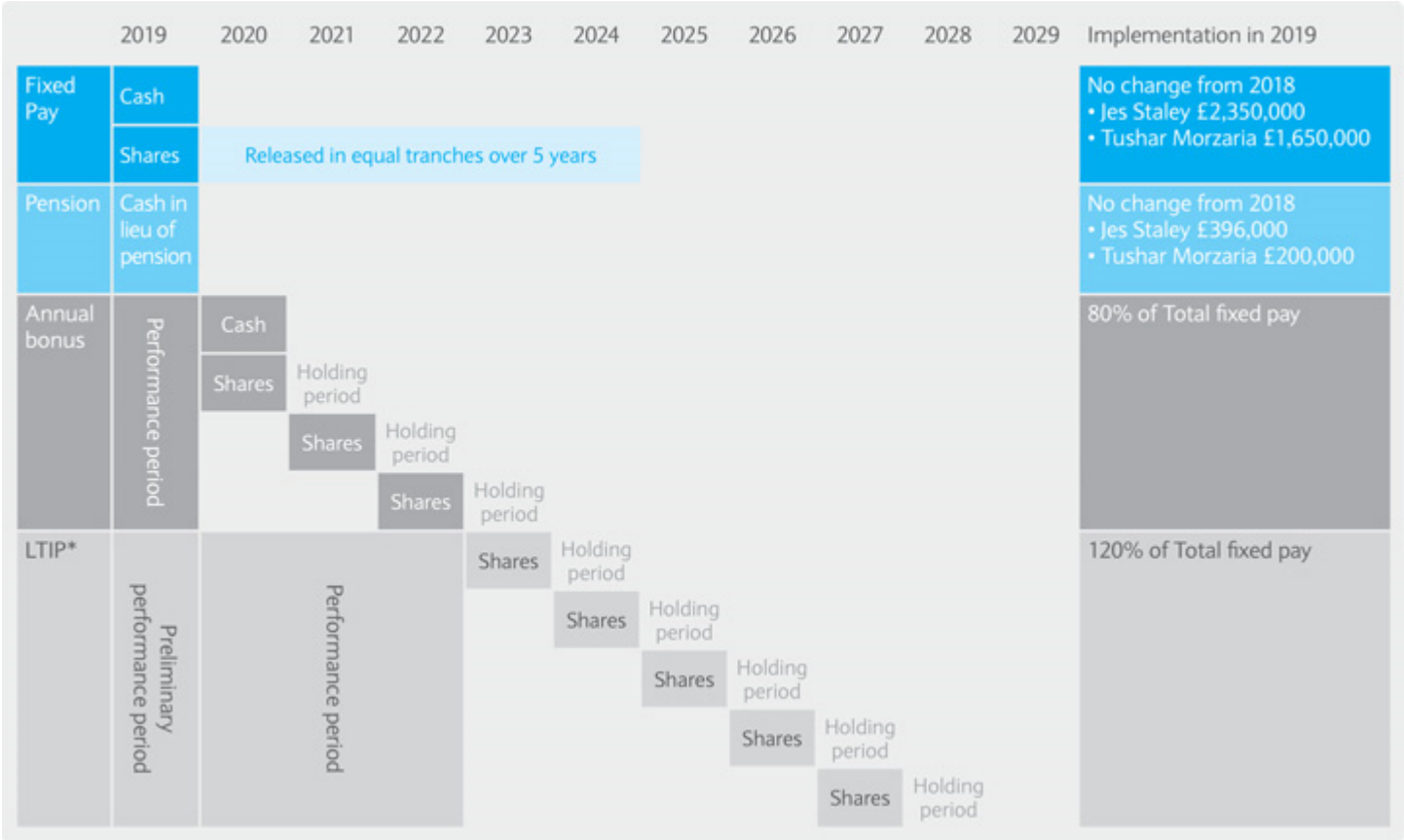
As previously announced, malus has been applied to Jes Staley’s 2016 variable compensation. Following the conclusion of the FCA and PRA investigations into Jes Staley the Committee determined to reduce the awarded value of his 2016 variable compensation by £500,000.

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Executive Directors: Statement of implementation of remuneration policy in 2019

The following chart provides an illustrative indication of how 2019 remuneration will be delivered to the executive Directors.



\* This assumes an LTIP award made in 2020 in line with the current Policy.

2019 Annual bonus performance measures

Performance measures with appropriately stretching targets have been selected to cover a range of financial and non-financial goals that support the key strategic objectives of the Company. The performance measures and weightings are shown below.

|                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|---------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Financial<br>(60% weighting)<br><br>A performance target range has been set for each financial measure. | <div><div>▪ Profit before tax excluding litigation and conduct and other material items (50% weighting) Payout of this element will depend on the CET1 ratio during the performance year:<div><div>– if CET1 goes below the MDR hurdle (currently 11.7%) during the performance year, no part of the PBT element will pay out.</div><div>– if CET1 goes below the end-state target (c.13%) but remains above the hurdle during the year, the Committee will exercise its discretion to determine what portion of the PBT element should pay out, based on the causes of the CET1 reduction.</div></div></div><div>▪ Cost: income ratio excluding litigation and conduct and other material items (10% weighting).</div></div>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Strategic non-financial<br>(20% weighting)                                                              | <div><div>The evaluation will focus on key performance measures from the Performance Measurement Framework, with a detailed retrospective narrative on progress during the year against each category. Performance against the strategic non-financial measures will be assessed by the Committee to determine the percentage of the award that may vest between 0% and 20%. The measures are organised around three main categories: Customer and Client, Colleague and Citizenship. Each of the three main categories has equal weighting. Measures will likely include, but will not be limited to, the following:<div><div>▪ Customer and Client: NPS for consumer businesses, Client rankings and market shares for the Corporate and Investment Bank, complaints performance and volume of lending provided to customers and clients</div><div>▪ Colleague: Diversity and Inclusion statistics (including women in senior leadership), Employee sustainable engagement survey scores and conduct and culture measures</div><div>▪ Citizenship: Delivery against our Shared Growth Ambition, Colleague engagement in Citizenship activities and external benchmarks and surveys.</div></div></div></div> |

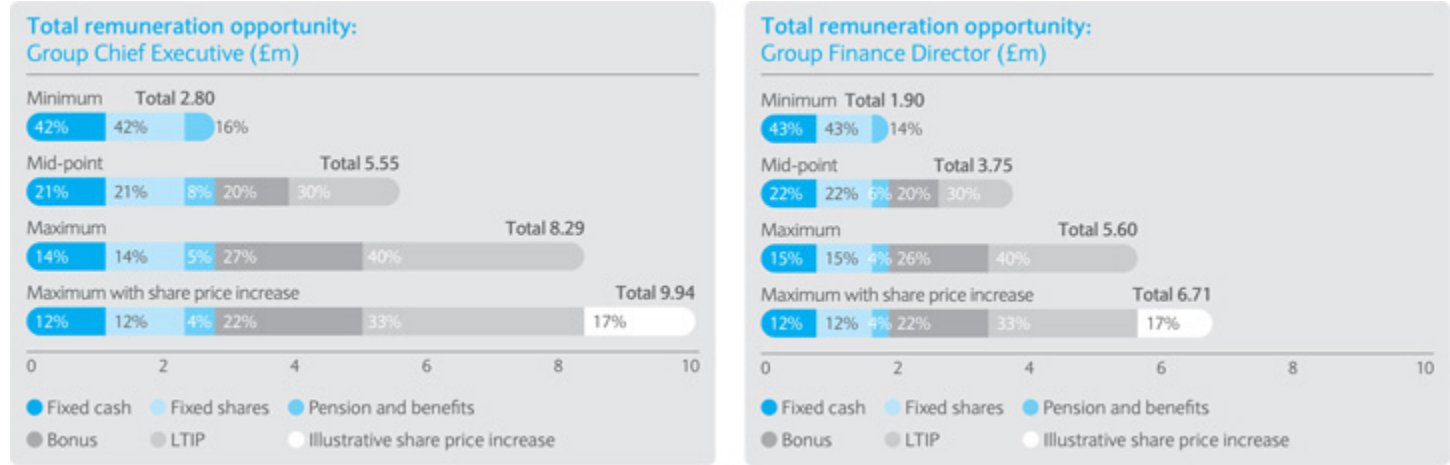


|                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Personal<br>(20% weighting) | <p>The executive Directors have the following joint personal objectives for 2019:</p> <ul style="list-style-type: none"><li>▪ Deliver on 2019 external market targets, whilst also remaining on track for delivery of 2020 commitments. In doing so, continue to focus on the profitability and returns of the CIB</li><li>▪ Identify opportunities for further cost efficiencies, enabling re-investment into strategic priorities.</li><li>▪ Leverage the new Barclays Execution Services platform to drive our technology agenda across both trading entities to improve customer and client experience and enhance value.</li><li>▪ Respond to emerging Brexit decisions, managing risks appropriately for the Group, while continuing to support our customers and clients in the UK.</li></ul> <p>In addition, individual personal objectives for 2019 are as follows:</p> <p><b>Jes Staley</b></p> <ul style="list-style-type: none"><li>▪ Oversee the effective management of the risk and controls agenda, including cyber risks.</li><li>▪ Further improve customer and client satisfaction, with continued focus on complaint reduction.</li><li>▪ Develop further a high performing culture in line with our Values, continuing to focus on employee engagement; the talent pipeline for Group, Business and Functional Executive Committees with a particular emphasis on improving the percentage of women in senior leadership roles.</li><li>▪ Effectively manage relationships with key external stakeholders and society more broadly.</li></ul> <p><b>Tushar Morzaria</b></p> <ul style="list-style-type: none"><li>▪ Demonstrate effective management of external relationships, particularly regulators and investors.</li><li>▪ Oversee the effective management of the risk and controls agenda in Group Finance, Tax and Treasury Progress Finance Transformation Programme and drive benefits across Group Finance, Tax and Treasury.</li><li>▪ Continue to develop talent base, employee engagement and gender diversity in Group Finance, Tax and Treasury.</li></ul> |
|-----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Illustrative scenarios for executive Directors' remuneration

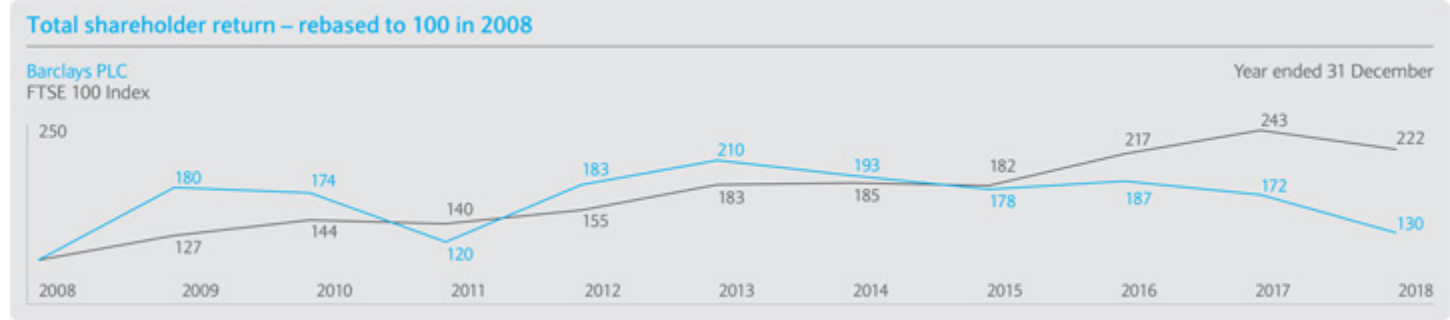
The charts below show the potential value of the current executive Directors' 2019 total remuneration in three main scenarios: 'Minimum' (i.e. Fixed Pay, Pension and benefits), 'Mid-point' (i.e. Fixed Pay, Pension, benefits and 50% of the maximum variable pay that may be awarded) and 'Maximum' (i.e. Fixed Pay, Pension, benefits and the maximum variable pay that may be awarded). For the purposes of these charts, the value of benefits is based on an estimated annual value for 2019 regular contractual benefits. Additional ad hoc benefits may arise, for example, overseas relocation of executive Directors, but will always be provided in line with the DRP.

A significant proportion of the potential remuneration of the executive Directors is variable and is therefore performance-related. It is also subject to deferral, additional holding periods, malus and clawback. Ahead of the new reporting requirements, we have also provided an indication of the maximum remuneration receivable, assuming share price appreciation of 50% on the LTIP.



Performance graph and table

The performance graph below illustrates the performance of Barclays over the financial years from 2009 to 2018 in terms of total shareholder return compared with that of the companies comprising the FTSE 100 index. The index has been selected because it represents a cross-section of leading UK companies.



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Annual report on Directors’ remuneration

The table below provides pay ratios of the Group Chief Executive’s total remuneration (as disclosed in the single total remuneration figure table) to the remuneration of UK employees. The ratio varies from year to year primarily due to variations in the CEO total remuneration figures, e.g. where there are changes in CEO, or variations in LTIP payouts (in some years, the Group Chief Executive may not be a participant in a vesting LTIP).

The ratio of CEO remuneration for each reference point (LQ, median and UQ) has decreased from 2016 (the first full year of service for the correct CEO) to 2018, primarily due to lower bonus outcomes for the CEO. The CEO was not a participant in any LTIP that vested during this period. Over the same period, the figures for the LQ UK employee has risen 10%. It should be noted that these ratios may increase in 2019, as this will be the first year an LTIP, in which the CEO is a participant reaches the end of its performance period and may therefore result in a vesting outcome for the CEO.

| Year                                           | 2009        | 2010        | 2011                | 2012 <sup>a</sup>        |                             | 2013             | 2014               | 2015 <sup>a</sup>           |                             | 2016                    | 2017             | 2018             |
|------------------------------------------------|-------------|-------------|---------------------|--------------------------|-----------------------------|------------------|--------------------|-----------------------------|-----------------------------|-------------------------|------------------|------------------|
|                                                | John Varley | John Varley | Bob Diamond         | Bob Diamond <sup>b</sup> | Antony Jenkins <sup>c</sup> | Antony Jenkins   | Antony Jenkins     | Antony Jenkins <sup>c</sup> | John McFarlane <sup>d</sup> | Jes Staley <sup>e</sup> | Jes Staley       | Jes Staley       |
| Group Chief Executive                          |             |             |                     |                          |                             |                  |                    |                             |                             |                         |                  |                  |
| Single total remuneration figure CEO           | 2,050       | 4,567       | 11,070 <sup>f</sup> | 1,892                    | 529                         | 1,602            | 5,467 <sup>g</sup> | 3,399                       | 305                         | 277                     | 4,233            | 3,873            |
| Annual bonus award as a % of max               | 0%          | 100%        | 80%                 | 0%                       | 0%                          | 0%               | 57%                | 48%                         | N/A                         | N/A                     | 60%              | 48.5%            |
| Long-term incentive plan vesting as a % of max | 50%         | 16%         | N/A <sup>h</sup>    | 0%                       | N/A <sup>h</sup>            | N/A <sup>h</sup> | 30%                | 39%                         | N/A <sup>h</sup>            | N/A <sup>h</sup>        | N/A <sup>h</sup> | N/A <sup>h</sup> |
| UK employee LQ                                 | 106 x       | 232 x       | 552 x               |                          | 118 x                       | 77 x             | 254 x              |                             | 183 x                       |                         | 195 x            | 173 x            |
| UK employee median                             | 75 x        | 165 x       | 391 x               |                          | 84 x                        | 54 x             | 175 x              |                             | 126 x                       |                         | 137 x            | 119 x            |
| UK employee UQ                                 | 40 x        | 87 x        | 206 x               |                          | 44 x                        | 28 x             | 92 x               |                             | 66 x                        |                         | 70 x             | 61 x             |

Notes

a Where there was more than one Group Chief Executive in a year, the pay ratio references the sum of the Group Chief Executive single total figures for that year

b Bob Diamond left the Board on 3 July 2012.

c Antony Jenkins became Group Chief Executive on 30 August 2012 and left the Board on 16 July 2015.

d John McFarlane was Executive Chairman from 17 July 2015 to 30 November 2015. His fees, which remained unchanged, have been pro-rated for his time in the position. He was not eligible to receive a bonus or LTIP.

e Jes Staley became Group Chief Executive on 1 December 2015.

f This figure includes £5,745k tax equalisation as set out in the 2011 Remuneration report. Bob Diamond was tax equalised on tax above the UK rate where that could not be offset by a double tax treaty.

g Antony Jenkins’ 2014 pay is higher than in earlier years since he declined a bonus in 2012 and 2013 and did not have LTIP vesting in those years.

h Not a participant in a long-term incentive award which vested in the period.

i As required, the single total remuneration figure includes an adjustment made to Jes Staley’s 2016 variable compensation in 2018. 2018 outcome excluding the malus adjustment is £3,862k and the ratios would be LQ: 162x, Median: 110x, UQ: 58x

Percentage change in Group Chief Executive’s remuneration

The table below shows how the percentage change in the Group Chief Executive’s salary, benefits and bonus between 2017 and 2018 compared with the percentage change in the average of each of those components of pay for UK based employees.

We have chosen UK based employees as the comparator group as it is the most representative for pay structure comparisons.

|                                            | Fixed Pay | Benefits | Annual bonus |
|--------------------------------------------|-----------|----------|--------------|
| Group Chief Executive                      | 0%        | -11%     | 0%           |
| Average based on UK employees <sup>a</sup> | 2%        | 0%       | 10%          |

Note

a Certain populations were excluded to enable a meaningful like for like comparison.

Total remuneration of the employees in the Barclays Group

The table below shows the number of employees in the Barclays Group as at 31 December 2017 and 2018 in bands by reference to total remuneration. Total remuneration comprises salary, RBP, other allowances, bonus and the value at award of LTIP awards.

Total remuneration of the employees in the Barclays Group

| Remuneration band        | Number of employees |        |
|--------------------------|---------------------|--------|
|                          | 2018                | 2017   |
| £0 to £25,000            | 31,846              | 31,406 |
| £25,001 to £50,000       | 25,770              | 24,280 |
| £50,001 to £100,000      | 18,478              | 17,604 |
| £100,001 to £250,000     | 10,804              | 9,818  |
| £250,001 to £500,000     | 2,197               | 2,113  |
| £500,001 to £1,000,000   | 916                 | 811    |
| £1,000,001 to £2,000,000 | 306                 | 262    |
| £2,000,001 to £3,000,000 | 82                  | 70     |
| £3,000,001 to £4,000,000 | 19                  | 21     |
| £4,000,001 to £5,000,000 | 6                   | 5      |
| £5,000,001 to £6,000,000 | 11                  | 7      |
| Above £6,000,000         | 6                   | 4      |

Barclays is a global business. Of those employees earning above £1m in total remuneration for 2018 in the table above, 56% are based in the US, 36% in the UK, and 8% in the rest of the world.

Relative importance of spend on pay

A year on year comparison of Group compensation costs and distributions to shareholders are shown below.



Total incentive awards granted - current year

|                                                                        | Barclays Group               |                              | % Change |
|------------------------------------------------------------------------|------------------------------|------------------------------|----------|
|                                                                        | Year ended<br>31.12.18<br>£m | Year ended<br>31.12.17<br>£m |          |
| Incentive awards granted                                               |                              |                              |          |
| Bonus pool                                                             | 1,582                        | 1,432                        | (10)     |
| Commissions and other incentives                                       | 67                           | 74                           |          |
| Total incentive awards granted                                         | 1,649                        | 1,506                        | (9)      |
| Reconciliation of incentive awards granted to income statement charge: |                              |                              |          |
| Less: deferred bonuses granted but not charged in current year         | (359)                        | (302)                        | (19)     |
| Add: current year charges for deferred bonuses from previous years     | 299                          | 457                          | 35       |
| Other                                                                  | (33)                         | 29                           |          |
| Income statement charge for performance costs                          | 1,556                        | 1,690                        | 8        |
| Proportion of bonus pool that is deferred                              | 33%                          | 31%                          |          |

Chairman and non-executive Directors

Remuneration for non-executive Directors reflects their responsibilities and time commitment and the level of fees paid to non-executive Directors of comparable major UK companies.

Non-executive Directors are reimbursed expenses that are incurred for business reasons. Any tax that arises on these reimbursed expenses is paid by Barclays. The Chairman is provided with private medical cover and the use of a Company vehicle and driver when required for business purposes.

Chairman and non-executive Directors: Single total figure for 2018 fees

|                                    | Fees         |              | Benefits     |              | Total        |              |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                                    | 2018<br>£000 | 2017<br>£000 | 2018<br>£000 | 2017<br>£000 | 2018<br>£000 | 2017<br>£000 |
| Chairman                           |              |              |              |              |              |              |
| John McFarlane                     | 800          | 800          | 1            | 2            | 801          | 802          |
| Non-executive Directors            |              |              |              |              |              |              |
| Mike Ashley                        | 215          | 215          | -            | -            | 215          | 215          |
| Tim Breedon                        | 225          | 225          | -            | -            | 225          | 225          |
| Sir Ian Cheshire <sup>a</sup>      | 480          | 360          | -            | -            | 480          | 360          |
| Mary Anne Citrino <sup>b</sup>     | 39           | -            | -            | -            | 39           | -            |
| Mary Francis <sup>c</sup>          | 154          | 135          | -            | -            | 154          | 135          |
| Crawford Gillies <sup>d</sup>      | 222          | 195          | -            | -            | 222          | 195          |
| Sir Gerry Grimstone <sup>e</sup>   | 498          | 375          | -            | -            | 498          | 375          |
| Reuben Jeffery III                 | 120          | 120          | -            | -            | 120          | 120          |
| Matthew Lester <sup>f</sup>        | 135          | 45           | -            | -            | 135          | 45           |
| Dambisa Moyo                       | 135          | 135          | -            | -            | 135          | 135          |
| Diane Schueneman <sup>g</sup>      | 337          | 308          | -            | -            | 337          | 308          |
| Mike Turner <sup>h</sup>           | 105          | -            | -            | -            | 105          | -            |
| Diane de Saint Victor <sup>i</sup> | -            | 38           | -            | -            | -            | 38           |
| Steve Thieke <sup>j</sup>          | -            | 87           | -            | -            | -            | 87           |
| Total                              | 3,465        | 3,038        | 1            | 2            | 3,466        | 3,040        |

Notes

a.Sir Ian Cheshire's 2018 figure includes fees of £400,000 for his role as Chairman of Barclays Bank UK PLC.

b.Mary Anne Citrino joined the Board as a non-executive Director with effect from 25 July 2018. Her fees are therefore pro-rated for the period of her appointment.

c.Mary Francis succeeded Sir Gerry Grimstone as Chair of the Board Reputation Committee with effect from 1 April 2018.

d.Crawford Gillies was appointed Senior Independent Director with effect from 1 April 2018 and the 2018 figures includes the pro-rated amount for the period of his appointment.

e.Sir Gerry Grimstone was appointed Chairman of Barclays Bank PLC with effect from 1 April 2018 and subsequently stepped down as Deputy Chairman, Senior Independent Director and Chair of the Board Reputation Committee. The 2018 figure reflects this and also includes fees of £400,000 for his role as Chairman of Barclays Bank PLC Board and his previous appointment as Chairman of the BI Divisional Board for the period 1 January – 31 March 2018.

f. Matthew Lester joined the Board a non-executive Director with effect from 1 September 2017.

g.Diane Schueneman was appointed Chair of Barclays Services Limited (the Group Service Company) with effect from 1 September 2017 and is a member of the Barclays US LLC (the US Intermediate Holding Company) Board. The 2018 figure includes fees of £70,000 for her role on the Barclays Services Limited Board and \$177k (£132k) for her role on the Barclays US LLC Board.

h.Mike Turner joined the Board as a non-executive Director with effect from 1 January 2018.

i. Diane de Saint Victor retired from the Board with effect from 10 May 2017.

j. Steve Thieke retired from the Board with effect from 10 May 2017.

Governance: Remuneration report

Annual report on Directors’ remuneration

Chairman and non-executive Directors: Statement of implementation of remuneration policy in 2019

2019 fees, subject to annual review in line with policy, for the Chairman and non-executive Directors are shown below.

|                                                           | 1 January 2019<br>£000 | 1 January 2018<br>£000 |
|-----------------------------------------------------------|------------------------|------------------------|
| Chairman <sup>a</sup>                                     | 800                    | 800                    |
| Deputy Chairman <sup>b</sup>                              | 250                    | 250                    |
| Board member                                              | 80                     | 80                     |
| <b>Additional responsibilities</b>                        |                        |                        |
| Senior Independent Director <sup>c</sup>                  | 36                     | 30                     |
| Chairman of Board Audit, Remuneration or Risk Committee   | 70                     | 70                     |
| Chairman of Board Reputation Committee                    | 50                     | 50                     |
| Membership of Board Audit or Board Remuneration Committee | 30                     | 30                     |
| Membership of Board Reputation or Board Risk Committee    | 25                     | 25                     |
| Membership of Board Nominations Committee                 | 15                     | 15                     |

Notes

a.The Chairman does not receive any other additional responsibilities fees in addition to the Chairman fees.

b.Following the appointment of Sir Gerry Grimstone as Chairman of Barclays Bank PLC with effect from 1 April 2018, it was deemed not necessary to fill the position of Deputy Chairman. However, the position remains available should Barclays consider it necessary and beneficial to the Company to appoint a Deputy Chairman in the future.

c.The Board approved an increase to the Senior Independent Director fees effective 1 April 2018. The increase in fees was approved in line with the Directors’ Remuneration Policy and took account of comparable market data and the Senior Independent Director role being performed independently of the Deputy Chairman role.

Payments to former Directors

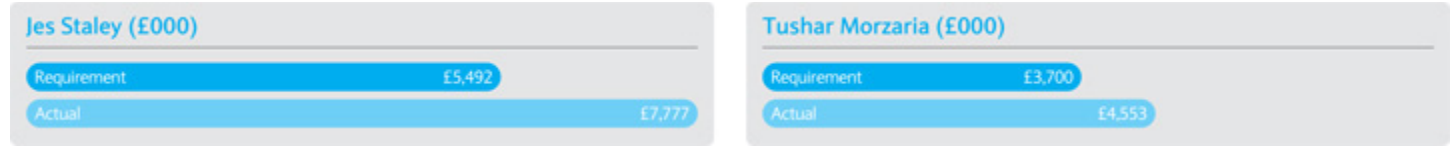
Former Group Finance Director: Chris Lucas

In 2018, Chris Lucas continued to be eligible to receive life assurance cover, private medical cover and payments under the Executive Income Protection Plan (EIPP). Full details of his eligibility under the EIPP were disclosed in the 2013 Directors’ remuneration report (page 115 of the 2013 Annual Report). Chris Lucas did not receive any other payment or benefit in 2018.

Directors’ shareholdings and share interests

Executive Directors’ shareholdings and share interests

The chart below shows the value of Barclays’ shares held beneficially by Jes Staley and Tushar Morzaria as at 19 February 2019 that count towards the shareholding requirement of, as a minimum, Barclays’ shares worth 200% of Total fixed pay (i.e. Fixed Pay plus Pension). The current executive Directors have five years from their respective date of appointment to meet this requirement. At close of business on 19 February 2019, the market value of Barclays’ ordinary shares was £1.59.



Interests in Barclays PLC shares

The table below shows shares owned beneficially by all the Directors and shares over which executive Directors hold awards which are subject to either deferral terms and/or performance measures. The shares shown below that are subject to performance measures are the maximum number of shares that may be released.

|                                | Owned outright | Unvested                              |                                           | Total as at<br>31 December 2018<br>(or date of retirement<br>from the Board, if earlier) | Total as at<br>18 February<br>2019 |
|--------------------------------|----------------|---------------------------------------|-------------------------------------------|------------------------------------------------------------------------------------------|------------------------------------|
|                                |                | Subject to<br>performance<br>measures | Not subject to<br>performance<br>measures |                                                                                          |                                    |
| <b>Executive Directors</b>     |                |                                       |                                           |                                                                                          |                                    |
| Jes Staley <sup>a</sup>        | 4,860,720      | 3,539,846                             | 555,540                                   | 8,956,106                                                                                |                                    |
| Tushar Morzaria                | 2,845,752      | 3,593,456                             | 502,392                                   | 6,941,600                                                                                |                                    |
| <b>Chairman</b>                |                |                                       |                                           |                                                                                          |                                    |
| John McFarlane                 | 99,139         | —                                     | —                                         | 99,139                                                                                   |                                    |
| <b>Non-executive Directors</b> |                |                                       |                                           |                                                                                          |                                    |
| Mike Ashley                    | 115,706        | —                                     | —                                         | 115,706                                                                                  |                                    |
| Tim Breedon                    | 45,342         | —                                     | —                                         | 45,342                                                                                   |                                    |
| Sir Ian Cheshire               | 91,202         | —                                     | —                                         | 91,202                                                                                   |                                    |
| Mary Anne Citrino <sup>b</sup> | 2,000          | —                                     | —                                         | 2,000                                                                                    |                                    |
| Mary Francis                   | 22,030         | —                                     | —                                         | 22,030                                                                                   |                                    |
| Crawford Gillies               | 85,975         | —                                     | —                                         | 85,975                                                                                   |                                    |
| Sir Gerry Grimstone            | 119,311        | —                                     | —                                         | 119,311                                                                                  |                                    |
| Reuben Jeffery III             | 301,963        | —                                     | —                                         | 301,963                                                                                  |                                    |
| Matthew Lester                 | 17,703         | —                                     | —                                         | 17,703                                                                                   |                                    |
| Dambisa Moyo                   | 67,606         | —                                     | —                                         | 67,606                                                                                   |                                    |
| Diane Schueneman               | 39,462         | —                                     | —                                         | 39,462                                                                                   |                                    |
| Mike Turner <sup>c</sup>       | 65,334         | —                                     | —                                         | 65,334                                                                                   |                                    |

Notes

a Jes Staley’s shareholding was reduced by 216,997 shares as a result of application of malus.

b.Mary Anne Citrino joined the Board as a non-executive Director with effect from 25 July 2018.

c Mike Turner joined the Board as a non-executive Director with effect from 1 January 2018.



## Barclays Board Remuneration Committee

The Board Remuneration Committee is responsible for overseeing Barclays' remuneration as described in more detail below.

### Terms of Reference

The role of the Committee is to:

- set the overarching principles and parameters of remuneration policy across the Group
- consider and approve the remuneration arrangements of (i) the Chairman, (ii) the executive Directors, (iii) members of the Barclays Group Executive Committee and any other senior executives specified by the Committee from time to time, and (iv) all other Group employees whose total annual compensation exceeds an amount determined by the Committee from time to time (currently £2m)
- exercise oversight for remuneration issues.

The Committee considers the over-arching objectives, principles and parameters of remuneration policy across the Group to ensure it is adopting a coherent approach in respect of all employees. In discharging this responsibility the Committee seeks to ensure that the policy is transparent, avoids complexity and assesses, among other things, the impact of pay arrangements in supporting the Group's culture, values and strategy and on all elements of risk management. The Committee also approves incentive pools for each of the Group, Barclays Bank PLC, Barclays Bank UK PLC and operations and functions, periodically reviews at least annually all material matters of retirement benefit design and governance, and ensures that the remuneration policy promotes the alignment of the long-term interests of shareholders and employees. The Committee and its members work as necessary with other Board Committees, and is authorised to select and appoint its own advisers as required.

The Terms of Reference can be found at [home.barclays/corporategovernance](http://home.barclays/corporategovernance)

### Chairman and members

The Chairman and members of the Committee are as follows:

- Crawford Gillies, Committee member since 1 May 2014 and Chairman since 24 April 2015
- Tim Breedon, Committee member since 1 December 2012
- Mary Francis, Committee member since 1 November 2016
- Dambisa Moyo, Committee member since 1 September 2015.

All current members are considered independent by the Board.

| Remuneration committee attendance in 2018 | Meetings attended/eligible to attend |
|-------------------------------------------|--------------------------------------|
| Crawford Gillies                          | 5/5                                  |
| Tim Breedon                               | 5/5                                  |
| Mary Francis                              | 5/5                                  |
| Dambisa Moyo                              | 4/5 <sup>a</sup>                     |

<sup>a</sup> Dambisa Moyo was unable to attend one meeting due to a conflicting commitment, but her views and comments were made available to, and considered by the committee

The performance of the Committee is reviewed each year as part of the Board Effectiveness Review. The results of the review were positive and concluded that the Committee is composed of the right level of experience and skills.

### Advisers to the Remuneration Committee

PricewaterhouseCoopers (PwC) was appointed as the independent adviser to the Committee in October 2017. The Committee is satisfied that the advice provided by PwC to the Committee is independent and objective. PwC is a signatory to the voluntary UK Code of Conduct for executive remuneration consultants.

PwC was paid £85,000 (excluding VAT) for their advice to the Committee in 2018 relating to the executive Directors (either exclusively or along with other employees within the Committee's Terms of Reference). In addition to advising the Committee, PwC provided unrelated consulting advice to the Group in respect of strategic advice on business, operational models and cost, corporate taxation, climate-related financial disclosures, data strategy, technology consulting and internal audit.

Throughout 2018, Willis Towers Watson (WTW) continued to provide the Committee with market data on compensation when considering incentive levels, remuneration packages. WTW were paid £65,500 (excluding VAT) in fees for their services. In addition the services provided to the Committee, WTW also provides pensions advice, advice on health and benefits provision, assistance and technology support for employee surveys for the Group and pensions advice and administration services to the Barclays Bank UK Retirement Fund.

In the course of its deliberations, the Committee also considers the views of the Group Chief Executive, the Group Human Resources Director and the Group Reward and Performance Director. The Group Finance Director and the Chief Risk Officer provide regular updates on Group and business financial performance and risk profile respectively.

No Barclays' employee or Director participates in discussions with, or decisions of, the Committee relating to his or her own remuneration. No other advisers provided services to the Committee in the year.

Governance: Remuneration report

Annual report on Directors’ remuneration

Remuneration Committee activity in 2018

The following provides a summary of the Committee’s activity during 2018 and at the January and February 2019 meetings at which 2018 remuneration decisions were finalised.

| Meeting       | Fixed and variable pay issues                                                                                                                                                                                                                                                                                                                                                                                                                                     | Governance, risk and other matters <sup>a</sup>                                                                                                                                           |
|---------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| January 2018  | <ul style="list-style-type: none"><li>2017 incentive funding proposals, including risk adjustments</li><li>2017 bonus proposals for senior executives</li></ul>                                                                                                                                                                                                                                                                                                   | <ul style="list-style-type: none"><li>Non-executive Directors’ fees for subsidiary boards</li></ul>                                                                                       |
| February 2018 | <ul style="list-style-type: none"><li>Approved final 2017 incentive funding, including risk adjustments</li><li>Approved proposals for executive Directors’ and senior executives’ 2017 bonuses and 2018–2020 LTIP awards for executive Directors</li><li>Group fixed pay budgets for 2018</li><li>Approved executive Directors’ and senior executives’ 2018 Fixed Pay</li><li>Approved executive Directors’ annual bonus performance measures for 2018</li></ul> | <ul style="list-style-type: none"><li>Approved 2017 Reward communications approach</li><li>Review of Committee effectiveness</li></ul>                                                    |
| July 2018     | <ul style="list-style-type: none"><li>2018 ex ante risk adjustment methodology</li><li>2018 incentive funding framework</li></ul>                                                                                                                                                                                                                                                                                                                                 | <ul style="list-style-type: none"><li>Barclays Fair Pay Agenda</li><li>Update on the establishment of subsidiary Remuneration Committees</li></ul>                                        |
| October 2018  | <ul style="list-style-type: none"><li>2018 incentive funding projections, including risk adjustments</li><li>Annual review of Group Chairman’s remuneration</li><li>Update on Barclays UK remuneration approach</li></ul>                                                                                                                                                                                                                                         | <ul style="list-style-type: none"><li>Barclays Fair Pay Agenda</li><li>Amendments to the rules of the Barclays Group Deferred Share Value Plan and Cash Value Plan</li></ul>              |
| December 2018 | <ul style="list-style-type: none"><li>Initial consideration on executive Directors’ and senior executives’ 2018 bonuses and 2019 Fixed Pay</li><li>2019 bonus approach for executive Directors</li><li>2019-2021 LTIP performance measures</li><li>2018 incentive funding proposals, including risk adjustments</li><li>Update on Barclays UK remuneration approach</li></ul>                                                                                     | <ul style="list-style-type: none"><li>Annual review of Committee activity, Terms of Reference and Control Framework</li><li>Non-executive Directors’ fees for subsidiary boards</li></ul> |
| January 2019  | <ul style="list-style-type: none"><li>2018 incentive funding proposals, including risk adjustments</li><li>2018 bonus proposals for senior executives</li></ul>                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                           |
| February 2019 | <ul style="list-style-type: none"><li>Approved final 2018 incentive funding, including risk adjustments</li><li>Approved proposals for executive Directors’ and senior executives’ 2018 bonuses and 2019-2021 LTIP awards for executive Directors</li><li>Group fixed pay budgets for 2019</li><li>Approved 2019 executive Directors’ annual bonus performance measures</li></ul>                                                                                 | <ul style="list-style-type: none"><li>Review of Board Remuneration Committee Effectiveness</li><li>Approved 2018 Reward communications approach</li></ul>                                 |

Notes

a The Committee is also provided with updates at each scheduled meeting on: regulatory and stakeholder matters, Finance and Risk, Remuneration Review Panel meetings, operation of the Committee’s Control Framework on hiring, retention and termination, headcount and employee attrition, and extant LTIP performance.

There were also two additional Remuneration Committee meetings during the course of 2018. The Committee met on 10 May 2018 to consider remuneration consequences of the investigation into Jes Staley’s involvement in the whistleblowing incident. On 26 October 2018 the Committee met in respect of remuneration arrangements for the Group Chairman-designate.

Statement of shareholder voting at Annual General Meeting

The table below shows the voting result in respect of our remuneration report at the AGM held on 1 May 2018 and the last policy vote at the AGM on 10 May 2017:

|                                                    | For<br>% of votes cast<br>Number | Against<br>% of votes cast<br>Number | Withheld<br>Number |
|----------------------------------------------------|----------------------------------|--------------------------------------|--------------------|
| Advisory vote on the 2017 remuneration report      | 95.96%<br>12,059,206,433         | 4.04<br>507,845,058                  | 104,289,376        |
| Binding vote on the Directors’ remuneration policy | 97.91%<br>12,062,616,141         | 2.09%<br>257,416,828                 | 51,369,054         |

At the AGM held on 24 April 2014, shareholders of Barclays PLC voted 96.02% (10,364,453,159 votes) for the resolution in respect of a fixed to variable remuneration ratio of 1:2 for ‘Remuneration Code Staff’ (now known as MRTs). On 14 December 2017, the Board of Barclays PLC as shareholder of Barclays Bank PLC approved the resolution that Barclays Bank PLC and any of its current and future subsidiaries be authorised to apply a ratio of the fixed to variable components of total remuneration of their MRTs that exceeds 1:1, provided the ratio does not exceed 1:2. On 15 November 2018, the Board of Barclays PLC as shareholder of Barclays Bank UK PLC approved an equivalent resolution in relation to MRTs within Barclays Bank UK PLC and any of its subsidiaries.



Risk review

# Contents

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

| Risk management                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Annual Report                                                                                                                                                                                      |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Overview of Barclays’ approach to risk management. A detailed overview together with more specific information on policies that Barclays Group determines to be of particular significance in the current operating environment can be found in Barclays PLC Pillar 3 Report 2018 or at Barclays.com.                               | <ul style="list-style-type: none"><li>Enterprise Risk Management Framework (ERMF)</li><li>Principal risks</li><li>Risk appetite for the principal risks</li><li>Roles and responsibilities in the management of risk</li><li>Frameworks, policies and standards</li><li>Assurance</li><li>Effectiveness of risk management arrangements</li><li>Learning from our mistakes</li><li>Barclays’ risk culture</li><li>Barclays Group-wide risk management tools</li><li>Risk management in the setting of strategy</li></ul>                                                                                                                                                                                                                                                                         | <div>83</div> <div>83</div> <div>83</div> <div>83</div> <div>n/a</div> <div>n/a</div> <div>n/a</div> <div>n/a</div> <div>84</div> <div>n/a</div> <div>n/a</div>                                    |
| Material existing and emerging risks                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                    |
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Risk review

Risk management

Barclays Group’s risk management strategy

Introduction

The activities of Barclays Group entail risk taking, every day, throughout its business. This section introduces these risks, and outlines arrangements for identifying and managing them. Barclays Group’s approach to fostering a strong risk culture is also described.

Enterprise Risk Management Framework (ERMF)

The ERMF sets the strategic direction for risk management by defining standards, objectives and responsibilities for all areas of Barclays Group. It supports senior management in effective risk management and developing a strong risk culture.

The ERMF sets out:

- Principal risks faced by Barclays Group
- Risk appetite requirements
- Roles and responsibilities for risk management
- Risk committee structure

Principal risks

The ERMF identifies eight principal risks and sets out associated responsibilities and risk management standards.

Risk appetite for the principal risks

Risk appetite is defined as the level of risk which Barclays Group is prepared to accept in the conduct of its activities.

Risk appetite is approved and disseminated across legal entities and businesses, with limits specified to control exposures and activities that have material concentration risk implications for Barclays Group.

Roles and responsibilities in the management of risk

**The Three Lines of Defence**

All colleagues are responsible for understanding and managing risks within the context of their individual roles and responsibilities, as set out below.

**First Line of Defence**

The First Line of Defence comprises all employees engaged in the revenue generating and client facing areas of Barclays Group and all associated support functions, including Finance, Treasury, Human Resources and the Chief Operating Office (COO) function. Employees in the First Line are responsible for:

- identifying the risks in their activities and developing appropriate policies, standards and controls
- operating within any and all limits which the Risk and Compliance functions establish over the exposures and activities of the first line; and
- escalating risk events to senior managers in Risk and Compliance.

**Second Line of Defence**

The Second Line of Defence comprises employees of Risk and Compliance. The role of the Second Line is to establish the limits, rules and constraints under which First Line activities shall be performed, consistent with

the risk appetite of Barclays Group, and to monitor the performance of the First Line against these limits and constraints. Note that the First Line may also set limits for a number of their activities related to operational risk. These will remain subject to supervision by the Second Line.

**Third Line of Defence**

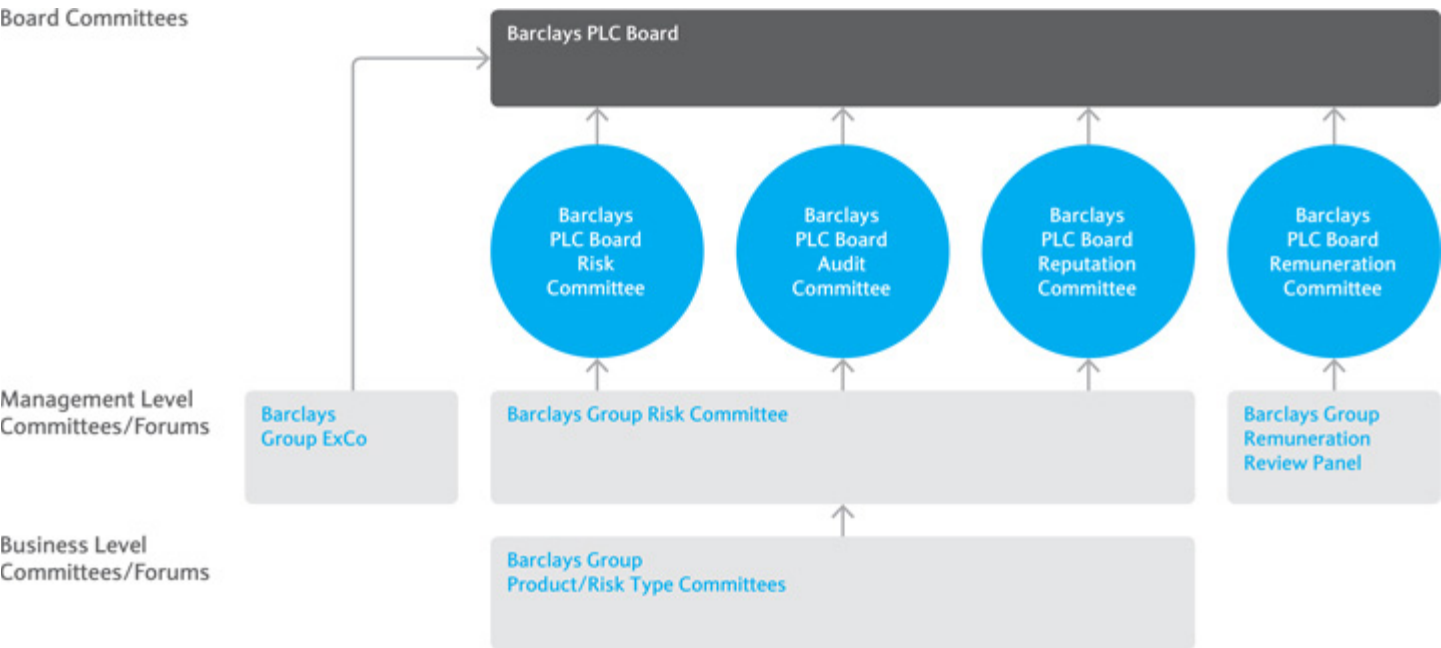
The Third Line of Defence comprises employees of Internal Audit. They provide independent assurance to the Barclays Board and Barclays Group Executive Management over the effectiveness of governance, risk management and control.

The Legal function does not sit in any of the three lines, but supports them all. The Legal function is, however, subject to oversight from Risk and Compliance with respect to operational and conduct risks.

**Risk committees**

Product/risk type committees consider risk matters relevant to their business, and escalate as required to the Group Risk Committee (GRC), whose Chairman, in turn, escalates to Barclays PLC Board Committees and the Barclays PLC Board.

There are three Board-level forums which oversee the application of the ERMF and review and monitor risk across the Barclays Group. These are: the Barclays PLC Board Risk Committee, the Barclays PLC Board Audit Committee, and the Barclays PLC Board Reputation Committee. Additionally, the Barclays PLC Board Remuneration Committee oversees pay practices focusing on aligning pay to sustainable performance. Finally, the Barclays PLC Board receives regular information on the risk profile of Barclays Group, and has ultimate responsibility for risk appetite and capital plans.



Risk review

Risk management

Barclays Group’s risk management strategy

**The Barclays PLC Board**  
One of the Board’s responsibilities is the approval of risk appetite. The Barclays Group CRO regularly presents a report to the Board summarising developments in the risk environment and performance trends in the key portfolios. The Board is also responsible for the ERMF.

Summaries of the relevant skills, experience and background of the Directors of the Board are presented in the Board of Directors section on pages 5 to 6.

**The Barclays PLC Board Risk Committee (BRC)**  
The BRC monitors Barclays Group’s risk profile against the agreed appetite. Where actual performance differs from expectations, the actions taken by management are reviewed to ascertain that the BRC is comfortable with them. After each meeting, the Chairman of the BRC prepares a report for the next meeting of the Board. All members are independent Non-Executive Directors.

The BRC receives regular reports on risk methodologies, the effectiveness of the risk management framework, and Barclays Group’s risk profile, including the material issues affecting each business portfolio and forward risk trends. The committee also commissions in-depth analyses of significant risk topics, which are presented by the Barclays Group CRO or senior risk managers in the businesses. The Chairman of the BRC also sits on the BAC.

**The Barclays PLC Board Audit Committee (BAC)**  
The BAC receives regular reports on the effectiveness of internal control systems, quarterly reports on material control issues of significance, and quarterly papers on accounting judgements (including impairment). It also receives a half-yearly review of the adequacy of impairment allowances, which it reviews relative to the risk inherent in the portfolios, the business environment and Barclays Group’s policies and methodologies. The Chairman of the BAC also sits on the BRC.

**The Barclays PLC Board Reputation Committee (RepCo)**  
The RepCo reviews management’s recommendations on conduct and reputation risk and the effectiveness of the processes by which Barclays Group identifies and manages these risks. It also reviews and monitors the effectiveness of Barclays Group’s citizenship strategy, including the management of Barclays Group’s economic, social and environmental contribution.

**The Barclays PLC Board Remuneration Committee (RemCo)**  
The RemCo receives a detailed report on risk management performance and risk profile, and proposals on ex-ante and ex-post risk adjustments to variable remuneration. These inputs are considered in the setting of performance incentives.

The terms of reference and additional details on membership and activities for each of the principal Board Committees are available from the Corporate Governance section of Barclays Group’s website at: [home.barclays/about-barclays/barclays-corporate-governance.html](http://home.barclays/about-barclays/barclays-corporate-governance.html).

Barclays Group’s risk culture

Risk culture can be defined as the “norms, attitudes and behaviours related to risk awareness, risk taking and risk management”. At Barclays Group this is reflected in how colleagues identify, escalate and manage risk matters.

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

**Embedding of a values-based, conduct culture**  
Conduct, culture and values remain a priority of the Barclays Group Executive Committee who receive regular, detailed information from the business lines, and clearly communicate their intentions and the Barclays Group’s progress to all colleagues. The effectiveness of the risk and control environment, for which all colleagues are responsible, depends on the continued embedment of strong values. Colleagues must be willing to meet their risk management responsibilities and escalate issues on a timely basis. Refer to the Board Reputation Committee report on page 27 for further details.

Induction programmes support new colleagues in understanding how risk management culture and practices support how Barclays Group does business and the link to Barclays Group’s values. The Leadership Curriculum covers the building, sustaining and supporting of a trustworthy organisation and is offered to colleagues globally.

**Other risk culture drivers**  
In addition to values and conduct, we consider the following determinants of risk culture:

- Management and governance: This means a consistent tone from the top and clear responsibilities to enable risk identification and challenge
- Motivation and incentives: The right behaviours are rewarded and modelled
- Competence and effectiveness: This means that colleagues are enabled to identify, escalate and resolve risk and control matters
- Integrity: Colleagues are willing to meet their risk management responsibilities, and escalate issues on a timely basis.

Risk review

Material existing and emerging risks

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

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

Emerging risks are those which 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 Group's strategy and cause the same outcomes as material risks. In addition, certain factors beyond Barclays Group's control, including escalation of terrorism or global conflicts, natural disasters and similar calamities, although not detailed below, could have a similar impact on Barclays Group.

The risks described below are material existing and emerging risks which senior management has identified with respect to Barclays Group.

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

**Business conditions, general economy and geopolitical issues**

The Barclays Group business mix spreads across multiple geographies and client types. The breadth of these operations means that deterioration in the economic environment, or an increase in political instability in countries where Barclays Group is active, or in any systemically important economy, could adversely affect Barclays Group's operating performance, financial condition and prospects.

Although economic activity continued to strengthen globally in 2018, a change in global economic conditions and the reversal of the improving trend may result in lower client activity in Barclays Group, including lower demand for borrowing from creditworthy customers, and/or a reduction in the value of related collateral and/or an increase of Barclays Group's default rates, delinquencies, write-offs, and impairment charges, which in turn could adversely affect Barclays Group's performance and prospects. Deteriorating economic conditions could also impact the ability of Barclays Group to raise funding from external investors. In addition, a shift in the forward looking consensus view of economic conditions may materially impact the models used to calculate expected credit losses (ECL), where an increase in ECLs could adversely affect Barclays Group's profitability.

In several countries, reversals of capital inflows, as well as fiscal austerity, have already caused deterioration in political stability. This

could be exacerbated by a renewed rise in asset price volatility or sustained pressure on government finances. In addition, geopolitical tensions in some areas of the world are at risk of further deterioration, thus potentially increasing market uncertainties and adverse global economic and market conditions, which in turn could adversely affect Barclays Group's profitability in certain geographical locations.

In the UK, the vote in favour of leaving the European Union (EU), see ii) Process of UK withdrawal from the European Union below, has given rise to political uncertainty with potential 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, resulting in reduced business and, thereby, negatively impacting Barclays Group's profitability. In turn this may affect businesses dependent on consumers for revenue, exacerbated by current pressures on businesses dependent on discretionary purchases. 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. Furthermore, continued uncertainty in the withdrawal process could have a detrimental effect in the economic environment in continental Europe, which may negatively impact Barclays Group's business in specific Eurozone countries.

In the US, where the economy outperformed other key markets in 2018, there is the possibility of significant continued changes in policy in sectors including trade, healthcare and commodities which may have an impact on associated Barclays Group portfolios. A significant proportion of Barclays Group's portfolio is located in the US, including a major credit card portfolio and a range of corporate and investment banking exposures. Stress in the US economy, weakening GDP and the associated exchange rate fluctuations, heightened trade tensions, an unexpected rise in unemployment and/or an increase in interest rates could lead to increased levels of impairment, resulting in a negative impact on Barclays Group's profitability.

As anticipated, most major central banks have started tightening their monetary policies in 2018 and there remains a possibility that this will continue. The risk of large capital flows spawned by divergent or differently timed policies remains, and this will continue to provide financial market turbulence, in particular in emerging market economies. This may negatively impact Barclays Group's business in the affected regions, under both profiles of credit and market risk.

Sentiment towards emerging markets as a whole continues to be driven in large part by developments in China, where there is some

concern around the ability of authorities to manage growth while transitioning from manufacturing towards services. Although the Chinese government's efforts to stably increase the weight of domestic demand have had some success, the pace of credit growth remains a concern, given the high level of leverage and despite regulatory action. A stronger than expected slowdown could result if authorities fail to appropriately manage the end of the investment and credit-led boom.

Deterioration in emerging markets could affect Barclays Group if it results in higher impairment charges for Barclays Group via sovereign or counterparty defaults.

More broadly, a deterioration of conditions in the key markets where Barclays Group operates could affect performance in a number of ways including, for example: (i) deteriorating business, consumer or investor confidence indirectly having a material adverse impact on GDP growth in significant markets and therefore on Barclays Group's performance; (ii) mark to market losses in trading portfolios resulting from changes in factors such as credit ratings, share prices and solvency of counterparties; (iii) reduced ability to obtain capital from other financial institutions for Barclays Group's operations; and (iv) lower levels of fixed asset investment and productivity growth overall.

**ii) Process of UK withdrawal from the European Union**

The uncertainty around Brexit spanned the whole of 2018, and intensified in the second half of the year. The full impact of the withdrawal may only be realised in years to come, as the economy adjusts to the new regime, but Barclays Group continues to monitor the most relevant risks, including those that may have a more immediate impact, for its business:

- Market volatility, including in currencies and interest rates, might increase which could have an impact on the value of Barclays Group's trading book positions.
- Potential UK financial institutions' credit spread widening could lead to reduced investor appetite for Barclays Group's debt securities; this could negatively impact the cost of, and/or access to, funding. There is potential for continued market and interest rate volatility. This volatility could affect underlying interest rate risk value of the assets in the banking book and securities held by Barclays Group for liquidity purposes.
- A credit rating agency downgrade applied directly to Barclays Group, or indirectly as a result of a credit rating agency downgrade to the UK Government, could significantly increase Barclays Group's borrowing costs, credit spreads and materially adversely affect Barclays Group's interest margins and liquidity position.
- Changes in the long-term outlook for UK interest rates may adversely affect pension liabilities and the market value of investments funding those liabilities.



Risk review

Material existing and emerging risks

- Increased risk of a UK recession with lower growth, higher unemployment and falling UK house prices. This would likely negatively impact a number of Barclays Group's portfolios, notably: higher Loan to Value mortgages, UK unsecured lending including credit cards and commercial real estate exposures.
- The implementation of trade and customs barriers between the UK and EU could lead to delays and increased costs in the passage of goods for corporate banking customers. This could negatively impact the levels of customer defaults and business volumes which may result in an increase in Barclays Group's impairment charges and a reduction in revenues.
- Changes to current EU 'Passporting' rights may require further adjustment to the current model for Barclays Group's cross-border banking operation which could increase operational complexity and/or costs.
- 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 Group's access to the EU talent pool.
- The legal framework within which Barclays Group operates could change and become more uncertain if the UK takes steps to replace or repeal certain laws currently in force, which are based on EU legislation and regulation (including EU regulation of the banking sector) following its withdrawal from the EU. Certainty around the ability to perform existing contracts, enforceability of certain legal obligations and uncertainty around the jurisdiction of the UK courts may be affected until the impacts of the loss of the current legal and regulatory arrangements between the UK and EU and the enforceability of UK judgements across the EU are fully known.
- Should the UK lose automatic qualification to be part of Single Euro Payments Area there could be a resultant impact on the efficiency of, and access to, European payment systems. In addition, loss of automatic qualification to the European Economic Area (EEA) or access to Financial Markets Infrastructure including exchanges, central counterparties and payment services could impact service provision for clients, likely resulting in reduced market share and revenue and increased operating costs for Barclays Group.
- There are certain execution risks relating to the transfer of Barclays Group's European businesses to Barclays Bank Ireland Group. Technology change could result in outages or operational errors, leading to delays in the transfer of assets and liabilities to Barclays Bank Ireland Group, and delayed delivery could lead to European clients losing access to products and service and increased reputational risk.

iii) Interest rate rises adversely impacting credit conditions

To the extent that central banks increase interest rates particularly in Barclays Group's main markets, in the UK and the US, there could be an impact on consumer debt affordability and corporate profitability.

While interest rate rises could positively impact Barclays Group's profitability, as retail and corporate business income may increase due to margin de-compression, future interest rate increases, if larger or more frequent than expectations, could cause stress in the lending portfolio and underwriting activity of Barclays Group. Higher credit losses driving an increased impairment allowance would most notably impact retail unsecured portfolios and wholesale non-investment grade lending.

Changes in interest rates could have an adverse impact on the value of high quality liquid assets which are part of the Barclays Group Treasury function's investment activity. Consequently, this could create more volatility than expected through Barclays Group's FVOCI reserves.

iv) Regulatory change agenda and impact on business model

Barclays Group remains subject to ongoing significant levels of regulatory change and scrutiny in many of the countries in which it operates (including, in particular, the UK and the US). 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 withdrawal from the EU) and potential lack of international regulatory co-ordination as enhanced supervisory standards are developed and implemented may adversely affect Barclays Group's business, capital and risk management strategies and/or may result in Barclays Group deciding to modify its legal entity, capital and funding structures and business mix, or to exit certain business activities altogether or not to expand in areas despite otherwise attractive potential.

Barclays Bank UK Group was established on 1 April 2018 as the ring-fenced entity under Barclays Group. The relevant rules required to comply with the UK ring-fencing regime are complex and will continue to entail significant costs and operational and legal risks. There may be a risk associated with the uncertainty around interpretation, administration and enforcement of the ring fencing regime as the regulatory requirements develop. 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 Group's strategy. Failure to maintain ongoing compliance, including from the implementation of any new regulatory requirements that may potentially be enforced, could result in regulatory censure or penalties for Barclays Group.

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

- Changes in prudential requirements (including the risk reduction measures package recently adopted in the EU to amend the Capital Requirements Directive (CRD IV) and the Bank Recovery and Resolution Directive (BRRD)) may impact minimum requirements for own funds and eligible liabilities (MREL) (including requirements for internal MREL), leverage, liquidity or funding requirements, applicable buffers and/or add-ons to such minimum requirements and risk weighted assets calculation methodologies all as may be set by international, EU or national authorities. Such or similar changes to prudential requirements or additional supervisory and prudential expectations, either individually or in aggregate, may result in, among other things, a need for further management actions to meet the changed requirements, such as: increasing capital, MREL or liquidity resources, reducing leverage and risk weighted assets; restricting distributions on capital instruments; modifying the terms of outstanding capital instruments; modifying legal entity structure (including with regard to issuance and deployment of capital, MREL and funding); changing Barclays Group's business mix or exiting other businesses; and/or undertaking other actions to strengthen Barclays Group's position. (See Treasury and capital risk on pages 136 to 158 and Supervision and regulation on pages 169 to 176 for more information).
- The derivatives market has been the subject of particular focus for regulators in recent years across the G20 countries and beyond, with regulations introduced which require the reporting and clearing of standardised over the counter (OTC) derivatives and the mandatory margining of non-cleared OTC derivatives. Other regulations applicable to swap dealers, including those promulgated by the US Commodity Futures Trading Commission, have imposed significant costs on Barclays Group's derivatives business. The increased regulation of swaps and security-based swaps may also result in other increases in costs for market participants, as well as reduced liquidity in the markets for such instruments, which could cause further increases in costs and volatility. These and any future requirements, including the US SEC's regulations relating to security-based swaps and the possibility of overlapping and/or contradictory requirements imposed on derivative transactions by regulators in different jurisdictions, are expected to continue to impact such business in the same manner.

More broadly, compliance with the evolving regulatory framework entails significant costs for market participants and is having a significant impact on certain markets in which Barclays Group operates. The recast Markets



in Financial Instruments Directive in Europe (MiFID II), which came into force in January 2018, has fundamentally changed the European regulatory framework entailing significant operational changes for market participants in a wide range of financial instruments as well as changes in market structures and practices. In addition, the EU Benchmarks Regulation, which also came into force in January 2018, regulates the use of benchmarks in the EU. In particular, after 1 January 2020 certain Barclays Group entities will not be permitted to use benchmarks unless the relevant administrator is authorised, registered or qualifies under a third party regime. This may necessitate adapting processes and systems to transition to new alternative benchmarks, which would be a very time-consuming and costly process. Separately, the transition to risk-free rates as part of a wider benchmark reform is also expected to be impactful to Barclays Group in respect of the timing of the development of a robust risk free rate market, an unfavourable market reaction and/or inconsistencies in the adoption of products using the new risk free rates, and also in respect of the costs and uncertainties involved in managing and/or changing historical products to reference risk free rates as a result of the proposed discontinuation of certain existing benchmarks.

- Barclays Group and certain of its members are subject to supervisory stress testing exercises in a number of jurisdictions. These exercises currently include the programmes of the BoE, the EBA, the FDIC and the FRB. 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 Barclays Group's or certain of its members' business model, data provision, stress testing capability and internal management processes and controls. The stress testing requirements to which 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 Barclays Group, could result in Barclays Group being required to enhance its capital position, limit capital distributions or position additional capital in specific subsidiaries. For more information on stress testing, refer to Supervision and regulation on page 172.
- The introduction and implementation of both Payments Service Directive 2 (PSD2) and the Open API standards and data sharing remedy from the UK Competition and Markets Authority following its Retail Banking Market Investigation Order (together 'Open Banking') from January 2018 with delivery across 2019 provides third parties and banks with opportunities to change and enhance the relationship

between a customer and their bank. It does 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 both aggregation and payment services will be offered by third parties to Barclay Group's customers and Barclays Group itself has launched an aggregation service. PSD2 will also introduce new requirements to the authentication process for a number of actions customers take, including ecommerce transactions. A failure to comply with Open Banking requirements could expose Barclays Group to regulatory sanction. Further, the data sharing regime could mean that actions or omissions by third party service providers could expose Barclays Group to potential financial loss from third party fraud, misuse of customer data, litigation and reputational detriment, amongst other things. The changes to authentication may change the fraud environment across the industry as providers implement different approaches to comply.

### 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 has been the case under IAS 39 and has had, and may continue to have, a material impact on Barclays Group's financial condition.

Measurement involves increased complex judgement and impairment charges will tend to be more volatile, particularly under stressed 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 has the potential to impact Barclays Group's performance under stressed economic conditions or regulatory stress tests. For more information, refer to Note 1 on pages 214 to 217.

##### b) Specific sectors and concentrations

Barclays 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 Group's portfolio which could have a material impact on performance:

- **UK retailers.** Softening demand, rising costs and a structural shift to online is fuelling pressure on the UK High Street. Whilst we have not seen any material impact, as the UK retailer market repositions itself the trend represents a potential risk in our UK corporate portfolio.
- **Consumer affordability** has remained a key area of focus for regulators, particularly in unsecured lending, driven by the growth in levels of borrowing. Macroeconomic factors, such as rising unemployment, that impact a customer's ability to service unsecured debt payments could lead to increased arrears in unsecured products.
- **UK real estate market.** UK property represents a significant portion of the overall Barclays Group retail and corporate credit exposure. In 2018, property price growth across the UK continued, however, this growth has slowed in London and the South East where Barclays Group's exposure has high concentration. Barclays Group is at risk of increased impairment from a material fall in property prices due to the depreciation in value of the underlying loan security.
- **Leverage finance underwriting.** Barclays Group takes on sub-investment grade underwriting exposure, including single name risk, particularly in the US and Europe. Barclays Group is exposed to credit events and market volatility during the underwriting period. Any adverse events during this period may potentially result in loss for Barclays Group, or an increased capital requirement should there be a need to hold the exposure for an extended period.
- **Italian portfolio.** Barclays Group is exposed to a decline in the Italian economic environment through a mortgage portfolio in run-off and positions to wholesale customers. The Italian economy tipped into an official recession at the end of 2018 and should the economy deteriorate further, there could be a material adverse effect on Barclays Group's results including, but not limited to, increased credit losses and higher impairment charges.

Barclays Group also has large individual exposures to single name counterparties, both in its lending activities and in its financial services and trading activities, including transactions in derivatives and transactions with brokers, central clearing houses, dealers, other banks, mutual and hedge funds and other institutional clients. The default of such counterparties could have a significant impact on the carrying value of these assets. In addition, where such counterparty risk has been mitigated by taking collateral, credit risk may remain high if the collateral held cannot be realised, or has to be liquidated at prices which are insufficient to recover the full amount of the loan or derivative exposure. Any such defaults could have a material adverse effect on Barclays Group's results due to, for example, increased credit losses and higher impairment charges.



Barclays Group depends on suppliers, it continues to be accountable for risk arising from the actions of such suppliers.

Failure to monitor and control Barclays 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 Group.

Failure to adequately manage outsourcing risk could result in increased losses, inability to perform critical economic functions, customer detriment, potential regulatory censure, legal liability and reputational damage.

**e) Processing error**

As a large, complex bank, Barclays Group faces the risk of material errors in operational processes, including payments and client transactions.

Material operational or payment errors could disadvantage Barclays Group's customers, clients or counterparties and could result in regulatory censure, legal liability, reputational damage and financial loss for Barclays Group.

**f) New and emergent technology**

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

Failure to evaluate, actively manage and closely monitor risk exposure during all phases of business development could lead to customer detriment, loss of business, regulatory censure, missed business opportunity and reputational damage.

**g) Ability to hire and retain appropriately qualified employees**

As a regulated financial institution, Barclays Group requires diversified and specialist skilled colleagues. Barclays Group's ability to attract, develop and retain a diverse mix of talent is key to the delivery of its core business activity and strategy. This is impacted by a range of external and internal factors, such as the UK's decision to leave the EU and the enhanced individual accountability applicable to the banking industry.

Failure to attract or prevent the departure of appropriately qualified and skilled employees could 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 Group is required to comply with the domestic and international tax laws and practice of all countries in which it has business operations. The Tax Cuts and Jobs Act has introduced substantial changes to the US tax system, including the introduction of a new tax, the Base Erosion Anti-Abuse Tax. These changes have increased Barclays Group's tax compliance obligations and require a number of system and process changes which introduce additional operational risk. In addition, increasing customer tax reporting requirements around the world and the digitisation of the administration of tax has potential to increase Barclays Group's tax compliance obligations further. In light of the above, there is a risk that Barclays 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, with much of this risk attributable to the international structure of Barclays Group.

**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, pensions and post-retirement benefits, 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 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 Group.

**j) Data management and information protection**

Barclays 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 Group to the risk of loss or unavailability of data (including customer data covered under vi), c) Data protection and privacy, below) or data integrity issues. This could result in regulatory censure, legal liability and reputational damage, including the risk of substantial fines under the General Data Protection Regulation (GDPR), which strengthens the data protection rights for customers and increases the accountability of Barclays Group in its management of that data.

**k) Unauthorised or rogue trading**

Unauthorised trading, such as a large unhedged position, which arises through a failure of preventative controls or deliberate actions of the trader, may result in large financial losses for Barclays Group, loss of business, damage to investor confidence and reputational damage.

**l) Algorithmic trading**

In some areas of the investment banking business, trading algorithms are used to price and risk manage client and principal transactions. An algorithmic error could result in increased market exposure and subsequent financial losses for Barclays Group and potential loss of business, damage to investor confidence and reputational damage.

**v) Model risk**

**Enhanced model risk management requirements**

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

Models are, by their nature, imperfect and incomplete representations of reality because they rely on assumptions and inputs, and so they may be subject to errors affecting the accuracy of their outputs. For instance, the quality of the data used in models across Barclays 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 Group making inappropriate business decisions and being subject to financial loss, regulatory risk, reputational risk and/or inadequate capital reporting.

**vi) Conduct risk**

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

**a) Product governance and life cycle**

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

**b) Financial crime**

Barclays Group may be adversely affected if it fails to effectively mitigate the risk that third parties or its employees facilitate, or that its products and services are used to facilitate financial crime (money laundering, terrorist financing and proliferation financing, breaches of economic and financial sanctions, bribery



Risk review

Material existing and emerging risks

and corruption, and the facilitation of tax evasion). UK and US regulations concerning financial institutions continue to focus on combating financial crime. Failure to comply may lead to enforcement action by Barclays Group's regulators together with severe penalties, affecting Barclays 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 meeting 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 iv (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 enforcement of adequate internal reporting and whistleblowing procedures in helping to promote appropriate conduct and drive positive outcomes for customers, colleagues, 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 Barclays Group.

vii) Reputation risk

Barclays 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 Group's overall reputation; any one transaction, investment or event that, in the perception of key stakeholders reduces their trust in Barclays Group's integrity and competence.

Barclays Group's association with sensitive topics and sectors is an area of concern for stakeholders, including:

- Disclosure of climate risks and opportunities, including the activities of certain sections of the client base, which has become the subject of increased scrutiny from regulators, NGOs and other stakeholders.
- The risks of association with human rights violations through the perceived indirect involvement in human rights abuses committed by clients and customers.
- The manufacture and export of military and riot control goods and services by clients and customers.

These associations have the potential to give rise to reputation risk for Barclays Group and may result in loss of business, regulatory censure and missed business opportunity.

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 Group (see iv a) Cyber

threat, iv j) Data management and information protection, and vi) Conduct risk, above).

viii) 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 Group's results, reputation and ability to conduct its business.

Barclays Group conducts diverse activities in a highly regulated global market and therefore is exposed to the risk of fines and other sanctions. Authorities have continued to investigate past practices, pursued alleged breaches and imposed heavy penalties on financial services firms. A breach of applicable legislation and/or regulations could result in Barclays 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 Group's conduct, this may also give rise to legal proceedings, including class actions. Other legal disputes may also arise between Barclays 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 Group being liable to third parties, or may result in Barclays Group's rights not being enforced as intended.

Details of legal, competition and regulatory matters to which Barclays Group is currently exposed are set out in Note 27. In addition to matters specifically described in Note 27, Barclays Group is engaged in various other legal proceedings which arise in the ordinary course of business. Barclays Group is also subject to requests for information, investigations and other reviews by regulators, governmental and other public bodies in connection with business activities in which Barclays Group is, or has been, engaged.

The outcome of legal, competition and regulatory matters, both those to which Barclays Group is currently exposed and any others which may arise in the future, is difficult to predict. In connection with such matters Barclays Group may incur significant expense, regardless of the ultimate outcome, and any such matters could expose Barclays Group to any of the following outcomes: substantial monetary damages, settlements and/or fines; remediation of affected customers and clients; other penalties and injunctive relief; additional litigation; criminal prosecution; the loss of any existing agreed protection from prosecution; regulatory restrictions on Barclays 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 Group's reputation; loss of confidence by investors, counterparties,

clients and/or customers; risk of credit rating agency downgrades; potential negative impact on the availability and/or cost of funding and liquidity; and/or dismissal or resignation of key individuals. In light of the uncertainties involved in legal, competition and regulatory matters, there can be no assurance that the outcome of a particular matter or matters will not be material to Barclays Group's results of operations or cash flow for a particular period.

In January 2017, Barclays 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 Department of Justice (DOJ). During the term of probation, 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 breaching the plea agreement include the imposition of additional terms and conditions on Barclays Group, an extension of the agreement, or the criminal prosecution of Barclays Group, which could, in turn, entail further financial penalties and collateral consequences and have a material adverse effect on Barclays 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 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 Group or another financial institution facing similar claims, could lead to further claims against Barclays Group.



Risk review

# Principal Risk management

## Credit risk management

### Credit risk (audited)

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

### Overview

The credit risk that Barclays Group faces arises from wholesale and retail loans and advances together with the counterparty credit risk arising from derivative contracts with clients; trading activities, including: debt securities, settlement balances with market counterparties, FVOCI assets and reverse repurchase loans.

Credit risk management objectives are to:

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

### Organisation and structure

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

The credit risk management teams in each legal entity are accountable to the relevant Legal Entity CRO, who reports to the Barclays Group CRO.

### Roles and responsibilities

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

For wholesale portfolios, credit risk approval is undertaken by experienced credit risk professionals operating within a clearly defined delegated authority framework, with only the most senior credit officers assigned the higher levels of delegated authority. The largest credit exposures, which are outside the Risk Sanctioning Unit or Risk Distribution Committee authority, require the support of a legal entity Senior Credit Officer. For exposures in excess of the legal entity Senior Credit Officer's authority, approval by Group Senior Credit Officer/Board Risk Committee is also required. The Barclays Group Credit Risk Committee, attended by legal entity Senior Credit Officers, provides a formal mechanism for the Barclays Group Senior Credit Officer to exercise the highest level of credit authority over the most material Barclays Group single name exposures.

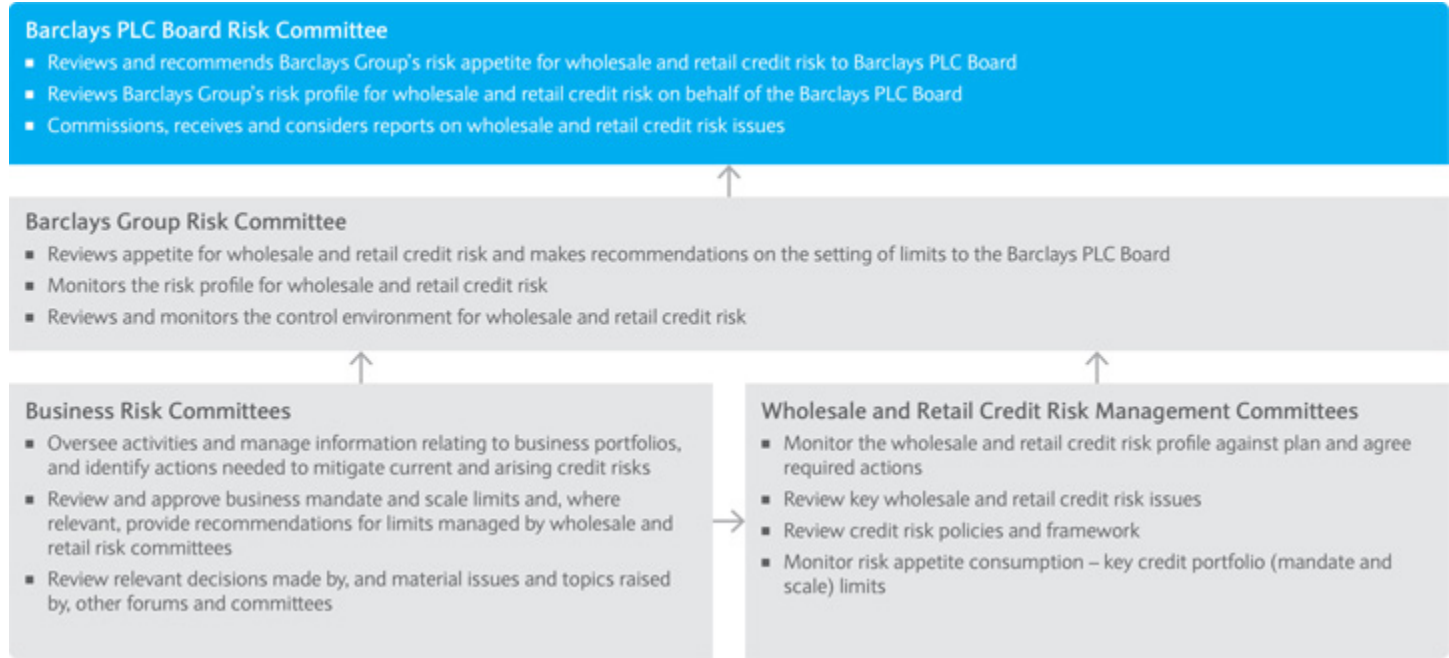
In the wholesale portfolios, credit risk managers are organised in sanctioning teams by geography, industry and/or product.

The role of the Central Risk function is to provide Barclays Group-wide direction, oversight and challenge of credit risk taking. Central Risk sets the Credit Risk Control Framework, which provides the structure within which credit risk is managed, together with supporting credit risk policies and standards.

### Governance and oversight of expected credit losses

Barclays Group's organisational structure and internal governance processes oversee the estimation of ECL across several areas, including: i) setting requirements in policy, including key assumptions and the application of key judgements; ii) the design and execution of models; and iii) review of ECL results.

### Organisation and structure



Risk review

Principal Risk management

Credit risk management

- i) Impairment policy requirements are set and reviewed regularly, at a minimum annually, to maintain adherence to accounting standards. Key judgements inherent in policy, including the estimated life of revolving credit facilities and the quantitative criteria for assessing the significant increase in credit risk (SICR), are separately supported by analytical study. In particular, the quantitative thresholds used for assessing SICR are subject to a number of internal validation criteria, particularly in retail portfolios where thresholds decrease as the origination PD of each facility increases. Key policy requirements are also typically aligned to Barclays Group's credit risk management strategy and practices, for example, wholesale customers that are risk managed on an individual basis are assessed for ECL on an individual basis upon entering Stage 3; furthermore, key internal risk management indicators of high risk are used to set SICR policy, for example, retail customers identified as High Risk Management Accounts are automatically deemed to have met the SICR criteria.
- ii) ECL is estimated in line with internal policy requirements using models which are validated by a qualified independent party to the model development area, the Independent Validation Unit (IVU), before first use and at a minimum annually thereafter. Each model is designated an owner who is responsible for:
  - Monitoring the performance of the model, which includes comparing predicted ECL versus flow into stage 3 and coverage ratios; and
  - Proposing post-model adjustments (PMA) to address model weaknesses or to account for situations where known or expected risk factors and information have not been considered in the modelling process. Each PMA above an absolute and relative threshold is approved by the IVU for a set time period (usually a maximum of six months) together with a plan for remediation. The most material PMAs are also approved by the Barclays Group's Chief Risk Officer.

Models must also assess ECL across a range of future economic conditions. These economic scenarios are generated via an independent model and ultimately set by the Senior Scenario Review Committee. Economic scenarios are regenerated at a minimum annually, to align with Barclays Group's medium term planning exercise, but also if the external consensus of the UK or US economy materially worsen. The scenario probability weights are also updated when scenarios are regenerated and reviewed by the Senior Scenario Committee. Each model used in the estimation of ECL, including key inputs, are governed by a series of internal controls, which include the validation of completeness and accuracy of data in golden source systems, documented data

- transformations and documented lineage of data transfers between systems.
- iii) The Barclays Group Impairment Committee, formed of members from both Finance and Risk, is responsible for overseeing impairment policy and practice across Barclays Group and will approve impairment results. Reported results and key messages are communicated to the Barclays PLC Board Audit Committee, which has an oversight role and provides challenge of key assumptions, including the basis of the scenarios adopted.

Credit risk mitigation

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

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

Netting and set-off

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

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

Collateral

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

- **home loans:** a fixed charge over residential property in the form of houses, flats and other dwellings. The value of collateral is impacted by property market conditions which drive demand and therefore value of the property. Other regulatory interventions on ability to repossess, longer period to repossession and granting of forbearance may also affect the collateral value.
- **wholesale lending:** a fixed charge over commercial property and other physical assets, in various forms.
- **other retail lending:** includes charges over motor vehicle and other physical assets; second lien charges over residential property, which are subordinate to first charges held either by Barclays Group or

- another party; and finance lease receivables, for which typically Barclays Group retains legal title to the leased asset and has the right to repossess the asset on the default of the borrower.
- **derivatives:** Barclays Group also often seeks to enter into a margin agreement (e.g. Credit Support Annex) with counterparties with which Barclays Group has master netting agreements in place. These annexes to master agreements provide a mechanism for further reducing credit risk, whereby collateral (margin) is posted on a regular basis (typically daily) to collateralise the mark to market exposure of a derivative portfolio measured on a net basis. Barclays Group may additionally negotiate the receipt of an independent amount further mitigating risk by collateralising potential mark to market exposure moves.
  - **reverse repurchase agreements:** collateral typically comprises highly liquid securities which have been legally transferred to Barclays Group subject to an agreement to return them for a fixed price.
  - **financial guarantees and similar off-balance sheet commitments:** cash collateral may be held against these arrangements.

Risk transfer

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

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

Detailed policies are in place to appropriately recognise and record credit risk mitigation.

Risk review

# Principal Risk management

## Market risk management

### Market risk (audited)

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

- differs from the regulatory VaR used for capital purposes in scope, confidence level and horizon
- back testing is performed to evaluate that the model is fit for purpose.

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

The management VaR model in some instances may not appropriately measure some market risk exposures, especially for market moves that are not directly observable via prices. Market risk managers are required to identify risks which are not adequately captured in VaR ('risks not in VaR' or 'RNIVs').

When reviewing VaR estimates, the following considerations are taken into account:

- the historical simulation uses the most recent two years of past data to generate possible future market moves, but the past may not be a good indicator of the future
- the one-day time horizon may not fully capture the market risk of positions that cannot be closed out or hedged within one day
- VaR is based on positions as at close of business and consequently, it is not an appropriate measure for intra-day risk arising from a position bought and sold on the same day
- VaR does not indicate the potential loss beyond the VaR confidence level.

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

### Overview

Market risk arises primarily as a result of client facilitation in wholesale markets, involving market making activities, risk management solutions and execution of syndications. Upon execution of a trade with a client, Barclays Group will look to hedge against the risk of the trade moving in an adverse direction. Mismatches between client transactions and hedges result in market risk due to changes in asset prices, volatility or correlations.

The Barclays PLC Board Risk Committee recommends market risk appetite to the Barclays PLC Board for their approval. The Market Risk Principal Risk Lead (PR Lead) is responsible for the Market Risk Control Framework and, under delegated authority from the Barclays Group CRO, agrees with the Business CROs a limit framework within the context of the approved market risk appetite.

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

The head of each business is accountable for all market risks associated with its activities, while the head of the market risk team covering each business is responsible for implementing the risk control framework for market risk.

For more information on market risk management, refer to the Barclays PLC Pillar 3 Report 2018 (unaudited).

### Organisation and structure

Market risk in the businesses resides primarily in Barclays International and Barclays Group Treasury. These businesses have the mandate to assume market risk. Market risk oversight and challenge is provided by business Committees and Group Committees, including the Market Risk Committee.

### Roles and responsibilities

The objectives of market risk management are to:

- Identify, understand and control market risk by robust measurement, limit setting, reporting and oversight
- facilitate business growth within a controlled and transparent risk management framework
- control market risk in the businesses according to the allocated appetite.

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

### Management value at risk

- estimates the potential loss arising from unfavourable market movements, over one day for a given confidence level

### Organisation and structure

#### Barclays PLC Board Risk Committee

- Reviews and recommends Barclays Group's risk appetite for market risk to the Barclays PLC Board
- Reviews material events impacting market risk

#### Barclays Group Risk Committee

- Monitors risk profile with respect to financial risk appetite
- Debates and agrees actions on the financial risk profile and risk strategy across Barclays Group
- Considers issues escalated by risk type heads and business risk directors

#### Barclays Group Market Risk Committee

- Reviews market risk appetite proposals from the business
- Oversees the management of Barclays Group's market risk profile
- Reviews arising market or regulatory issues
- Reviews state of the implementation of the risk frameworks in the businesses



Risk review

# Principal Risk management

Treasury and capital risk management

## Treasury and capital risk

- Liquidity risk:** The risk that the firm is unable to meet its contractual or contingent obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets.
- Capital risk:** The risk that the firm has an insufficient level or composition of capital to support its normal business activities and to meet its regulatory capital requirements under normal operating environments or stressed conditions (both actual and as defined for internal planning or regulatory testing purposes). This includes the risk from the firm's pension plans.
- Interest rate risk in the banking book:** The risk that the firm is exposed to capital or income volatility because of a mismatch between the interest rate exposures of its (non-traded) assets and liabilities.

## Overview

Barclays Group Treasury manages treasury and capital risk exposure on a day-to-day basis with the Treasury Committee acting as the principal management body. To enforce effective oversight and segregation of duties and in line with the ERMF, the Treasury and Capital Risk function is responsible for oversight of key capital, liquidity, interest rate risk in the banking book (IRRBB) and pension risk management activities. The following describes the structure and governance associated with the risk types within the Treasury and Capital Risk function.

## Liquidity risk management (audited)

### Overview

The efficient management of liquidity is essential to Barclays Group in retaining the confidence of the financial markets and maintaining the sustainability of the business. There is a control framework in place for managing liquidity risk and this is designed to maintain liquidity resources that are sufficient in amount and quality and funding tenor profile that is adequate to meet the liquidity risk appetite as expressed by the Barclays PLC Board based on internal and regulatory liquidity metrics.

This is achieved via a combination of policy formation, review and governance, analysis, stress testing, limit setting and monitoring. Together, these meet internal and regulatory requirements.

## Roles and responsibilities

The Treasury and Capital Risk function is responsible for the management and governance of the liquidity risk mandate defined by the Board and the production of ILAAPs. Treasury has the primary responsibility for managing liquidity risk within the set risk appetite.

Barclays Group's comprehensive control framework for managing Barclays Group's liquidity risk is designed to deliver the appropriate term and structure of funding, consistent with the liquidity risk appetite set by the Board.

The control framework incorporates a range of ongoing business management tools to monitor, limit and stress test Barclays Group's balance sheet and contingent liabilities and the Recovery Plan. Limit setting and transfer pricing are tools that are designed to control the level of liquidity risk taken and drive the appropriate mix of funds. Together, these tools reduce the likelihood that a liquidity stress event could lead to an inability to meet Barclays Group's obligations as they fall due. The control framework is subject to internal conformance testing and internal audit review.

The Board approves the Barclays Group funding plan, internal stress tests and results of regulatory stress tests, and the Barclays Group recovery plan. The Treasury Committee is responsible for monitoring and managing liquidity risk in line with Barclays Group's funding management objectives, funding plan and risk frameworks. The Treasury and Capital Risk Committee monitors and reviews the liquidity risk profile and control environment, providing Second Line oversight of the management of liquidity risk. The BRC reviews the risk profile, and annually reviews risk appetite and the impact of stress scenarios on the Barclays Group funding plan/forecast in order to agree Barclays Group's projected funding abilities.

## Organisation and structure





Barclays Group maintains a range of management actions for use in a liquidity stress, these are documented in the Barclays Group Recovery Plan. Since the precise nature of any stress event cannot be known in advance, the actions are designed to be flexible to the nature and severity of the stress event and provide a menu of options that can be drawn upon as required. The Barclays Group Recovery Plan also contains more severe recovery options to generate additional liquidity in order to facilitate recovery in a severe stress. Any stress event would be regularly monitored and reviewed using key management information by Treasury, Risk and business representatives.

## Capital risk management (audited)

### Overview

Capital risk is managed through ongoing monitoring and management of the capital position, regular stress testing and a robust capital governance framework.

### Roles and responsibilities

The management of capital risk is integral to Barclays Group's approach to financial stability and sustainability management, and is embedded in the way businesses and legal entities operate.

Capital risk management is underpinned by a control framework and policy. The capital management strategy, outlined in Barclays Group and legal entity capital plans, is developed in alignment with the control framework and policy for capital risk, and is implemented consistently in order to deliver on Barclays Group's objectives.

The Board approves the Barclays Group capital plan, internal stress tests and results of regulatory stress tests, and the Barclays Group recovery plan. The Barclays Group Treasury Committee is responsible for monitoring and managing capital risk in line with Barclays Group's capital management objectives,

capital plan and risk frameworks. The Barclays Group Treasury and Capital Risk Committee monitors and reviews the capital risk profile and control environment, providing Second Line oversight of the management of capital risk. The Barclays PLC BRC reviews the risk profile, and annually reviews risk appetite and the impact of stress scenarios on the Barclays Group capital plan/forecast in order to agree Barclays Group's projected capital adequacy.

Local management assures compliance with an entity's minimum regulatory capital requirements by reporting to local Asset and Liability Committees with oversight by Barclays Group Treasury Committee, as required.

Treasury has the primary responsibility for managing and monitoring capital and reports to the Barclays Group Finance Director. The Barclays Group Treasury and Capital Risk function provides oversight of capital risk and is an independent risk function that reports to the Barclays Group CRO. Production of the Barclays PLC ICAAP is the joint responsibility of Barclays Group Risk and Barclays Group Finance.

In 2018, Barclays complied with all regulatory minimum capital requirements.

#### Pension risk

Barclays Group maintains a number of defined benefit pension schemes for past and current employees. The ability of the pension fund to meet pension payments is maintained through investments and contributions.

Pension risk arises because the estimated market value of the pension fund assets might decline; investment returns might reduce; or the estimated value of the pension liabilities might increase. Barclays Group monitors the pension risks arising from its defined benefit pension schemes and works with Trustees to address shortfalls. In these circumstances Barclays Group could be required or might choose to make extra contributions to the pension fund. Barclays Group's main defined benefit scheme was closed to new entrants in 2012.

### Organisation and structure

| Primary objectives                                                                                                                                                                                                                             | Core practices                                                                                                                                                                                                                                                                                                                                                                           |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>■ Maintain adequate capital for Barclays Group and its legal entities to withstand the impact of the risks that may arise under the normal and stressed conditions analysed by Barclays Group.</li></ul> | <ul style="list-style-type: none"><li>■ Meet minimum regulatory requirements in all jurisdictions.</li><li>■ Maintain capital buffers over regulatory minimums,</li><li>■ Perform Barclays Group-wide internal and regulatory stress tests.</li><li>■ Develop contingency plans for severe and extreme stresses, which include stress management actions and recovery actions.</li></ul> |
| <ul style="list-style-type: none"><li>■ Maintain adequate capital to cover Barclays Group's current and forecast business needs and associated risks in order to provide a viable and sustainable business offering.</li></ul>                 | <ul style="list-style-type: none"><li>■ Maintain capital ratios aligned with rating agency expectations.</li><li>■ Maintain a capital plan on a short-term and medium-term basis aligned with Barclays Group's strategic objectives, balancing capital generation of the business with business growth and shareholder distributions.</li></ul>                                          |

Risk review

Principal Risk management

Treasury and capital risk management

Interest rate risk in the banking book management

Overview

Banking book operations generate non-traded market risk, primarily through the mismatch between the duration of assets and liabilities and where interest rates on products reset at different dates. As per Barclays Group's policy to remain within the defined risk appetite, interest rate and FX risks residing in the banking books of the businesses are transferred to Treasury where they are centrally managed. Currently these risks are transferred to Treasury via funding arrangements and interest rate or FX swaps. However, the businesses remain susceptible to non-traded market risk from seven key sources:

- **Repricing/residual risk:** the impact from the mismatch between the run-off of product balances and the associated interest rate hedges or from un-hedged liquidity buffer investments.
- **Structural risk:** the change to the net interest income on rolling structural hedge replenishment due to adverse movements in interest rates, assuming that the balance sheet remains constant.
- **Prepayment risk:** the potential loss in value if actual prepayment or early withdrawal behaviour from customers deviates from the expected or contractually agreed behaviour, which may result in a hedge or funding adjustment at a cost to Barclays Group. Exposures are typically considered (where appropriate) net of any applicable offsetting early repayment charges. This risk principally relates to early repayment of fixed rate loans or withdrawal from fixed rate savings products.

- **Recruitment risk:** the potential loss in value if the actual completion or drawdown behaviour from customers deviates from the expected behaviour, which may result in a hedge or funding adjustment at a cost to Barclays Group. This risk principally relates to the completion timing around Barclays Group's fixed rate mortgage pipeline process.
- **Margin compression risk:** the effect of internal or market forces on the Barclays Group's net margin where, for example, in a low rate environment a fall in interest rates may further decrease interest income earned on the assets whereas funding costs may not be reduced given the already minimum level of interest rates.
- **Lag risk:** arises from the delay in repricing customer rates for certain variable/managed rate products, following an underlying change to market interest rates. This is typically driven by either regulatory constraints around customer notification on pricing changes, processing time for Barclays Group's notification systems or contractual agreements within a product's terms and conditions.
- **Asset swap spread risk:** the spread between Libor and sovereign bond yields that arises from the management of the liquidity buffer investments and its associated hedges.

Furthermore, liquidity pool investments are generally subject to fair value through other comprehensive income (FVOCI) accounting rules, whereby changes in the fair value of these assets impact capital via other comprehensive income (OCI).

Roles and responsibilities

The non-traded market risk team provides risk management oversight and monitoring of all traded and non-traded market risk in Treasury and Customer Banking Books, which specifically includes:

- Interest rate risk assessment in the customer banking books.
- Review and challenge the behavioural assumptions used in hedging and transfer pricing.
- Risk management of the liquidity buffer investments and funding activities.
- Oversight of balance sheet hedging.
- Review of residual risk in the hedge accounting solution and hedging of net investments.
- Proposal and monitoring of risk limits to manage traded and non-traded market risk within the agreed risk appetite.

The Barclays Group Treasury Committee is responsible for monitoring and managing IRRBB risk in line with Barclays Group's management objectives and risk frameworks. The Barclays Group Risk Committee monitors and reviews the IRRBB risk profile and control environment, providing Second Line oversight of the management of IRRBB risk. The Barclays Group Board Risk Committee reviews the interest rate risk profile, including annual review of the risk appetite and the impact of stress scenarios on the interest rate risk of the Barclays Group.

Risk review

# Principal Risk management

## Operational risk management

### Operational risk

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

### Overview

The management of operational risk has three key objectives:

- deliver an operational risk capability owned and used by business leaders which is pragmatic, relevant, and enables business leaders to make sound risk decisions over the long term
- provide the frameworks and policies to enable management to meet their risk management responsibilities while the second line of defence provides robust, independent, and effective oversight and challenge
- deliver a consistent and aggregated measurement of operational risk that will provide clear and relevant insights, so that the right management actions can be taken to keep the operational risk profile consistent with Barclays Group's strategy, the stated risk tolerance and stakeholder needs.

Following submission of an application to the PRA relating to Barclays Group Advanced Measurement Approach (AMA) permission, Barclays Group received the PRA's approval to use the Standardised Approach (TSA) for

operational risk regulatory capital purposes with effect from 1 April 2018. Barclays Group has conservatively elected to retain its previous operational risk RWA amount unchanged for 2018.

Barclays Group operates within a strong system of internal controls that enables business to be transacted and risk taken without exposing Barclays Group to unacceptable potential losses or reputational damages. Barclays Group has an overarching Enterprise Risk Management Framework (ERMF) that sets out the approach to internal governance.

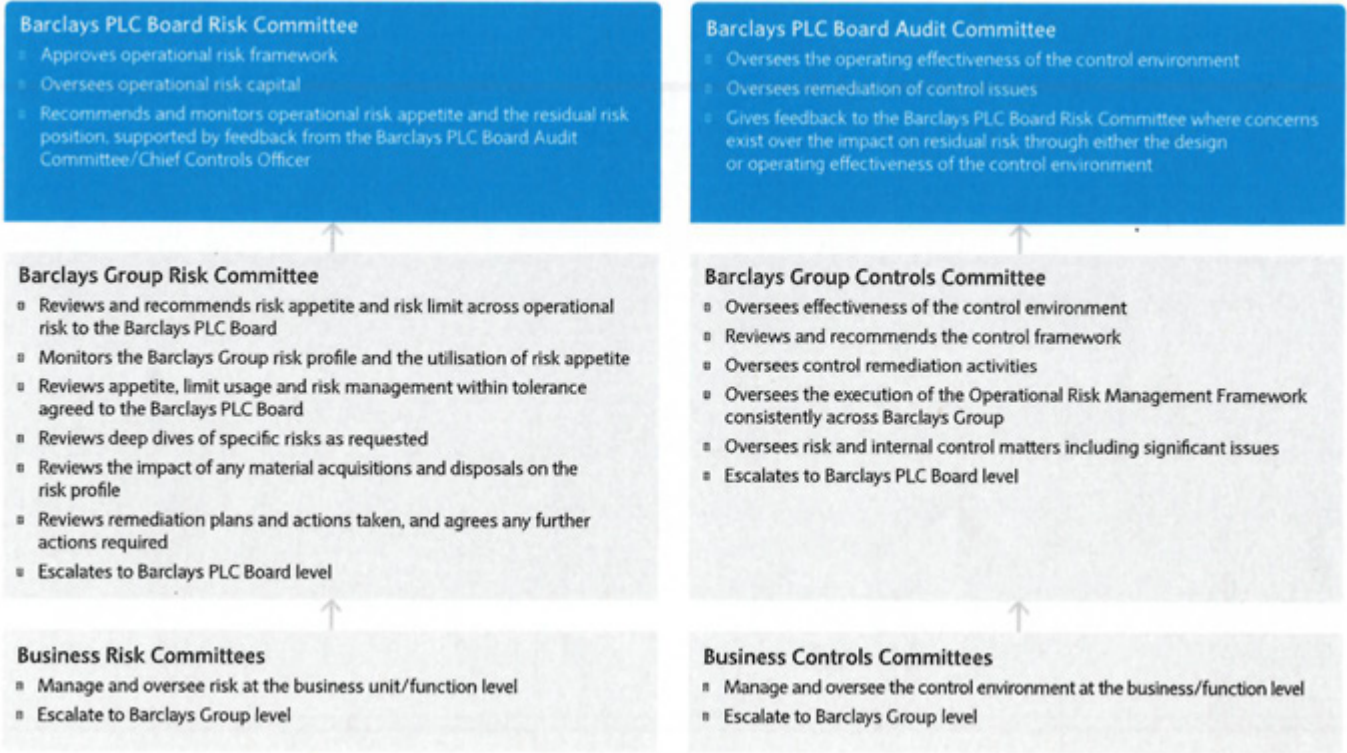
### Organisation and structure

Operational risk comprises a number of specific risk categories defined as follow:

- **data management and information risk:** the risk that Barclays Group information is not captured, retained, used or protected in accordance with its value and legal and regulatory requirements
- **financial reporting risk:** the risk of a material misstatement or omission within Barclays Group's external financial reporting, regulatory reporting or internal financial management reporting

- **fraud risk:** the risk of financial loss when an internal or external party acts dishonestly with the intent to obtain an undue benefit, cause a loss to, or to expose either Barclays Group or its customers and clients to a risk of loss
- **payments process risk:** the risk of payments being processed inaccurately, with delays or without appropriate authentication and authorisation. It includes payments processes from initiation through to external settlement, including any repairs or amendments
- **people risk:** the set of risks associated with employing and managing people, including compliance with regulations, appropriate resourcing for requirements, recruitment and development risks (excluding health and safety related risk)
- **premises risk:** the risk of business detriment or harm to people due to premises and infrastructure issues
- **physical security risk:** the risk of business detriment, financial loss or harm to people as a result of any physical security incident impacting Barclays Group or a Barclays Group's employee – relating to harm to people, unauthorised access, intentional damage to premises or theft or intentional damage to moveable assets
- **supplier risk:** the risk that is introduced to Barclays Group or a Barclays Group's entity as a consequence of obtaining services or goods from another legal entity, or entities, whether external or internal as a result of inadequate selection, inadequate management or inadequate exit management

### Organisation and structure



Risk review

Principal Risk management

Operational risk management

- **tax risk:** the risk of unexpected tax cost in relation to any tax for which Barclays Group is liable, or of reputational damage on tax matters with key stakeholders such as tax authorities, regulators, shareholders or the public. Tax cost includes tax, interest or penalties levied by a taxing authority
- **technology risk:** the risk of dependency on technological solutions and failure to develop, deploy and maintain technology solutions that are stable, reliable and deliver business need
- **transaction operations risk:** the risk of customer/client or Barclays Group detriment due to unintentional error and/or failure in the end-to-end process of initiation, processing and fulfilment of an interaction between a customer/client and Barclays Group with an underlying financial instrument (e.g. mortgage, derivative product, trade product etc.) in consideration.

In addition to the above, operational risk encompasses risks associated with prudential regulation. This includes the risk of failing to: adhere to prudential regulatory requirements, including capital adequacy requirements; provide regulatory submissions; or monitor and manage adherence to new prudential regulatory requirements.

These risks may result in financial and/or non-financial impacts including legal/ regulatory breaches or reputational damage.

Barclays Group also recognises that there are certain threats/risk drivers that are more thematic and have the potential to impact Barclays Group's strategic objectives. These are Enterprise Risk Themes which require an overarching and integrated risk management approach. Including:

- **cyber:** the potential loss or detriment to Barclays caused by individuals or groups (threat actors) with the capabilities and intention to cause harm or to profit from attacks committed via network information systems against us, our suppliers, or customers/clients
- **data:** aligned to the data strategy of Barclays Group and encompassing data risks to Barclays Group from multiple risk categories, including data management, data architecture, data security & protection, data resilience, data retention and data privacy
- **execution:** the risk of failing to deliver and implement the agreed initiatives, priorities and business outcomes required to deliver Barclays Group's strategy within agreed timelines
- **resilience:** the risk of the organisation's ability to survive and prosper in its commercial endeavours in the presence of adverse events, shocks and chronic or incremental changes.

Roles and responsibilities

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

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

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

Specific reports are prepared by Operational Risk on a regular basis for the Barclays Group Risk Committee, and the Barclays PLC Board Risk Committee.



Risk review

# Principal Risk management

## Model risk management

### Model risk

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

### Overview

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

Since models are imperfect and incomplete representations of reality, they may be subject to errors affecting the accuracy of their output. Model errors can result in inappropriate business decisions being made, financial loss, regulatory risk, reputational risk and/or inadequate capital reporting. Models may also be misused, for instance applied to products that they were not intended for, or not adjusted, where fundamental changes to their environment would justify re-evaluating their core assumptions. Errors and misuse are the primary sources of model risk.

Robust model risk management is crucial to assessing and managing model risk within a defined risk appetite. Strong model risk culture, appropriate technology environment, and adequate focus on understanding and resolving model limitations are crucial components.

### Organisation and structure

Barclays Group allocates substantial resources to identify and record models and their usage, document and monitor the performance of models, validate models and adequately address model limitations. Barclays Group manages model risk as an enterprise level risk similar to other principal risks.

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

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

Barclays Group is continuously enhancing model risk management. The function reports to the Barclays Group CRO and operates a global framework. Implementation of best practice standards is a central objective of Barclays Group. Model risk reporting flows to senior management as depicted below.

### Roles and responsibilities

The key model risk management activities include;

- Correctly identifying models across all relevant areas of Barclays Group, and

recording models in the Barclays Group Models Database (GMD), the Barclays Group-wide model inventory. The heads of the relevant model ownership areas annually attest to the completeness and accuracy of the model inventory. MGC undertakes regular conformance reviews on the model inventory.

- Enforcing that every model has a model owner who is accountable for the model. The model owner must sign off models prior to submission to IVU for validation. The model owner works with the relevant technical teams (model developers, implementation, monitoring, data services, regulatory) to maintain that the model presented to IVU is and remains fit for purpose.
- Overseeing that every model is subject to validation and approval by IVU, prior to being implemented and on a continual basis. While all models are reviewed and re-approved for continued use each year, the validation frequency and the level of review and challenge applied by IVU is tailored to the materiality and complexity of each model. Validation includes a review of the model assumptions, conceptual soundness, data, design, performance testing, compliance with external requirements if applicable, as well as any limitations, proposed remediation and overlays with supporting rationale. Material model changes are subject to prioritised validation and approval.
- Defining model risk appetite in terms of risk tolerance, and qualitative metrics which are used to track and report model risk.
- Maintaining specific standards that cover model risk management activities relating to stress testing challenger models, model overlays, vendor models, and model complexity and materiality.

#### Organisation and structure

##### Barclays PLC Board Risk Committee

- Reviews and recommends Barclays Group's risk appetite for model risk to the Barclays PLC Board
- Reviews the effectiveness of the processes and policies by which Barclays Group identifies and manages model risk
- Assesses performance relative to model risk appetite



##### Barclays Group Risk Committee

- Reviews risk appetite across model risk
- Monitors the Barclays Group risk profile for model risk, including emerging risks, against expected trends, and the utilisation of risk appetite



##### Business Risk Committees

- Review critical updates on model risk e.g. updates on Barclays Group-wide remediation plans
- Review targeted updates on progress towards meeting regulatory deliverables
- Review identified policy breaches

Risk review

# Principal Risk management

## Conduct risk management

### Conduct risk

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

### Overview

Barclays Group defines, manages and mitigates Conduct risk with the goal of providing positive customer and client outcomes, protecting market integrity and promoting effective competition. This includes taking reasonable steps to assure that Barclays Group’s culture and strategy are appropriately aligned to these goals; its products and services are reasonably designed and delivered to meet the needs of customers and clients; promoting the fair and orderly operation of the markets in which Barclays Group does business; and that Barclays Group does not commit or facilitate money laundering, terrorist financing, bribery and corruption or breaches of economic sanctions.

Product Lifecycle, Culture and Strategy and Financial Crime are the risk categories within the Barclays Group definition of conduct risk.

### Organisation and structure

The governance of conduct risk within Barclays Group is fulfilled through management committees and forums operated by the First and Second Lines of Defence with clear escalation and reporting lines to the Board.

The Barclays Group Risk Committee is the most senior executive body responsible for reviewing and monitoring the effectiveness of Barclays Group’s management of conduct risk.

### Roles and responsibilities

The Conduct Risk Management Framework (CRMF) outlines how Barclays Group manages and measures its conduct risk profile.

Senior managers have accountability for managing conduct risk in their areas of responsibility. This is expressed in their Statements of Responsibilities. The primary responsibility for managing conduct risk and compliance with control requirements sits with the business where the risk arises. The First Line Business Control Committees provide oversight of controls relating to conduct risk.

The Barclays Group Chief Compliance Officer is responsible for owning and maintaining an appropriate Barclays Group-wide CRMF. This includes defining and owning the relevant conduct risk policies and oversight of the implementation of controls to manage and escalate the risk.

Businesses are required to report their conduct risks on both a quarterly and an event-driven basis to their respective trading entity risk committees. The quarterly reports detail conduct risks inherent within the business strategy and include forward looking horizon scanning analysis as well as backward looking evidence-based indicators from both internal and external sources.

The Barclays Bank Group and the Barclays Bank UK Group Trading Entity Risk Committees are the primary Second Line governance forums for oversight of conduct risk profile and implementation of the CRMF. The responsibilities of the Business Unit Risk Committees include approval of the conduct risk tolerance and the business defined key indicators. Additional responsibilities include the identification and discussion of any emerging conduct risks exposures which have been identified.

### Organisation and structure



Risk review

Principal Risk management

Reputation risk management

Reputation risk

The risk that an action, transaction, investment or event will reduce trust in the firm’s integrity and competence by clients, counterparties, investors, regulators, employees or the public

Overview

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

Organisation and structure

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

Roles and responsibilities

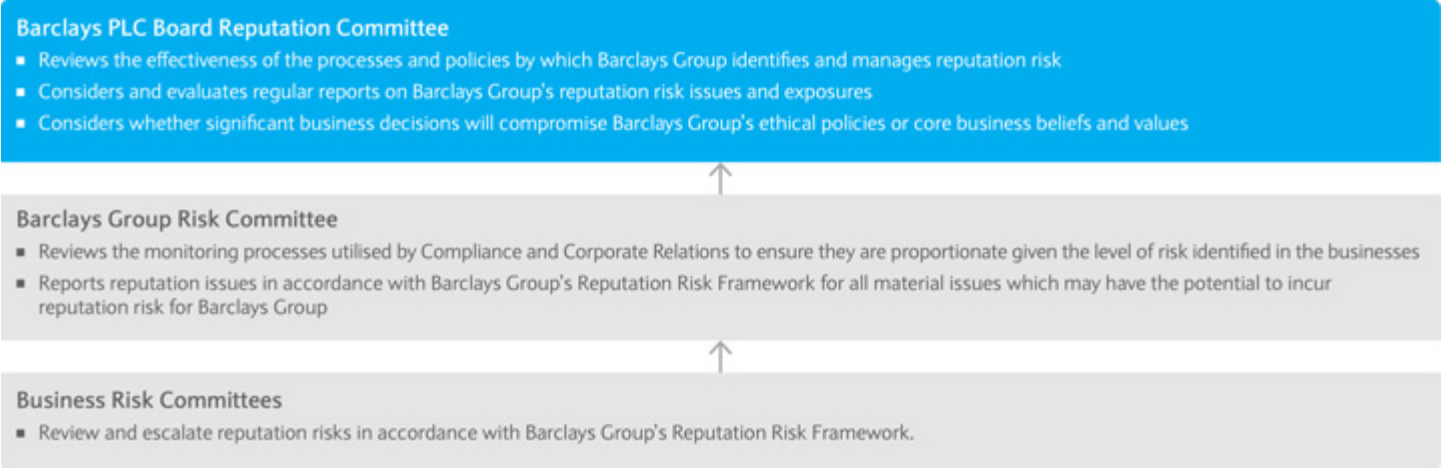
The Barclays Group Chief Compliance Officer is accountable for developing a reputation risk framework, policies and standards, including limits against which data is monitored, reported on and escalated, as required.

Reputation risk is by nature pervasive and can be difficult to quantify, requiring more subjective judgement than many other risks. The Reputation Risk Framework sets out what is required to manage reputation risk effectively and consistently across Barclays Group. During 2018, the Framework was updated to include a new reputation risk policy and supporting standards.

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

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

Organisation and structure



Risk review

Principal Risk management

Legal risk management

Legal risk

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

Overview

Overall, Barclays Group has limited tolerance for legal risk, however the multitude of laws and regulations across the globe are highly dynamic and their application to particular circumstances is often unclear. This results in a degree of legal risk. The Barclays Group-wide Legal Risk Management Framework (LRMF) comprises a number of integrated components that allows Barclays Group to identify, manage and measure its legal risk profile, supported by legal risk policies and associated standards aligned to the following legal risks:

- **contractual arrangements** – failure to engage Barclays Group Legal Function in relation to contractual arrangements
- **litigation management** – litigation not being managed by or with the support of Barclays Group Legal Function
- **intellectual property (IP)** – failure to protect Barclays Group's IP assets or infringement of third party IP rights
- **competition/anti-trust** – failure to identify and escalate competition/anti-trust issues to Barclays Group Legal Function or inappropriate interactions with competition/anti-trust authorities
- **use of law firms** – inappropriate instruction of external legal advisors
- **contact with regulators** – inappropriate interactions with regulators or inappropriate handling of confidential supervisory information from regulatory or government

- agencies **legal engagement** – failure to appropriately engage Barclays Group Legal Function in relation to key business decisions.

Organisation and structure

The Legal Executive Committee oversees, monitors and challenges legal risk across Barclays Group. The Barclays Group Risk Committee is the most senior executive body responsible for reviewing and monitoring the effectiveness of risk management across Barclays Group. Escalation paths from this committee exist to the Barclays PLC Board Risk Committee.

Roles and responsibilities

The LRMF requires Barclays Group's businesses and functions to integrate the management of legal risk within their strategic planning and business decision making including managing adherence to minimum control requirements. Barclays Group's businesses and functions are accountable and have primary responsibility for identifying legal risk in their area as well as responsibility for adherence to minimum control requirements and compliance with the LRMF and legal risk policies.

All employees, regardless of their position, business or function or location, must play a part in Barclays Group's legal risk management. Employees are responsible for understanding and taking reasonable steps

to manage and minimise legal risk that may arise in the context of their individual roles and responsibilities. Employees are required to be familiar with the LRMF and legal risk policies and to know how to escalate actual or potential legal risk issues.

Legal risk management is everyone's responsibility, as part of a risk culture aligned to Barclays Group's Values, promoting transparency and timely escalation and management of risks and issues, supported by clearly defined roles and responsibilities across the three lines of defence.

The Legal Function does not sit in any of the three lines of defence but supports them all. The LRMF details the main activities the Legal Function undertakes to support Barclays Group in managing risk, including the identification of issues and risks, coverage with appropriate expertise and escalation. The LRMF, legal risk policies and activities of the Legal Function are designed so that Barclays Group receives advice from appropriate legal professionals in circumstances that are most likely to give rise to legal risk.

The Group General Counsel, supported by the Legal Executive Committee and the Global Head of Legal Risk, Governance and Control, is responsible for maintaining an appropriate LRMF, developing non-financial legal risk tolerances and for overseeing legal risk management.

Organisation and structure





Risk review

Risk performance

Credit risk

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Risk review

Risk performance

Credit risk

Credit risk

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

All disclosures in this section (pages 103 to 129) are unaudited unless otherwise stated.

Key metrics

Reduction in impairment allowances of

£481m

Impairment allowances on loans and advances at amortised cost, including off-balance sheet elements of the allowance, decreased by £481m to £7,041m (1 January 2018: £7,522m) since the adoption of IFRS 9.

Overview

Credit risk represents a significant risk to Barclays Group and mainly arises from exposure to wholesale and retail loans and advances together with the counterparty credit risk arising from derivative contracts entered into with clients.

IFRS 9 *Financial Instruments* is effective from 1 January 2018, introducing an expected credit loss model using forward looking information which replaces an incurred loss model. As a result of the implementation of IFRS 9, the risk appetite and risk management strategy has not changed. The presentation of credit risk within this risk performance section provides additional disclosures under the new standard. Further detail can be found in the Financial statements section in Note 1 Significant accounting policies, Note 7 Credit impairment charges and other provisions and Note 42 Transition disclosures. Descriptions of terminology can be found in the glossary, available at [home.barclays/annualreport](http://home.barclays/annualreport).

Summary of performance in the period

Credit impairment charges decreased 37% to £1,468m primarily driven by single name recoveries, updates to consensus-based macroeconomic forecasts in the UK and US during the year, the non-recurrence of single name charges in 2017, portfolio adjustments as IFRS 9 has continued to embed and the impact of repositioning the US cards portfolio towards a lower risk mix. This decrease was partially offset by a £150m specific charge for the impact of anticipated economic uncertainty in the UK. The Barclays Group loan loss rate was 44bps (2017: 57bps).

Refer to the credit risk management section on pages 91 to 92 for details of governance, policies and procedures.

Maximum exposure and effects of netting, collateral and risk transfer

Basis of preparation

The following tables present a reconciliation between the maximum exposure and the net exposure to credit risk, reflecting the financial effects of risk mitigation reducing the exposure.

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

This and subsequent analyses of credit risk exclude other financial assets not subject to credit risk, mainly equity securities.

The Barclays Group mitigates the credit risk to which it is exposed through netting and set-off, collateral and risk transfer.

Overview

As at 31 December 2018, the Barclays Group's net exposure to credit risk, after taking into account credit risk mitigation, increased 2% to £807.4bn. Overall, the extent to which the Barclays Group holds mitigation against its total exposure remains unchanged at 43% (2017: 43%).

Of the unmitigated on balance sheet exposure, a significant portion relates to cash held at central banks, cash collateral and settlement balances, and debt securities issued by governments all of which are considered to be lower risk. Increases in trading portfolio assets and financial assets at fair value through the income statement have driven the increase in the Barclays Group's net exposure to credit risk. Trading portfolio liability positions, which to a significant extent economically hedge trading portfolio assets but which are not held specifically for risk management purposes, are excluded from the analysis. The credit quality of counterparties to derivatives, financial investments and wholesale loan assets are predominantly investment grade and there are no significant changes from prior year. Further analysis on the credit quality of assets is presented on pages 120 to 123.

Where collateral has been obtained in the event of default, the Barclays Group does not, ordinarily, use such assets for its own operations and they are usually sold on a timely basis. The carrying value of assets held by the Barclays Group as at 31 December 2018, as a result of the enforcement of collateral, was £6m (2017: £nil).

| Maximum exposure and effects of netting, collateral and risk transfer (audited) |                        |                           |                       |                           |                     |                    |
|---------------------------------------------------------------------------------|------------------------|---------------------------|-----------------------|---------------------------|---------------------|--------------------|
|                                                                                 | Maximum exposure<br>£m | Netting and set-off<br>£m | Cash collateral<br>£m | Non-cash collateral<br>£m | Risk transfer<br>£m | Net exposure<br>£m |
| As at 31 December 2018                                                          |                        |                           |                       |                           |                     |                    |
| On-balance sheet:                                                               |                        |                           |                       |                           |                     |                    |
| Cash and balances at central banks                                              | 177,069                | –                         | –                     | –                         | –                   | 177,069            |
| Cash collateral and settlement balances                                         | 77,222                 | –                         | –                     | –                         | –                   | 77,222             |
| Loans and advances at amortised cost:                                           |                        |                           |                       |                           |                     |                    |
| Home loans                                                                      | 150,284                | –                         | (295)                 | (149,679)                 | (132)               | 178                |
| Credit cards, unsecured and other retail lending                                | 56,431                 | –                         | (725)                 | (5,608)                   | (451)               | 49,647             |
| Corporate loans                                                                 | 119,691                | (7,550)                   | (65)                  | (41,042)                  | (4,454)             | 66,580             |
| Total loans and advances at amortised cost                                      | 326,406                | (7,550)                   | (1,085)               | (196,329)                 | (5,037)             | 116,405            |
| Of which credit-impaired (Stage 3):                                             |                        |                           |                       |                           |                     |                    |
| Home loans                                                                      | 2,125                  | –                         | (3)                   | (2,083)                   | (31)                | 8                  |
| Credit cards, unsecured and other retail lending                                | 1,249                  | –                         | (6)                   | (232)                     | (38)                | 973                |
| Corporate loans                                                                 | 1,762                  | –                         | –                     | (895)                     | (17)                | 850                |
| Total credit-impaired loans and advances at amortised cost                      | 5,136                  | –                         | (9)                   | (3,210)                   | (86)                | 1,831              |
| Reverse repurchase agreements and other similar secured lending                 | 2,308                  | –                         | (17)                  | (2,261)                   | –                   | 30                 |
| Trading portfolio assets:                                                       |                        |                           |                       |                           |                     |                    |
| Debt securities                                                                 | 57,283                 | –                         | –                     | (451)                     | –                   | 56,832             |
| Traded loans                                                                    | 7,234                  | –                         | –                     | (154)                     | –                   | 7,080              |
| Total trading portfolio assets                                                  | 64,517                 | –                         | –                     | (605)                     | –                   | 63,912             |
| Financial assets at fair value through the income statement:                    |                        |                           |                       |                           |                     |                    |
| Loans and advances                                                              | 19,524                 | –                         | (11)                  | (11,782)                  | (89)                | 7,642              |
| Debt securities                                                                 | 4,522                  | –                         | –                     | (445)                     | –                   | 4,077              |
| Reverse repurchase agreements                                                   | 119,041                | –                         | (2,996)               | (115,601)                 | –                   | 444                |
| Other financial assets                                                          | 542                    | –                         | –                     | –                         | –                   | 542                |
| Total financial assets at fair value through the income statement               | 143,629                | –                         | (3,007)               | (127,828)                 | (89)                | 12,705             |
| Derivative financial instruments                                                | 222,538                | (172,001)                 | (31,402)              | (5,502)                   | (4,712)             | 8,921              |
| Financial assets at fair value through other comprehensive income               | 51,694                 | –                         | –                     | –                         | (399)               | 51,295             |
| Other assets                                                                    | 1,006                  | –                         | –                     | –                         | –                   | 1,006              |
| Total on-balance sheet                                                          | 1,066,389              | (179,551)                 | (35,511)              | (332,525)                 | (10,237)            | 508,565            |
| Off-balance sheet:                                                              |                        |                           |                       |                           |                     |                    |
| Contingent liabilities                                                          | 20,303                 | –                         | (399)                 | (1,418)                   | (190)               | 18,296             |
| Loan commitments                                                                | 324,223                | –                         | (124)                 | (42,117)                  | (1,395)             | 280,587            |
| Total off-balance sheet                                                         | 344,526                | –                         | (523)                 | (43,535)                  | (1,585)             | 298,883            |
| Total                                                                           | 1,410,915              | (179,551)                 | (36,034)              | (376,060)                 | (11,822)            | 807,448            |

Off-balance sheet exposures are shown gross of provisions of £271m (2017: £79m). See Note 26 for further details.

In addition to the above, Barclays Group holds forward starting reverse repos with notional contract amounts of £35.5bn (2017: £31.4bn). The balances are fully collateralised.

Risk review

# Risk performance

Credit risk

| Maximum exposure and effects of netting, collateral and risk transfer (audited) |                        |                           |                       |                           |                     |                    |
|---------------------------------------------------------------------------------|------------------------|---------------------------|-----------------------|---------------------------|---------------------|--------------------|
| As at 31 December 2017                                                          | Maximum exposure<br>£m | Netting and set-off<br>£m | Cash collateral<br>£m | Non-cash collateral<br>£m | Risk transfer<br>£m | Net exposure<br>£m |
| On-balance sheet:                                                               |                        |                           |                       |                           |                     |                    |
| Cash and balances at central banks                                              | 171,082                | –                         | –                     | –                         | –                   | 171,082            |
| Cash collateral and settlement balances                                         | 77,168                 | –                         | –                     | –                         | –                   | 77,168             |
| Loans and advances at amortised cost:                                           |                        |                           |                       |                           |                     |                    |
| Home loans                                                                      | 147,002                | –                         | (158)                 | (146,554)                 | –                   | 290                |
| Credit cards, unsecured and other retail lending                                | 55,767                 | –                         | (241)                 | (3,995)                   | (16)                | 51,515             |
| Corporate loans                                                                 | 121,279                | (6,617)                   | (230)                 | (46,402)                  | (4,378)             | 63,652             |
| Total loans and advances at amortised cost                                      | 324,048                | (6,617)                   | (629)                 | (196,951)                 | (4,394)             | 115,457            |
| Reverse repurchase agreements and other similar secured lending                 | 12,546                 | –                         | –                     | (12,226)                  | –                   | 320                |
| Trading portfolio assets:                                                       |                        |                           |                       |                           |                     |                    |
| Debt securities                                                                 | 51,200                 | –                         | –                     | –                         | –                   | 51,200             |
| Traded loans                                                                    | 3,140                  | –                         | –                     | (128)                     | –                   | 3,012              |
| Total trading portfolio assets                                                  | 54,340                 | –                         | –                     | (128)                     | –                   | 54,212             |
| Financial assets at fair value through the income statement:                    |                        |                           |                       |                           |                     |                    |
| Loans and advances                                                              | 11,037                 | –                         | (440)                 | (5,497)                   | (344)               | 4,756              |
| Debt securities                                                                 | 15                     | –                         | –                     | –                         | –                   | 15                 |
| Reverse repurchase agreements                                                   | 100,040                | –                         | (426)                 | (99,428)                  | –                   | 186                |
| Other financial assets                                                          | 519                    | –                         | –                     | –                         | –                   | 519                |
| Total financial assets at fair value through the income statement               | 111,611                | –                         | (866)                 | (104,925)                 | (344)               | 5,476              |
| Derivative financial instruments                                                | 237,669                | (184,265)                 | (33,092)              | (6,170)                   | (5,885)             | 8,257              |
| Financial investments – debt securities                                         | 57,128                 | –                         | –                     | (463)                     | (853)               | 55,812             |
| Other assets                                                                    | 3,022                  | –                         | –                     | –                         | –                   | 3,022              |
| Total on-balance sheet                                                          | 1,048,614              | (190,882)                 | (34,587)              | (320,863)                 | (11,476)            | 490,806            |
| Off-balance sheet:                                                              |                        |                           |                       |                           |                     |                    |
| Contingent liabilities                                                          | 19,012                 | –                         | (318)                 | (1,482)                   | (228)               | 16,984             |
| Loan commitments                                                                | 315,573                | –                         | (73)                  | (31,069)                  | (1,757)             | 282,674            |
| Total off-balance sheet                                                         | 334,585                | –                         | (391)                 | (32,551)                  | (1,985)             | 299,658            |
| Total                                                                           | 1,383,199              | (190,882)                 | (34,978)              | (353,414)                 | (13,461)            | 790,464            |



Expected Credit Losses

Loans and advances at amortised cost by stage

The table below presents an analysis of loans and advances at amortised cost by gross exposure, impairment allowance, coverage ratio and impairment charge by stage allocation and business segment as at 31 December 2018. Also included are off-balance sheet loan commitments and financial guarantee contracts by gross exposure and impairment allowance and coverage ratio by stage allocation as at 31 December 2018. Barclays does not hold any material purchased or originated credit impaired assets as at year-end.

| Loans and advances at amortised cost by stage (audited)                           |                |               |               |             |                      |               |               |             |              |  |
|-----------------------------------------------------------------------------------|----------------|---------------|---------------|-------------|----------------------|---------------|---------------|-------------|--------------|--|
|                                                                                   | Gross exposure |               |               |             | Impairment allowance |               |               |             | Net exposure |  |
|                                                                                   | Stage 1<br>£m  | Stage 2<br>£m | Stage 3<br>£m | Total<br>£m | Stage 1<br>£m        | Stage 2<br>£m | Stage 3<br>£m | Total<br>£m |              |  |
| As at 31 December 2018                                                            |                |               |               |             |                      |               |               |             |              |  |
| Barclays UK                                                                       | 134,911        | 25,279        | 3,040         | 163,230     | 183                  | 1,389         | 1,152         | 2,724       | 160,506      |  |
| Barclays International                                                            | 26,714         | 4,634         | 1,830         | 33,178      | 352                  | 965           | 1,315         | 2,632       | 30,546       |  |
| Head Office                                                                       | 6,510          | 636           | 938           | 8,084       | 9                    | 47            | 306           | 362         | 7,722        |  |
| Total Barclays Group retail                                                       | 168,135        | 30,549        | 5,808         | 204,492     | 544                  | 2,401         | 2,773         | 5,718       | 198,774      |  |
| Barclays UK                                                                       | 22,824         | 4,144         | 1,272         | 28,240      | 16                   | 70            | 117           | 203         | 28,037       |  |
| Barclays International                                                            | 87,344         | 8,754         | 1,382         | 97,480      | 128                  | 244           | 439           | 811         | 96,669       |  |
| Head Office                                                                       | 2,923          | —             | 41            | 2,964       | —                    | —             | 38            | 38          | 2,926        |  |
| Total Barclays Group wholesale                                                    | 113,091        | 12,898        | 2,695         | 128,684     | 144                  | 314           | 594           | 1,052       | 127,632      |  |
| Total loans and advances at amortised cost                                        | 281,226        | 43,447        | 8,503         | 333,176     | 688                  | 2,715         | 3,367         | 6,770       | 326,406      |  |
| Off-balance sheet loan commitments and financial guarantee contracts <sup>a</sup> | 309,989        | 22,126        | 684           | 332,799     | 99                   | 150           | 22            | 271         | 332,528      |  |
| Total <sup>b</sup>                                                                | 591,215        | 65,573        | 9,187         | 665,975     | 787                  | 2,865         | 3,389         | 7,041       | 658,934      |  |

|                                                                                   | Coverage ratio |              |              |            | Loan impairment charge and loan loss rate |                       |
|-----------------------------------------------------------------------------------|----------------|--------------|--------------|------------|-------------------------------------------|-----------------------|
|                                                                                   | Stage 1<br>%   | Stage 2<br>% | Stage 3<br>% | Total<br>% | Loan impairment charge<br>£m              | Loan loss rate<br>bps |
| As at 31 December 2018                                                            |                |              |              |            |                                           |                       |
| Barclays UK                                                                       | 0.1            | 5.5          | 37.9         | 1.7        | 830                                       | 51                    |
| Barclays International                                                            | 1.3            | 20.8         | 71.9         | 7.9        | 844                                       | 254                   |
| Head Office                                                                       | 0.1            | 7.4          | 32.6         | 4.5        | 15                                        | 19                    |
| Total Barclays Group retail                                                       | 0.3            | 7.9          | 47.7         | 2.8        | 1,689                                     | 83                    |
| Barclays UK                                                                       | 0.1            | 1.7          | 9.2          | 0.7        | 74                                        | 26                    |
| Barclays International                                                            | 0.1            | 2.8          | 31.8         | 0.8        | (142)                                     | —                     |
| Head Office                                                                       | —              | —            | 92.7         | 1.3        | (31)                                      | —                     |
| Total Barclays Group wholesale                                                    | 0.1            | 2.4          | 22.0         | 0.8        | (99)                                      | —                     |
| Total loans and advances at amortised cost                                        | 0.2            | 6.2          | 39.6         | 2.0        | 1,590                                     | 48                    |
| Off-balance sheet loan commitments and financial guarantee contracts <sup>a</sup> | —              | 0.7          | 3.2          | 0.1        | (125)                                     |                       |
| Other financial assets subject to impairment                                      |                |              |              |            | 3                                         |                       |
| Total                                                                             | 0.1            | 4.4          | 36.9         | 1.1        | 1,468                                     |                       |

Notes

a Excludes loan commitments and financial guarantees of £11.7bn carried at fair value.

b Other financial assets subject to impairment not included in the table above include cash collateral and settlement balances, financial assets at fair value through other comprehensive income and other assets. These have a total gross exposure of £129.9bn and impairment allowance of £12m (1 January 2018: £9m). This comprises £10m ECL on £129.3bn Stage 1 assets and £2m on £0.6bn Stage 2 fair value through other comprehensive income assets.



## Risk review

|                                                                                   | Coverage ratio |              |              |            |
|-----------------------------------------------------------------------------------|----------------|--------------|--------------|------------|
| As at 1 January 2018                                                              | Stage 1<br>%   | Stage 2<br>% | Stage 3<br>% | Total<br>% |
| Barclays UK                                                                       | 0.1            | 5.1          | 36.2         | 1.6        |
| Barclays International                                                            | 1.3            | 18.4         | 73.7         | 8.6        |
| Head Office                                                                       | 0.1            | 3.9          | 30.9         | 4.0        |
| <b>Total Barclays Group retail</b>                                                | <b>0.3</b>     | <b>7.8</b>   | <b>45.2</b>  | <b>2.8</b> |
| Barclays UK                                                                       | 0.1            | 2.3          | 10.4         | 0.8        |
| Barclays International                                                            | 0.2            | 3.1          | 29.6         | 1.3        |
| Head Office                                                                       | –              | 3.6          | 78.4         | 0.7        |
| <b>Total Barclays Group wholesale</b>                                             | <b>0.2</b>     | <b>2.9</b>   | <b>24.7</b>  | <b>1.2</b> |
| <b>Total loans and advances at amortised cost</b>                                 | <b>0.2</b>     | <b>6.3</b>   | <b>37.2</b>  | <b>2.2</b> |
| Off-balance sheet loan commitments and financial guarantee contracts <sup>a</sup> | –              | 0.7          | 1.9          | 0.1        |
| <b>Total</b>                                                                      | <b>0.1</b>     | <b>3.8</b>   | <b>32.4</b>  | <b>1.2</b> |

Notes

a Excludes loan commitments and financial guarantees of £18.9bn carried at fair value.

b Other financial assets subject to impairment not included in the table above include cash collateral and settlement balances, financial assets at fair value through other comprehensive income and other assets. These have a total gross exposure of £128.1bn and impairment allowance of £9m.

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.

| Loans and advances at amortised cost by product (audited) |               |                    |                             |             |               |             |         |
|-----------------------------------------------------------|---------------|--------------------|-----------------------------|-------------|---------------|-------------|---------|
| As at 31 December 2018                                    | Stage 1<br>£m | Stage 2            |                             | Total<br>£m | Stage 3<br>£m | Total<br>£m |         |
|                                                           |               | Not past due<br>£m | <=30 days<br>past due<br>£m |             |               |             |         |
| Gross exposure                                            |               |                    |                             |             |               |             |         |
| Home loans                                                | 130,066       | 15,672             | 1,672                       | 862         | 18,206        | 2,476       | 150,748 |
| Credit cards, unsecured loans and other retail lending    | 45,785        | 11,262             | 530                         | 437         | 12,229        | 3,760       | 61,774  |
| Corporate loans                                           | 105,375       | 12,177             | 360                         | 475         | 13,012        | 2,267       | 120,654 |
| Total                                                     | 281,226       | 39,111             | 2,562                       | 1,774       | 43,447        | 8,503       | 333,176 |
| Impairment allowance                                      |               |                    |                             |             |               |             |         |
| Home loans                                                | 31            | 56                 | 13                          | 13          | 82            | 351         | 464     |
| Credit cards, unsecured loans and other retail lending    | 528           | 1,895              | 169                         | 240         | 2,304         | 2,511       | 5,343   |
| Corporate loans                                           | 129           | 300                | 16                          | 13          | 329           | 505         | 963     |
| Total                                                     | 688           | 2,251              | 198                         | 266         | 2,715         | 3,367       | 6,770   |
| Net exposure                                              |               |                    |                             |             |               |             |         |
| Home loans                                                | 130,035       | 15,616             | 1,659                       | 849         | 18,124        | 2,125       | 150,284 |
| Credit cards, unsecured loans and other retail lending    | 45,257        | 9,367              | 361                         | 197         | 9,925         | 1,249       | 56,431  |
| Corporate loans                                           | 105,246       | 11,877             | 344                         | 462         | 12,683        | 1,762       | 119,691 |
| Total                                                     | 280,538       | 36,860             | 2,364                       | 1,508       | 40,732        | 5,136       | 326,406 |
| Coverage ratio                                            | %             | %                  | %                           | %           | %             | %           | %       |
| Home loans                                                | —             | 0.4                | 0.8                         | 1.5         | 0.5           | 14.2        | 0.3     |
| Credit cards, unsecured loans and other retail lending    | 1.2           | 16.8               | 31.9                        | 54.9        | 18.8          | 66.8        | 8.6     |
| Corporate loans                                           | 0.1           | 2.5                | 4.4                         | 2.7         | 2.5           | 22.3        | 0.8     |
| Total                                                     | 0.2           | 5.8                | 7.7                         | 15.0        | 6.2           | 39.6        | 2.0     |
| As at 1 January 2018                                      |               |                    |                             |             |               |             |         |
| Gross exposure                                            | £m            | £m                 | £m                          | £m          | £m            | £m          | £m      |
| Home loans                                                | 125,224       | 17,108             | 1,612                       | 604         | 19,324        | 2,425       | 146,973 |
| Credit cards, unsecured loans and other retail lending    | 40,482        | 13,562             | 702                         | 502         | 14,766        | 3,544       | 58,792  |
| Corporate loans                                           | 99,911        | 14,534             | 407                         | 561         | 15,502        | 3,112       | 118,525 |
| Total                                                     | 265,617       | 45,204             | 2,721                       | 1,667       | 49,592        | 9,081       | 324,290 |
| Impairment allowance                                      |               |                    |                             |             |               |             |         |
| Home loans                                                | 38            | 77                 | 10                          | 13          | 100           | 326         | 464     |
| Credit cards, unsecured loans and other retail lending    | 441           | 2,086              | 203                         | 245         | 2,534         | 2,291       | 5,266   |
| Corporate loans                                           | 129           | 444                | 22                          | 12          | 478           | 765         | 1,372   |
| Total                                                     | 608           | 2,607              | 235                         | 270         | 3,112         | 3,382       | 7,102   |
| Net exposure                                              |               |                    |                             |             |               |             |         |
| Home loans                                                | 125,186       | 17,031             | 1,602                       | 591         | 19,224        | 2,099       | 146,509 |
| Credit cards, unsecured loans and other retail lending    | 40,041        | 11,476             | 499                         | 257         | 12,232        | 1,253       | 53,526  |
| Corporate loans                                           | 99,782        | 14,090             | 385                         | 549         | 15,024        | 2,347       | 117,153 |
| Total                                                     | 265,009       | 42,597             | 2,486                       | 1,397       | 46,480        | 5,699       | 317,188 |
| Coverage ratio                                            | %             | %                  | %                           | %           | %             | %           | %       |
| Home loans                                                | —             | 0.5                | 0.6                         | 2.2         | 0.5           | 13.4        | 0.3     |
| Credit cards, unsecured loans and other retail lending    | 1.1           | 15.4               | 28.9                        | 48.8        | 17.2          | 64.6        | 9.0     |
| Corporate loans                                           | 0.1           | 3.1                | 5.4                         | 2.1         | 3.1           | 24.6        | 1.2     |
| Total                                                     | 0.2           | 5.8                | 8.6                         | 16.2        | 6.3           | 37.2        | 2.2     |

The overall coverage ratio reduced from 2.2% to 2.0% driven predominantly by the reduction of Stage 3 single name exposures within Corporate loans.

The credit card, unsecured loans and other retail lending coverage ratio decreased to 8.6% from 9.0% due to the increase in Stage 1 balances which carry lower levels of ECL, with the Stage 2 increase including an adjustment for the anticipated UK economic uncertainty.

There are relatively low coverage ratios for Stage 3 Home loans and Corporate loans reflecting the secured nature of these exposures.

Risk review

Risk performance

Credit risk

Movement in gross exposures and impairment allowance including provisions for loan commitments and financial guarantees (audited)

The following tables present a reconciliation of the opening to the closing balance of the exposure and impairment allowance. An explanation of the terms 12-month ECL, lifetime ECL and credit-impaired is included on page 223.

| Gross exposure for loans and advances at amortised cost (audited) |               |               |               |             |
|-------------------------------------------------------------------|---------------|---------------|---------------|-------------|
|                                                                   | Stage 1<br>£m | Stage 2<br>£m | Stage 3<br>£m | Total<br>£m |
| As at 1 January 2018                                              | 265,617       | 49,592        | 9,081         | 324,290     |
| Net transfers between stages                                      | 1,385         | (3,602)       | 2,217         | –           |
| Business activity in the year                                     | 74,419        | 2,680         | 374           | 77,473      |
| – of which: Barclays UK                                           | 29,467        | 1,493         | 326           | 31,286      |
| – of which: Barclays International                                | 42,346        | 1,164         | 44            | 43,554      |
| Net drawdowns and repayments                                      | (13,140)      | 136           | 162           | (12,842)    |
| – of which: Barclays UK                                           | (10,269)      | (980)         | (322)         | (11,571)    |
| – of which: Barclays International                                | (1,305)       | 1,348         | 561           | 604         |
| Final repayments                                                  | (41,946)      | (5,359)       | (1,071)       | (48,376)    |
| – of which: Barclays UK                                           | (11,728)      | (1,753)       | (478)         | (13,959)    |
| – of which: Barclays International                                | (29,421)      | (3,520)       | (549)         | (33,490)    |
| Disposals                                                         | (5,109)       | –             | (369)         | (5,478)     |
| Write-offs                                                        | –             | –             | (1,891)       | (1,891)     |
| As at 31 December 2018 <sup>a</sup>                               | 281,226       | 43,447        | 8,503         | 333,176     |

| Impairment allowance on loans and advances at amortised cost (audited)    |               |               |               |             |
|---------------------------------------------------------------------------|---------------|---------------|---------------|-------------|
|                                                                           | Stage 1<br>£m | Stage 2<br>£m | Stage 3<br>£m | Total<br>£m |
| As at 1 January 2018                                                      | 608           | 3,112         | 3,382         | 7,102       |
| Net transfers between stages                                              | 798           | (1,182)       | 384           | –           |
| Business activity in the year                                             | 223           | 173           | 95            | 491         |
| Net remeasurement and movement due to exposure and risk parameter changes | (865)         | 638           | 1,918         | 1,691       |
| UK economic uncertainty adjustment                                        | –             | 150           | –             | 150         |
| Final repayments                                                          | (76)          | (176)         | (152)         | (404)       |
| Disposals                                                                 | –             | –             | (369)         | (369)       |
| Write-offs                                                                | –             | –             | (1,891)       | (1,891)     |
| As at 31 December 2018 <sup>a</sup>                                       | 688           | 2,715         | 3,367         | 6,770       |

|                                                                              |       |
|------------------------------------------------------------------------------|-------|
| Reconciliation of ECL movement to impairment charge/(release) for the period |       |
| ECL movement excluding assets derecognised due to disposals and write-offs   | 1,928 |
| Net recoveries post write-offs                                               | (195) |
| Exchange and other adjustments                                               | (143) |
| Impairment release on loan commitments and financial guarantees <sup>b</sup> | (125) |
| Impairment charge on other financial assets <sup>a</sup>                     | 3     |
| Income statement charge/(release) for the period                             | 1,468 |

Note

a Other financial assets subject to impairment not included in the table above include cash collateral and settlement balances, financial assets at fair value through other comprehensive income and other assets. These have a total gross exposure of £129.9bn (1 January 2018: £128.1bn) and impairment allowance of £12m (1 January 2018: £9m). This comprises £10m ECL on £129.3bn Stage 1 assets and £2m on £0.6bn Stage 2 fair value through other comprehensive income assets.

b Impairment release of £125m on loan commitments and financial guarantees represents a reduction in impairment allowance of £149m partially offset by exchange and other adjustments of £24m.

Gross exposure on loans and advances at amortised cost has increased by £8.9bn in 2018 driven by Stage 1 increases due to:

- Growth in Barclays UK Home Loans portfolio of £4.6bn
- Increased lending in Portfolio Management, Equity derivatives and Equity financing in Barclays International of £6.6bn
- Balance sheet growth and currency exchange movements in US Cards of £2.5bn
- New securities for the BX liquidity asset buffer of £2.3bn and £1.0bn of Italian bonds in Barclays International, offset by the disposal of a long dated liquidity buffer portfolio of UK gilts totalling £5.1bn, reduction in Corporate lending of £2.5bn and continued repayments on Italian Mortgages of £1.0bn.

Net transfers between stages represents the movements of positions from, for example, Stage 1 to Stage 2 following a Significant Increase in Credit Risk (SICR) or to Stage 3 as positions move into default. Equally, improvement in credit quality will result in positions moving to lower stages. These are the primary driver for the changes in impairment allowance and the income statement charge. The improvement in PDs and macroeconomic variables during 2018 resulted in net exposures moving from Stage 2 into Stage 1. The transfers into Stage 3 was from defaulted assets moving mainly from Stage 2.

Disposals includes the sale of a long dated liquidity buffer portfolio of UK gilts and debt sale activity. Write-offs represent the gross asset write-down during the period.

The impairment allowance decreased by £332m in the period. This is due to a net reduction in Barclays International predominantly from write-offs and a positive impact of macroeconomic variables changes during the year, offset by a £150m charge in UK Cards and UK Corporate loans from anticipated economic uncertainty in the UK. Credit quality across wholesale portfolios and underlying arrears rates in the retail portfolio have been relatively stable over the period.



Gross exposure for loan commitments and financial guarantees (audited)

|                               | Stage 1<br>£m | Stage 2<br>£m | Stage 3<br>£m | Total<br>£m |
|-------------------------------|---------------|---------------|---------------|-------------|
| As at 1 January 2018          | 275,364       | 38,867        | 1,442         | 315,673     |
| Net transfers between stages  | 13,521        | (13,552)      | 31            | —           |
| Business activity in the year | 65,404        | 811           | —             | 66,215      |
| Net drawdowns and repayments  | (14,491)      | 4,298         | (473)         | (10,666)    |
| Final repayments              | (29,809)      | (8,298)       | (316)         | (38,423)    |
| As at 31 December 2018        | 309,989       | 22,126        | 684           | 332,799     |

Provision on loan commitments and financial guarantees (audited)

|                                                                           | Stage 1<br>£m | Stage 2<br>£m | Stage 3<br>£m | Total<br>£m |
|---------------------------------------------------------------------------|---------------|---------------|---------------|-------------|
| As at 1 January 2018                                                      | 133           | 259           | 28            | 420         |
| Net transfers between stages                                              | 42            | (43)          | 1             | —           |
| Business activity in the year                                             | 18            | —             | —             | 18          |
| Net remeasurement and movement due to exposure and risk parameter changes | (79)          | (22)          | 44            | (57)        |
| Final repayments                                                          | (15)          | (44)          | (51)          | (110)       |
| As at 31 December 2018                                                    | 99            | 150           | 22            | 271         |

Stage 2 decomposition

Stage 2 decomposition<sup>a</sup>

|                        | Net exposure<br>£m | Impairment<br>allowance<br>£m |
|------------------------|--------------------|-------------------------------|
| As at 31 December 2018 |                    |                               |
| Quantitative test      | 28,159             | 2,506                         |
| Qualitative test       | 12,023             | 183                           |
| 30 dpd backstop        | 550                | 26                            |
| Total Stage 2          | 40,732             | 2,715                         |

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

Stage 2 exposures are predominantly identified using quantitative tests where the lifetime PD has deteriorated more than a pre-determined amount since origination. This is augmented by inclusion of accounts meeting the designated high risk criteria (including watchlist) for the portfolio under the qualitative test. A small number of other accounts (1% of impairment allowances and 1% of net exposure) are included in Stage 2. These accounts are not otherwise identified by the quantitative or qualitative tests but are more than 30 days past due. The percentage triggered by this backstop criteria is a measure of the effectiveness of the Stage 2 criteria in identifying deterioration prior to delinquency.

For further detail on the three criteria for determining a significant increase in credit risk required for Stage 2 classification, refer to Note 7 on page 223.

Risk review

Risk performance

Credit risk

Management adjustments to models for impairment (audited)

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

Adjustments in portfolios that have total management adjustments to impairment allowance of greater than £10m are presented by product below. Information as at 31 December 2018 is prepared on an IFRS 9 basis and information as at 31 December 2017 is prepared on an IAS 39 basis.

During 2018, models have continued to develop and a number of adjustments that were required on IFRS 9 adoption have been incorporated in impairment modelling.

|                                                        | 2018                                                                         |                                                | 2017                                                                         |                                                |
|--------------------------------------------------------|------------------------------------------------------------------------------|------------------------------------------------|------------------------------------------------------------------------------|------------------------------------------------|
|                                                        | Management adjustments to impairment allowances, including forbearance<br>£m | Proportion of total impairment allowances<br>% | Management adjustments to impairment allowances, including forbearance<br>£m | Proportion of total impairment allowances<br>% |
| As at 31 December                                      |                                                                              |                                                |                                                                              |                                                |
| Home loans                                             | 54                                                                           | 11.6                                           | 71                                                                           | 15.5                                           |
| Credit cards, unsecured loans and other retail lending | 370                                                                          | 6.9                                            | 80                                                                           | 2.6                                            |
| Corporate loans                                        | (7)                                                                          | (0.7)                                          | 138                                                                          | 12.1                                           |

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

**Home loans:** Due to the high quality nature of the UK Home Loans portfolio, ECL estimates are low in all but the most severe scenarios. An adjustment is held to maintain an appropriate level of ECL.

**Credit cards, unsecured loans and other retail lending:** Model related adjustments to maintain adequacy of Loss Given Default estimates and retail staging criteria updates were applied during the year. This also includes a £100m ECL adjustment held in UK Cards for the anticipated impact of economic uncertainty in the UK.

**Corporate loans:** Includes a £50m ECL adjustment held in Corporate Bank for the anticipated economic uncertainty in the UK, offset by a release in the Investment Bank to reduce inappropriate ECL sensitivity to a macroeconomic variable.

Measurement uncertainty and sensitivity analysis

The measurement of ECL involves increased complexity and judgement, including estimation of probabilities of default (PD), loss given default (LGD), a range of unbiased future economic scenarios, estimation of expected lives, estimation of exposures at default (EAD) and assessing significant increases in credit risk. Impairment charges will tend to be more volatile than under IAS 39 and will be recognised earlier. Unsecured products with longer expected lives, such as revolving credit cards, are the most impacted.

Barclays Group uses a five-scenario model to calculate ECL. An external consensus forecast is assembled from key sources, including HM Treasury, Bloomberg and the Urban Land Institute, which forms the baseline scenario. In addition, two adverse scenarios (Downside 1 and Downside 2) and two favourable scenarios (Upside 1 and Upside 2) are derived, with associated probability weightings. The adverse scenarios are calibrated to a similar severity to internal stress tests, whilst also considering IFRS 9 specific sensitivities and non-linearity. Downside 2 is benchmarked to the Bank of England’s annual cyclical scenarios and to the most severe scenario from Moody’s inventory, but is not designed to be the same. The favourable scenarios are calibrated to be symmetric to the adverse scenarios, subject to a ceiling calibrated to relevant recent favourable benchmark scenarios. The scenarios include six economic core variables, (GDP, unemployment and House Price Index (HPI) in both the UK and US markets), and expanded variables using statistical models based on historical correlations. All five scenarios converge to a steady state after eight years.

Scenario weights (audited)

The methodology for estimating probability weights for each of the scenarios involves a comparison of the distribution of key historic UK and US macroeconomic variables against the forecast paths of the five scenarios. The methodology works such that the baseline (reflecting current consensus outlook) has the highest weight and the weights of adverse and favourable scenarios depend on the deviation from the baseline; the further from the baseline, the smaller the weight. The probability weights of the scenarios as of 31 December 2018 are shown below. A single set of five scenarios is used across all portfolios and all five weights are normalised to equate to 100%. The same scenarios and weights that are used in the estimation of expected credit losses are also used for Barclays internal planning purposes. The impacts across the portfolios are different because of the sensitivities of each of the portfolios to specific macroeconomic variables, for example, mortgages are highly sensitive to house prices and base rates, credit cards and unsecured consumer loans are highly sensitive to unemployment.

The table below shows the core macroeconomic variables for each scenario and the respective scenario weights.

| Scenario probability weighting (audited) |            |            |            |              |              |
|------------------------------------------|------------|------------|------------|--------------|--------------|
| As at 31 December 2018                   | Upside 2 % | Upside 1 % | Baseline % | Downside 1 % | Downside 2 % |
| Scenario probability weighting           | 9          | 24         | 41         | 23           | 3            |

| Macroeconomic variables (audited) |            |            |            |              |              |
|-----------------------------------|------------|------------|------------|--------------|--------------|
| As at 31 December 2018            | Upside 2 % | Upside 1 % | Baseline % | Downside 1 % | Downside 2 % |
| UK GDP <sup>a</sup>               | 4.5        | 3.1        | 1.7        | 0.3          | (4.1)        |
| UK unemployment <sup>b</sup>      | 3.4        | 3.9        | 4.3        | 5.7          | 8.8          |
| UK HPI <sup>c</sup>               | 46.4       | 32.6       | 3.2        | (0.5)        | (32.1)       |
| US GDP <sup>a</sup>               | 4.8        | 3.7        | 2.1        | 0.4          | (3.3)        |
| US unemployment <sup>b</sup>      | 3.0        | 3.4        | 3.7        | 5.2          | 8.4          |
| US HPI <sup>c</sup>               | 36.9       | 30.2       | 4.1        | –            | (17.4)       |

Notes  
a Highest annual growth in Upside scenarios; 5-year average in Baseline; lowest annual growth in Downside scenarios.  
b Lowest point in Upside scenarios; 5-year average in Baseline; highest point in Downside scenarios.  
c 5-year cumulative growth in Upside scenarios; 5-year average in Baseline; cumulative fall (peak-to-trough) in Downside scenarios.

Over the year, the macroeconomic baseline variables improved in the US economic outlook, notably HPI. The UK macroeconomic baseline variables improved slightly overall.

ECL under 100% weighted scenarios for key principal portfolios (audited)

The table on the next page shows the ECL for key principal portfolios assuming scenarios have been 100% weighted. Gross exposures are allocated to a stage based on the individual scenario rather than through a probability-weighted approach as is required for Barclays reported impairment allowances. As a result, it is not possible to back solve the weighted ECL from the individual scenarios as a balance may be assigned to a different stage dependent on the scenario.

Material post-model adjustments have been excluded from the below analysis so that the scenario specific results are comparable. Management adjustments of greater than £10m can be found on page 112.

The key principal portfolios included in the product split below account for circa 80% of total loans and advances at amortised cost and circa 80% of total impairment allowance (including off-balance sheet loan commitments and financial guarantee contracts). Portfolios excluded are those where the risk resides outside of the UK or the US; certain less material portfolios; and exposures where ECL estimation methods are based on benchmark approaches or assigned proxy coverage ratios.

Balances allocated to Stage 3 do not change in any of the scenarios as the transition criteria relies only on observable evidence of default as at 31 December 2018 and not on macroeconomic scenarios.

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

Under the Downside 2 scenario, balances move between stages as the economic environment weakens. This can be seen in the movement of £19.0bn of gross exposure into Stage 2 between the Weighted and Downside 2 scenario. ECL increases in Stage 2 predominantly due to unsecured portfolios as economic conditions deteriorate.

Risk review

Risk performance

Credit risk

| As at 31 December 2018                                 | Scenarios |          |          |          |            |            |
|--------------------------------------------------------|-----------|----------|----------|----------|------------|------------|
|                                                        | Weighted  | Upside 2 | Upside 1 | Baseline | Downside 1 | Downside 2 |
| <b>Stage 1 Gross Exposure (£m)</b>                     |           |          |          |          |            |            |
| Home loans                                             | 115,573   | 116,814  | 116,402  | 115,924  | 114,858    | 109,305    |
| Credit cards, unsecured loans and other retail lending | 30,494    | 32,104   | 31,082   | 30,536   | 29,846     | 24,884     |
| Corporate loans                                        | 80,835    | 81,346   | 81,180   | 80,941   | 80,517     | 73,715     |
| <b>Stage 1 ECL (£m)</b>                                |           |          |          |          |            |            |
| Home loans                                             | 1         | –        | –        | –        | 1          | 9          |
| Credit cards, unsecured loans and other retail lending | 355       | 304      | 343      | 351      | 365        | 388        |
| Corporate loans                                        | 175       | 161      | 163      | 162      | 203        | 242        |
| <b>Stage 1 Coverage (%)</b>                            |           |          |          |          |            |            |
| Home loans                                             | –         | –        | –        | –        | –          | –          |
| Credit cards, unsecured loans and other retail lending | 1.2       | 0.9      | 1.1      | 1.1      | 1.2        | 1.6        |
| Corporate loans                                        | 0.2       | 0.2      | 0.2      | 0.2      | 0.3        | 0.3        |
| <b>Stage 2 Gross Exposure (£m)</b>                     |           |          |          |          |            |            |
| Home loans                                             | 17,455    | 16,214   | 16,627   | 17,105   | 18,170     | 23,724     |
| Credit cards, unsecured loans and other retail lending | 10,943    | 9,334    | 10,355   | 10,902   | 11,591     | 16,553     |
| Corporate loans                                        | 11,377    | 10,866   | 11,031   | 11,271   | 11,694     | 18,496     |
| <b>Stage 2 ECL (£m)</b>                                |           |          |          |          |            |            |
| Home loans                                             | 7         | 1        | 1        | 3        | 7          | 172        |
| Credit cards, unsecured loans and other retail lending | 2,013     | 1,569    | 1,779    | 1,969    | 2,331      | 4,366      |
| Corporate loans                                        | 323       | 277      | 290      | 302      | 397        | 813        |
| <b>Stage 2 Coverage (%)</b>                            |           |          |          |          |            |            |
| Home loans                                             | –         | –        | –        | –        | –          | 0.7        |
| Credit cards, unsecured loans and other retail lending | 18.4      | 16.8     | 17.2     | 18.1     | 20.1       | 26.4       |
| Corporate loans                                        | 2.8       | 2.5      | 2.6      | 2.7      | 3.4        | 4.4        |
| <b>Stage 3 Gross Exposure (£m)</b>                     |           |          |          |          |            |            |
| Home loans                                             | 1,104     | 1,104    | 1,104    | 1,104    | 1,104      | 1,104      |
| Credit cards, unsecured loans and other retail lending | 2,999     | 2,999    | 2,999    | 2,999    | 2,999      | 2,999      |
| Corporate loans <sup>a</sup>                           | 1,165     | n/a      | n/a      | 1,165    | n/a        | n/a        |
| <b>Stage 3 ECL (£m)</b>                                |           |          |          |          |            |            |
| Home loans                                             | 6         | 3        | 4        | 5        | 7          | 27         |
| Credit cards, unsecured loans and other retail lending | 2,200     | 2,154    | 2,174    | 2,199    | 2,234      | 2,297      |
| Corporate loans <sup>a</sup>                           | 333       | n/a      | n/a      | 323      | n/a        | n/a        |
| <b>Stage 3 Coverage (%)</b>                            |           |          |          |          |            |            |
| Home loans                                             | 0.5       | 0.3      | 0.4      | 0.5      | 0.7        | 2.4        |
| Credit cards, unsecured loans and other retail lending | 73.4      | 71.8     | 72.5     | 73.3     | 74.5       | 76.6       |
| Corporate loans <sup>a</sup>                           | 28.6      | n/a      | n/a      | 27.7     | n/a        | n/a        |
| <b>Total ECL (£m)</b>                                  |           |          |          |          |            |            |
| Home loans                                             | 14        | 4        | 5        | 8        | 15         | 208        |
| Credit cards, unsecured loans and other retail lending | 4,568     | 4,027    | 4,296    | 4,519    | 4,930      | 7,051      |
| Corporate loans <sup>a</sup>                           | 831       | n/a      | n/a      | 787      | n/a        | n/a        |

Note

a Material corporate loan defaults are individually assessed across different recovery strategies which are impacted by the macroeconomic variables. As a result, only the Baseline scenario is shown together with the weighted estimate which reflects alternative recovery paths.

For portfolios in scope, the total weighted ECL represents a 2% uplift from the Baseline ECL, largely driven by credit card losses which have more linear loss profiles than home loans and corporate loan positions.

**Home loans:** Total ECL and coverage ratios remain steady across the Upside scenarios, Baseline and Downside 1 scenario. However, total ECL increases significantly in the Downside 2 scenario to £208m, driven by a significant fall in HPI (32.1%) reflecting the non-linearity of the portfolio. The average LTV of the home loans portfolio remains low and as such can withstand a Downside 1 scenario (0.5% fall in HPI) without a significant increase in ECL. Total weighted ECL excludes a £54m model adjustment that is held to maintain appropriate level of ECL.

**Credit cards, unsecured loans and other retail lending:** Total weighted ECL of £4,568m represents a 1% increase over the Baseline ECL (£4,519m) reflecting the range of economic scenarios used. Total ECL increases to £7,051m under Downside 2 scenario, mainly driven by Stage 2, where coverage rates increase by 800bps to 26.4% from a weighted scenario approach (18.4%) and a £5,610m increase in gross exposure that meets the SICR criteria and transition from Stage 1 to Stage 2. Total weighted ECL excludes model adjustments, including the £100m adjustment for the anticipated economic uncertainty in the UK.

**Corporate loans:** Total weighted ECL of £831m represents a 6% increase over the Baseline ECL (£787m) reflecting the range of economic scenarios used, with exposures in the Investment Bank particularly sensitive to Downside 2 scenario. Cases in Stage 3 are assessed on an individual basis and cases where the Baseline ECL is greater than £10m are also assessed against a less favourable and a more favourable scenario, based on alternative recovery outcomes in addition to macroeconomic scenarios. Total weighted ECL excludes model adjustments, including the £50m adjustment for the anticipated economic uncertainty in the UK.



Staging sensitivity (audited)

An increase of 1% (£3,332m) of total gross exposure into Stage 2 (from Stage 1), would result in an increase in ECL impairment allowance of £200m based on applying the difference in Stage 2 and Stage 1 average impairment coverage ratios to the movement in gross exposure (refer to Loans and advances at amortised cost by product on page 190).

ECL sensitivity analysis

The tables on pages 116 and 117 show the estimated ECL impact on key principal portfolios in the event that the UK/US consensus was instead for i) positive growth (Upward scenario); and ii) a mild downturn (Downward scenario). These scenarios assume a moderate upturn and downturn for the UK and the US respectively but with no contagion or headwinds in other economies.

The gross exposures in scope are aligned to those presented in the ECL under 100% weighted scenarios sensitivity analysis but based on portfolio positions as at 30 September 2018 due to operational complexity in scenario regeneration. The portfolios included in the scenario remained broadly stable during Q4 2018 and therefore the scenario results are considered representative of the year end position. Material post-model adjustments have been excluded from the below analysis to allow the scenario specific results to be comparable. Further detail on management adjustments to impairment allowances can be found on page 112.

Gross exposures allocated to Stage 3 do not change in any of the scenarios as the transition criteria relies only on observable evidence of default and not on macroeconomic scenarios. For individual cases with ECL greater than £10m, three scenarios are assessed taking into account the macroeconomic scenarios and alternative recovery strategies. For these specific cases, the less favourable scenario is assumed to occur in the UK/ US Downward scenario (and the more favourable scenario is assumed to occur in the UK/US Upward scenario) which is a conservative upper estimate as certain recovery strategies are idiosyncratic in nature and independent of the macroeconomic economy. Changes to coverage ratios are expressed against the exposures in scope of the sensitivity analysis and not the entire portfolio.

Risk review

Risk performance

Credit risk

ECL sensitivity analysis to UK economic forecasts for key principal portfolios

The table below shows the estimated ECL impact on key principal portfolios for both a positive growth (Upward scenario) and a downturn (Downward scenario) of UK consensus macroeconomic variables. The inputs for the Downward scenario have been modelled by replacing the Baseline macroeconomic variables by the Downside 1 variables (with no changes to US and other non-UK macroeconomic variables, as highlighted below). Similarly, the Upward scenario uses Upside 1 UK macroeconomic variables for the Baseline scenario. The Downside 2, Downside 1, Upside 1 and Upside 2 macroeconomic variables are held constant but the probability weights have been re-calibrated.

Barclays impairment as at 31 December 2018 includes an adjustment of £150m representing a charge for the estimated impact of anticipated economic uncertainty in the UK. This adjustment was estimated broadly on the output of the UK Downward scenario below.

| Scenario probability weighting |            |            |            |              |              |
|--------------------------------|------------|------------|------------|--------------|--------------|
|                                | Upside 2 % | Upside 1 % | Baseline % | Downside 1 % | Downside 2 % |
| UK Upward scenario             | 18         | 33         | 36         | 11           | 2            |
| UK Downward scenario           | 8          | 18         | 40         | 28           | 6            |

| Macroeconomic variables |            |            |            |              |              |
|-------------------------|------------|------------|------------|--------------|--------------|
| As at 31 December 2018  |            |            |            |              |              |
|                         | Upside 2 % | Upside 1 % | Baseline % | Downside 1 % | Downside 2 % |
| UK Upward scenario      |            |            |            |              |              |
| UK GDP                  | 4.5        | 3.1        | 3.1        | 0.3          | (4.1)        |
| UK unemployment         | 3.4        | 3.9        | 3.9        | 5.7          | 8.8          |
| UK HPI                  | 46.4       | 32.6       | 32.6       | (0.5)        | (32.1)       |
| US GDP                  | 4.8        | 3.7        | 2.1        | 0.4          | (3.3)        |
| US unemployment         | 3.0        | 3.4        | 3.7        | 5.2          | 8.4          |
| US HPI                  | 36.9       | 30.2       | 4.1        | –            | (17.4)       |
| UK Downward scenario    |            |            |            |              |              |
| UK GDP                  | 4.5        | 3.1        | 0.3        | 0.3          | (4.1)        |
| UK unemployment         | 3.4        | 3.9        | 5.7        | 5.7          | 8.8          |
| UK HPI                  | 46.4       | 32.6       | (0.5)      | (0.5)        | (32.1)       |
| US GDP                  | 4.8        | 3.7        | 2.1        | 0.4          | (3.3)        |
| US unemployment         | 3.0        | 3.4        | 3.7        | 5.2          | 8.4          |
| US HPI                  | 36.9       | 30.2       | 4.1        | –            | (17.4)       |

| Sensitivity to UK economic forecasts                   |                      |                        |                      |                        |                      |                        |                      |                        |
|--------------------------------------------------------|----------------------|------------------------|----------------------|------------------------|----------------------|------------------------|----------------------|------------------------|
|                                                        | Stage 1              |                        | Stage 2              |                        | Stage 3              |                        | Total                |                        |
|                                                        | Δ UK Upward scenario | Δ UK Downward scenario | Δ UK Upward scenario | Δ UK Downward scenario | Δ UK Upward scenario | Δ UK Downward scenario | Δ UK Upward scenario | Δ UK Downward scenario |
| Gross Exposure (£m)                                    |                      |                        |                      |                        |                      |                        |                      |                        |
| Home loans                                             | 506                  | (889)                  | (506)                | 889                    | –                    | –                      | –                    | –                      |
| Credit cards, unsecured loans and other retail lending | 294                  | (252)                  | (294)                | 252                    | –                    | –                      | –                    | –                      |
| Corporate loans                                        | 79                   | (13)                   | (79)                 | 13                     | –                    | –                      | –                    | –                      |
| ECL (£m)                                               |                      |                        |                      |                        |                      |                        |                      |                        |
| Home loans                                             | –                    | –                      | (3)                  | 6                      | (1)                  | 2                      | (4)                  | 8                      |
| Credit cards, unsecured loans and other retail lending | (4)                  | 4                      | (102)                | 104                    | (15)                 | 15                     | (121)                | 123                    |
| Corporate loans                                        | 1                    | 7                      | (4)                  | 13                     | (46)                 | 28                     | (49)                 | 48                     |

**Home loans:** Total ECL increases by £8m in the Downward scenario, driven by the increase in the probability weight attributed to the Downside 2 scenario. This represents a greater likelihood of the UK economy entering into a severe downturn than under the current consensus.

**Credit cards, unsecured loans and other retail lending:** Total ECL decreases by £121m in the Upward scenario driven by £294m of balance migration as assets transition from Stage 2 to Stage 1 and lower coverage on Stage 2 assets driven by the more favourable consensus forecast. Total ECL increases by £123m in the Downward scenario, mainly driven by the UK cards portfolio.

**Corporate loans:** Total ECL decreases by £49m in the Upward scenario predominately driven by more favourable recovery outcomes for large single names in Stage 3. The Downward scenario results in total ECL impact of £48m, driven by higher coverage in Stage 2 and less favourable recovery outcomes for large single names in Stage 3.

ECL sensitivity analysis to US economic forecasts for key principal portfolios

The table below shows the estimated ECL impact on key principal portfolios for both a positive growth (Upward scenario) and a downturn (Downward scenario) of US consensus macroeconomic variables. The inputs for the Downward scenario have been modelled by replacing the Baseline macroeconomic variables by the Downside 1 variables (with no changes to UK and other non-US macroeconomic variables, as highlighted below). Similarly, the Upward scenario uses Upside 1 US macroeconomic variables for the Baseline scenario. The Downside 2, Downside 1, Upside 1 and Upside 2 macroeconomic variables are held constant but the probability weights have been re-calibrated.

| Scenario probability weighting |               |               |               |                 |                 |
|--------------------------------|---------------|---------------|---------------|-----------------|-----------------|
|                                | Upside 2<br>% | Upside 1<br>% | Baseline<br>% | Downside 1<br>% | Downside 2<br>% |
| US Upward scenario             | 18            | 33            | 36            | 11              | 2               |
| US Downward scenario           | 5             | 14            | 40            | 34              | 7               |

| Macroeconomic variables |               |               |               |                 |                 |
|-------------------------|---------------|---------------|---------------|-----------------|-----------------|
| As at 31 December 2018  | Upside 2<br>% | Upside 1<br>% | Baseline<br>% | Downside 1<br>% | Downside 2<br>% |
| US Upward scenario      |               |               |               |                 |                 |
| UK GDP                  | 4.5           | 3.1           | 1.7           | 0.3             | (4.1)           |
| UK unemployment         | 3.4           | 3.9           | 4.3           | 5.7             | 8.8             |
| UK HPI                  | 46.4          | 32.6          | 3.2           | (0.5)           | (32.1)          |
| US GDP                  | 4.8           | 3.7           | 3.7           | 0.4             | (3.3)           |
| US unemployment         | 3.0           | 3.4           | 3.4           | 5.2             | 8.4             |
| US HPI                  | 36.9          | 30.2          | 30.2          | –               | (17.4)          |
| US Downward scenario    |               |               |               |                 |                 |
| UK GDP                  | 4.5           | 3.1           | 1.7           | 0.3             | (4.1)           |
| UK unemployment         | 3.4           | 3.9           | 4.3           | 5.7             | 8.8             |
| UK HPI                  | 46.4          | 32.6          | 3.2           | (0.5)           | (32.1)          |
| US GDP                  | 4.8           | 3.7           | 0.4           | 0.4             | (3.3)           |
| US unemployment         | 3.0           | 3.4           | 5.2           | 5.2             | 8.4             |
| US HPI                  | 36.9          | 30.2          | –             | –               | (17.4)          |

| Sensitivity to US economic forecasts                   |                            |                              |                            |                              |                            |                              |                            |                              |
|--------------------------------------------------------|----------------------------|------------------------------|----------------------------|------------------------------|----------------------------|------------------------------|----------------------------|------------------------------|
|                                                        | Stage 1                    |                              | Stage 2                    |                              | Stage 3                    |                              | Total                      |                              |
|                                                        | Δ US<br>Upward<br>scenario | Δ US<br>Downward<br>scenario | Δ US<br>Upward<br>scenario | Δ US<br>Downward<br>scenario | Δ US<br>Upward<br>scenario | Δ US<br>Downward<br>scenario | Δ US<br>Upward<br>scenario | Δ US<br>Downward<br>scenario |
| Gross Exposure (£m)                                    |                            |                              |                            |                              |                            |                              |                            |                              |
| Credit cards, unsecured loans and other retail lending | 214                        | (312)                        | (214)                      | 312                          | –                          | –                            | –                          | –                            |
| Corporate loans                                        | 83                         | (46)                         | (83)                       | 46                           | –                          | –                            | –                          | –                            |
| ECL (£m)                                               |                            |                              |                            |                              |                            |                              |                            |                              |
| Credit cards, unsecured loans and other retail lending | (4)                        | 6                            | (76)                       | 144                          | (6)                        | 7                            | (86)                       | 157                          |
| Corporate loans                                        | (3)                        | 10                           | (15)                       | 34                           | (35)                       | 54                           | (53)                       | 98                           |

**Credit cards, unsecured loans and other retail lending:** Total ECL decreases by £86m in Upward scenario driven by £214m of balance migration as assets transition from Stage 2 to Stage 1 and lower coverage on Stage 2 assets driven by the more favourable consensus forecast. Total ECL impact of £157m in Downward scenario, greater than the Upward scenario, driven by non-linearity effects and the relative severity of the Downward scenario.

**Corporate loans:** Total ECL increases by £98m in the Downward scenario driven by a less favourable recovery outcome for one large single name in Stage 3, where Barclays estimated additional losses of £39m in addition to the loss estimated under the Baseline scenario, and higher coverage in Stage 2 assets driven by the less favourable consensus forecast. There is a greater impact on coverage ratios (Stage 2 in particular) than the UK scenarios driven largely by the underlying portfolio quality, with the US portfolio possessing a higher proportion of unsecured leveraged lending.

Risk review

Risk performance

Credit risk

Analysis of the concentration of credit risk

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

Geographic concentrations

As at 31 December 2018, the geographic concentration of Barclays Group's assets remained broadly consistent with 2017. Exposure is concentrated in the UK 41% (2017: 42%), in the Americas 34% (2017: 33%) and Europe 21% (2017: 21%).

| Credit risk concentrations by geography (audited)                 |                      |              |                |                              |            |             |
|-------------------------------------------------------------------|----------------------|--------------|----------------|------------------------------|------------|-------------|
|                                                                   | United Kingdom<br>£m | Europe<br>£m | Americas<br>£m | Africa and Middle East<br>£m | Asia<br>£m | Total<br>£m |
| As at 31 December 2018                                            |                      |              |                |                              |            |             |
| On-balance sheet:                                                 |                      |              |                |                              |            |             |
| Cash and balances at central banks                                | 64,343               | 66,887       | 36,045         | 718                          | 9,076      | 177,069     |
| Cash collateral and settlement balances                           | 27,418               | 22,316       | 22,184         | 376                          | 4,928      | 77,222      |
| Loans and advances at amortised cost                              | 240,116              | 27,913       | 49,592         | 3,414                        | 5,371      | 326,406     |
| Reverse repurchase agreements and other similar secured lending   | 724                  | 113          | 68             | 1,320                        | 83         | 2,308       |
| Trading portfolio assets                                          | 12,444               | 13,375       | 34,369         | 713                          | 3,616      | 64,517      |
| Financial assets at fair value through the income statement       | 33,842               | 20,984       | 73,489         | 1,758                        | 13,556     | 143,629     |
| Derivative financial instruments                                  | 69,798               | 80,003       | 58,699         | 1,866                        | 12,172     | 222,538     |
| Financial assets at fair value through other comprehensive income | 11,494               | 23,298       | 13,953         | 163                          | 2,786      | 51,694      |
| Other assets                                                      | 780                  | 125          | 100            | 1                            | —          | 1,006       |
| Total on-balance sheet                                            | 460,959              | 255,014      | 288,499        | 10,329                       | 51,588     | 1,066,389   |
| Off-balance sheet:                                                |                      |              |                |                              |            |             |
| Contingent liabilities                                            | 5,910                | 3,572        | 8,996          | 536                          | 1,289      | 20,303      |
| Loan commitments                                                  | 108,506              | 34,524       | 175,995        | 1,852                        | 3,346      | 324,223     |
| Total off-balance sheet                                           | 114,416              | 38,096       | 184,991        | 2,388                        | 4,635      | 344,526     |
| Total                                                             | 575,375              | 293,110      | 473,490        | 12,717                       | 56,223     | 1,410,915   |

| Credit risk concentrations by geography (audited)               |                      |              |                |                              |            |             |
|-----------------------------------------------------------------|----------------------|--------------|----------------|------------------------------|------------|-------------|
|                                                                 | United Kingdom<br>£m | Europe<br>£m | Americas<br>£m | Africa and Middle East<br>£m | Asia<br>£m | Total<br>£m |
| As at 31 December 2017                                          |                      |              |                |                              |            |             |
| On-balance sheet:                                               |                      |              |                |                              |            |             |
| Cash and balances at central banks                              | 53,068               | 57,179       | 56,034         | 63                           | 4,738      | 171,082     |
| Cash collateral and settlement balances                         | 23,852               | 24,311       | 23,440         | 870                          | 4,695      | 77,168      |
| Loans and advances at amortised cost                            | 240,102              | 27,223       | 47,850         | 3,385                        | 5,488      | 324,048     |
| Reverse repurchase agreements and other similar secured lending | 203                  | 375          | 10,521         | 32                           | 1,415      | 12,546      |
| Trading portfolio assets                                        | 10,603               | 13,620       | 25,680         | 473                          | 3,964      | 54,340      |
| Financial assets at fair value through the income statement     | 33,922               | 23,725       | 46,288         | 1,611                        | 6,065      | 111,611     |
| Derivative financial instruments                                | 81,656               | 81,566       | 57,858         | 2,792                        | 13,797     | 237,669     |
| Financial investments – debt securities                         | 17,470               | 23,598       | 14,110         | 114                          | 1,836      | 57,128      |
| Other assets                                                    | 1,579                | 1,179        | 148            | 33                           | 83         | 3,022       |
| Total on-balance sheet                                          | 462,455              | 252,776      | 281,929        | 9,373                        | 42,081     | 1,048,614   |
| Off-balance sheet:                                              |                      |              |                |                              |            |             |
| Contingent liabilities                                          | 7,603                | 3,039        | 6,708          | 529                          | 1,133      | 19,012      |
| Loan commitments                                                | 105,912              | 36,084       | 168,003        | 1,608                        | 3,966      | 315,573     |
| Total off-balance sheet                                         | 113,515              | 39,123       | 174,711        | 2,137                        | 5,099      | 334,585     |
| Total                                                           | 575,970              | 291,899      | 456,640        | 11,510                       | 47,180     | 1,383,199   |





Industry concentrations

The concentration of Barclays Group's assets by industry remained broadly consistent year on year. As at 31 December 2018, total assets concentrated in banks and other financial institutions was 36% (2017: 36%), predominantly within derivative financial instruments. The proportion of the overall balance concentrated in governments and central banks was 20% (2017: 20%), cards, unsecured loans and other personal lending was 13% (2017: 13%) and in home loans remained stable at 11% (2017: 11%).

Credit risk concentrations by industry (audited)

| As at 31 December 2018                                            | Banks<br>£m | Other<br>financial<br>insti-<br>tutions<br>£m | Manu-<br>facturing<br>£m | Con-<br>struction<br>and<br>property<br>£m | Govern-<br>ment and<br>central<br>bank<br>£m | Energy<br>and<br>water<br>£m | Wholesale<br>and retail<br>distri-<br>bution and<br>leisure<br>£m | Business<br>and other<br>services<br>£m | Home<br>loans<br>£m | Cards,<br>unsecured<br>loans and<br>other<br>personal<br>lending<br>£m | Other<br>£m | Total<br>£m |
|-------------------------------------------------------------------|-------------|-----------------------------------------------|--------------------------|--------------------------------------------|----------------------------------------------|------------------------------|-------------------------------------------------------------------|-----------------------------------------|---------------------|------------------------------------------------------------------------|-------------|-------------|
| On-balance sheet:                                                 |             |                                               |                          |                                            |                                              |                              |                                                                   |                                         |                     |                                                                        |             |             |
| Cash and balances at central banks                                | —           | —                                             | —                        | —                                          | 177,069                                      | —                            | —                                                                 | —                                       | —                   | —                                                                      | —           | 177,069     |
| Cash collateral and settlement balances                           | 17,341      | 48,398                                        | 498                      | 75                                         | 9,235                                        | 386                          | 223                                                               | 717                                     | —                   | —                                                                      | 349         | 77,222      |
| Loans and advances at amortised cost                              | 9,478       | 18,653                                        | 8,775                    | 23,565                                     | 12,764                                       | 5,515                        | 11,609                                                            | 19,716                                  | 150,284             | 55,298                                                                 | 10,749      | 326,406     |
| Reverse repurchase agreements and other similar secured lending   | 1,368       | 865                                           | —                        | 37                                         | 38                                           | —                            | —                                                                 | —                                       | —                   | —                                                                      | —           | 2,308       |
| Trading portfolio assets                                          | 3,500       | 9,550                                         | 3,825                    | 897                                        | 34,968                                       | 4,202                        | 1,202                                                             | 3,481                                   | —                   | —                                                                      | 2,892       | 64,517      |
| Financial assets at fair value through the income statement       | 30,374      | 96,378                                        | —                        | 8,914                                      | 5,331                                        | 32                           | 13                                                                | 2,178                                   | 405                 | —                                                                      | 4           | 143,629     |
| Derivative financial instruments                                  | 123,769     | 80,376                                        | 2,390                    | 1,993                                      | 5,987                                        | 2,791                        | 486                                                               | 2,004                                   | —                   | —                                                                      | 2,742       | 222,538     |
| Financial assets at fair value through other comprehensive income | 12,135      | 2,250                                         | —                        | 200                                        | 36,973                                       | —                            | —                                                                 | 136                                     | —                   | —                                                                      | —           | 51,694      |
| Other assets                                                      | 580         | 426                                           | —                        | —                                          | —                                            | —                            | —                                                                 | —                                       | —                   | —                                                                      | —           | 1,006       |
| Total on-balance sheet                                            | 198,545     | 256,896                                       | 15,488                   | 35,681                                     | 282,365                                      | 12,926                       | 13,533                                                            | 28,232                                  | 150,689             | 55,298                                                                 | 16,736      | 1,066,389   |
| Off-balance sheet:                                                |             |                                               |                          |                                            |                                              |                              |                                                                   |                                         |                     |                                                                        |             |             |
| Contingent liabilities                                            | 939         | 3,840                                         | 3,470                    | 626                                        | 1,890                                        | 3,491                        | 952                                                               | 3,455                                   | —                   | 116                                                                    | 1,524       | 20,303      |
| Loan commitments                                                  | 1,267       | 42,890                                        | 39,978                   | 14,362                                     | 1,629                                        | 26,519                       | 14,566                                                            | 22,142                                  | 8,900               | 126,640                                                                | 25,330      | 324,223     |
| Total off-balance sheet                                           | 2,206       | 46,730                                        | 43,448                   | 14,988                                     | 3,519                                        | 30,010                       | 15,518                                                            | 25,597                                  | 8,900               | 126,756                                                                | 26,854      | 344,526     |
| Total                                                             | 200,751     | 303,626                                       | 58,936                   | 50,669                                     | 285,884                                      | 42,936                       | 29,051                                                            | 53,829                                  | 159,589             | 182,054                                                                | 43,590      | 1,410,915   |

Risk review

Risk performance

Credit risk

Credit risk concentrations by industry (audited)

|                                                                 | Banks<br>£m | Other<br>financial<br>insti-<br>tutions<br>£m | Manu-<br>facturing<br>£m | Con-<br>struction<br>and<br>property<br>£m | Govern-<br>ment and<br>central<br>bank<br>£m | Energy<br>and<br>water<br>£m | Wholesale<br>and retail<br>distri-<br>bution and<br>leisure<br>£m | Business<br>and other<br>services<br>£m | Home<br>loans<br>£m | Cards,<br>unsecured<br>loans and<br>other<br>personal<br>lending<br>£m | Other<br>£m | Total<br>£m |
|-----------------------------------------------------------------|-------------|-----------------------------------------------|--------------------------|--------------------------------------------|----------------------------------------------|------------------------------|-------------------------------------------------------------------|-----------------------------------------|---------------------|------------------------------------------------------------------------|-------------|-------------|
| As at 31 December 2017                                          |             |                                               |                          |                                            |                                              |                              |                                                                   |                                         |                     |                                                                        |             |             |
| On-balance sheet:                                               |             |                                               |                          |                                            |                                              |                              |                                                                   |                                         |                     |                                                                        |             |             |
| Cash and balances at central banks                              | —           | —                                             | —                        | —                                          | 171,082                                      | —                            | —                                                                 | —                                       | —                   | —                                                                      | —           | 171,082     |
| Cash collateral and settlement balances                         | 18,395      | 48,611                                        | 124                      | 233                                        | 8,219                                        | 585                          | 75                                                                | 577                                     | —                   | —                                                                      | 349         | 77,168      |
| Loans and advances at amortised cost                            | 9,386       | 26,312                                        | 9,125                    | 23,473                                     | 9,097                                        | 5,519                        | 12,375                                                            | 19,906                                  | 147,002             | 54,205                                                                 | 7,648       | 324,048     |
| Reverse repurchase agreements and other similar secured lending | 7,241       | 4,844                                         | —                        | 153                                        | 307                                          | —                            | —                                                                 | 1                                       | —                   | —                                                                      | —           | 12,546      |
| Trading portfolio assets                                        | 4,682       | 10,672                                        | 3,311                    | 807                                        | 26,030                                       | 3,900                        | 598                                                               | 3,324                                   | 128                 | —                                                                      | 888         | 54,340      |
| Financial assets at fair value through the income statement     | 21,468      | 78,506                                        | 38                       | 4,666                                      | 4,812                                        | 2                            | 3                                                                 | 2,083                                   | 28                  | —                                                                      | 5           | 111,611     |
| Derivative financial instruments                                | 126,248     | 87,272                                        | 2,383                    | 2,103                                      | 5,811                                        | 8,179                        | 576                                                               | 2,972                                   | —                   | —                                                                      | 2,125       | 237,669     |
| Financial investments – debt securities                         | 10,145      | 1,379                                         | —                        | —                                          | 44,827                                       | 103                          | —                                                                 | 674                                     | —                   | —                                                                      | —           | 57,128      |
| Other assets                                                    | 2,300       | 701                                           | —                        | —                                          | 21                                           | —                            | —                                                                 | —                                       | —                   | —                                                                      | —           | 3,022       |
| Total on-balance sheet                                          | 199,865     | 258,297                                       | 14,981                   | 31,435                                     | 270,206                                      | 18,288                       | 13,627                                                            | 29,537                                  | 147,158             | 54,205                                                                 | 11,015      | 1,048,614   |
| Off-balance sheet:                                              |             |                                               |                          |                                            |                                              |                              |                                                                   |                                         |                     |                                                                        |             |             |
| Contingent liabilities                                          | 1,572       | 3,556                                         | 3,236                    | 675                                        | 8                                            | 2,605                        | 969                                                               | 4,947                                   | 4                   | 389                                                                    | 1,051       | 19,012      |
| Loan commitments                                                | 1,550       | 31,427                                        | 38,105                   | 12,956                                     | 384                                          | 31,702                       | 14,507                                                            | 34,415                                  | 10,785              | 126,169                                                                | 13,573      | 315,573     |
| Total off-balance sheet                                         | 3,122       | 34,983                                        | 41,341                   | 13,631                                     | 392                                          | 34,307                       | 15,476                                                            | 39,362                                  | 10,789              | 126,558                                                                | 14,624      | 334,585     |
| Total                                                           | 202,987     | 293,280                                       | 56,322                   | 45,066                                     | 270,598                                      | 52,595                       | 29,103                                                            | 68,899                                  | 157,947             | 180,763                                                                | 25,639      | 1,383,199   |

The approach to management and representation of credit quality

Asset credit quality

The credit quality distribution is based on the IFRS 9 12-month probability of default (PD) at the reporting date. Comparatives are based on the regulatory capital point in time probability of default (PD).

The following internal measures are used to determine credit quality for loans:

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

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

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

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

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

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

Loans that are past due are monitored closely, with impairment allowances raised as appropriate and in line with the Barclays Group’s impairment policies. These loans are all considered higher risk for the purpose of this analysis of credit quality.

Debt securities

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

Balance sheet credit quality

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

Overview

As at 31 December 2018, the ratio of the Barclays Group's on-balance sheet assets classified as strong (0.0 to <0.60%) remained stable at 86% (2017: 87%) of total assets exposed to credit risk.

Further analysis of debt securities by issuer and issuer type and netting and collateral arrangements on derivative financial instruments is presented on pages 128 and 129 respectively.

| Balance sheet credit quality (audited)                            |                        |                          |                        |             |                       |                         |                       |            |
|-------------------------------------------------------------------|------------------------|--------------------------|------------------------|-------------|-----------------------|-------------------------|-----------------------|------------|
|                                                                   | PD range               |                          |                        |             | PD range              |                         |                       |            |
|                                                                   | 0.0 to<br><0.60%<br>£m | 0.60 to<br><11.35%<br>£m | 11.35 to<br>100%<br>£m | Total<br>£m | 0.0 to<br><0.60%<br>% | 0.60 to<br><11.35%<br>% | 11.35 to<br>100%<br>% | Total<br>% |
| As at 31 December 2018                                            |                        |                          |                        |             |                       |                         |                       |            |
| Cash and balances at central banks                                | 177,069                | –                        | –                      | 177,069     | 100                   | –                       | –                     | 100        |
| Cash collateral and settlement balances                           | 70,455                 | 6,763                    | 4                      | 77,222      | 91                    | 9                       | –                     | 100        |
| Loans and advances at amortised cost                              |                        |                          |                        |             |                       |                         |                       |            |
| Home loans                                                        | 137,449                | 9,701                    | 3,134                  | 150,284     | 92                    | 6                       | 2                     | 100        |
| Credit cards, unsecured and other retail lending                  | 21,786                 | 31,664                   | 2,981                  | 56,431      | 39                    | 56                      | 5                     | 100        |
| Corporate loans                                                   | 86,271                 | 30,108                   | 3,312                  | 119,691     | 72                    | 25                      | 3                     | 100        |
| Total loans and advances at amortised cost                        | 245,506                | 71,473                   | 9,427                  | 326,406     | 75                    | 22                      | 3                     | 100        |
| Reverse repurchase agreements and other similar secured lending   | 1,820                  | 444                      | 44                     | 2,308       | 79                    | 19                      | 2                     | 100        |
| Trading portfolio assets:                                         |                        |                          |                        |             |                       |                         |                       |            |
| Debt securities                                                   | 51,896                 | 4,998                    | 389                    | 57,283      | 90                    | 9                       | 1                     | 100        |
| Traded loans                                                      | 1,903                  | 4,368                    | 963                    | 7,234       | 27                    | 60                      | 13                    | 100        |
| Total trading portfolio assets                                    | 53,799                 | 9,366                    | 1,352                  | 64,517      | 83                    | 15                      | 2                     | 100        |
| Financial assets at fair value through the income statement:      |                        |                          |                        |             |                       |                         |                       |            |
| Loans and advances                                                | 13,177                 | 6,295                    | 52                     | 19,524      | 68                    | 32                      | –                     | 100        |
| Debt securities                                                   | 4,380                  | 81                       | 61                     | 4,522       | 97                    | 2                       | 1                     | 100        |
| Reverse repurchase agreements                                     | 85,887                 | 31,813                   | 1,341                  | 119,041     | 72                    | 27                      | 1                     | 100        |
| Other financial assets                                            | 524                    | 18                       | –                      | 542         | 97                    | 3                       | –                     | 100        |
| Total financial assets at fair value through the income statement | 103,968                | 38,207                   | 1,454                  | 143,629     | 72                    | 27                      | 1                     | 100        |
| Derivative financial instruments                                  | 211,695                | 10,791                   | 52                     | 222,538     | 95                    | 5                       | –                     | 100        |
| Financial assets at fair value through other comprehensive income | 51,546                 | 148                      | –                      | 51,694      | 100                   | –                       | –                     | 100        |
| Other assets                                                      | 723                    | 283                      | –                      | 1,006       | 72                    | 28                      | –                     | 100        |
| Total on-balance sheet                                            | 916,581                | 137,475                  | 12,333                 | 1,066,389   | 86                    | 13                      | 1                     | 100        |

Risk review

Risk performance

Credit risk

| Balance sheet credit quality (audited)                          |                        |                          |                        |             |                       |                         |                       |            |
|-----------------------------------------------------------------|------------------------|--------------------------|------------------------|-------------|-----------------------|-------------------------|-----------------------|------------|
|                                                                 | PD range               |                          |                        |             | PD range              |                         |                       |            |
|                                                                 | 0.0 to<br><0.60%<br>£m | 0.60 to<br><11.35%<br>£m | 11.35 to<br>100%<br>£m | Total<br>£m | 0.0 to<br><0.60%<br>% | 0.60 to<br><11.35%<br>% | 11.35 to<br>100%<br>% | Total<br>% |
| As at 31 December 2017                                          |                        |                          |                        |             |                       |                         |                       |            |
| Cash and balances at central banks                              | 171,082                | –                        | –                      | 171,082     | 100                   | –                       | –                     | 100        |
| Cash collateral and settlement balances                         | 72,277                 | 4,619                    | 272                    | 77,168      | 94                    | 6                       |                       | 100        |
| Loans and advances at amortised cost                            |                        |                          |                        |             |                       |                         |                       |            |
| Home loans                                                      | 135,576                | 5,781                    | 5,645                  | 147,002     | 92                    | 4                       | 4                     | 100        |
| Credit cards, unsecured and other retail lending <sup>a</sup>   | 13,195                 | 34,897                   | 7,675                  | 55,767      | 24                    | 63                      | 13                    | 100        |
| Corporate loans                                                 | 75,819                 | 33,093                   | 12,367                 | 121,279     | 63                    | 27                      | 10                    | 100        |
| Total loans and advances at amortised cost                      | 224,590                | 73,771                   | 25,687                 | 324,048     | 69                    | 23                      | 8                     | 100        |
| Reverse repurchase agreements and other similar secured lending | 11,430                 | 1,101                    | 15                     | 12,546      | 91                    | 9                       | –                     | 100        |
| Trading portfolio assets:                                       |                        |                          |                        |             |                       |                         |                       |            |
| Debt securities                                                 | 48,489                 | 2,085                    | 626                    | 51,200      | 95                    | 4                       | 1                     | 100        |
| Traded loans                                                    | 1,432                  | 1,189                    | 519                    | 3,140       | 45                    | 38                      | 17                    | 100        |
| Total trading portfolio assets                                  | 49,921                 | 3,274                    | 1,145                  | 54,340      | 92                    | 6                       | 2                     | 100        |
| Financial assets designated at fair value:                      |                        |                          |                        |             |                       |                         |                       |            |
| Loans and advances                                              | 9,457                  | 817                      | 763                    | 11,037      | 86                    | 7                       | 7                     | 100        |
| Debt securities                                                 | –                      | 15                       | –                      | 15          | –                     | 100                     | –                     | 100        |
| Reverse repurchase agreements                                   | 82,263                 | 17,692                   | 85                     | 100,040     | 82                    | 18                      | –                     | 100        |
| Other financial assets                                          | 482                    | 37                       | –                      | 519         | 93                    | 7                       | –                     | 100        |
| Total financial assets designated at fair value                 | 92,202                 | 18,561                   | 848                    | 111,611     | 82                    | 17                      | 1                     | 100        |
| Derivative financial instruments                                | 229,262                | 7,863                    | 544                    | 237,669     | 96                    | 4                       | –                     | 100        |
| Financial investments – debt securities                         | 57,106                 | 18                       | 4                      | 57,128      | 100                   | –                       | –                     | 100        |
| Other assets                                                    | 2,570                  | 411                      | 41                     | 3,022       | 85                    | 14                      | 1                     | 100        |
| Total on-balance sheet                                          | 910,440                | 109,618                  | 28,556                 | 1,048,614   | 87                    | 10                      | 3                     | 100        |

Note  
a 2017 figures have been restated to more accurately reflect the credit quality distribution within credit cards, unsecured and retail lending.



Credit exposures by internal PD grade

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

| Credit quality description | PD range %      | Gross carrying amount |            |            |          | Allowance for ECL |            |            |          | Net exposure £m | ECL coverage % |
|----------------------------|-----------------|-----------------------|------------|------------|----------|-------------------|------------|------------|----------|-----------------|----------------|
|                            |                 | Stage 1 £m            | Stage 2 £m | Stage 3 £m | Total £m | Stage 1 £m        | Stage 2 £m | Stage 3 £m | Total £m |                 |                |
| Strong                     | 0.0 to <0.60%   | 232,163               | 13,556     | –          | 245,719  | 146               | 67         | –          | 213      | 245,506         | 0.1            |
| Satisfactory               | 0.60 to <11.35% | 48,730                | 24,768     | –          | 73,498   | 508               | 1,517      | –          | 2,025    | 71,473          | 2.8            |
| Higher Risk                | 11.35 to <100%  | 333                   | 5,123      | –          | 5,456    | 34                | 1,131      | –          | 1,165    | 4,291           | 21.4           |
| Credit Impaired            | 100%            | –                     | –          | 8,503      | 8,503    | –                 | –          | 3,367      | 3,367    | 5,136           | 39.6           |
| Total                      |                 | 281,226               | 43,447     | 8,503      | 333,176  | 688               | 2,715      | 3,367      | 6,770    | 326,406         | 2.0            |

Credit risk profile by internal PD grade for contingent liabilities (audited)<sup>a</sup>

| Credit quality description | PD range %      | Gross carrying amount |            |            |          | Allowance for ECL |            |            |          | Net exposure £m | ECL coverage % |
|----------------------------|-----------------|-----------------------|------------|------------|----------|-------------------|------------|------------|----------|-----------------|----------------|
|                            |                 | Stage 1 £m            | Stage 2 £m | Stage 3 £m | Total £m | Stage 1 £m        | Stage 2 £m | Stage 3 £m | Total £m |                 |                |
| Strong                     | 0.0 to <0.60%   | 15,000                | 443        | –          | 15,443   | 6                 | 3          | –          | 9        | 15,434          | 0.1            |
| Satisfactory               | 0.60 to <11.35% | 3,541                 | 964        | –          | 4,505    | 10                | 14         | –          | 24       | 4,481           | 0.5            |
| Higher Risk                | 11.35 to <100%  | 49                    | 228        | –          | 277      | –                 | 10         | –          | 10       | 267             | 3.6            |
| Credit Impaired            | 100%            | –                     | –          | 74         | 74       | –                 | –          | 2          | 2        | 72              | 2.7            |
| Total                      |                 | 18,590                | 1,635      | 74         | 20,299   | 16                | 27         | 2          | 45       | 20,254          | 0.2            |

Credit risk profile by internal PD grade for loan commitments (audited)<sup>a</sup>

| Credit quality description | PD range %      | Gross carrying amount |            |            |          | Allowance for ECL |            |            |          | Net exposure £m | ECL coverage % |
|----------------------------|-----------------|-----------------------|------------|------------|----------|-------------------|------------|------------|----------|-----------------|----------------|
|                            |                 | Stage 1 £m            | Stage 2 £m | Stage 3 £m | Total £m | Stage 1 £m        | Stage 2 £m | Stage 3 £m | Total £m |                 |                |
| Strong                     | 0.0 to <0.60%   | 206,511               | 5,440      | –          | 211,951  | 21                | 5          | –          | 26       | 211,925         | –              |
| Satisfactory               | 0.60 to <11.35% | 84,141                | 11,806     | –          | 95,947   | 59                | 80         | –          | 139      | 95,808          | 0.1            |
| Higher Risk                | 11.35 to <100%  | 747                   | 3,245      | –          | 3,992    | 3                 | 38         | –          | 41       | 3,951           | 1.0            |
| Credit Impaired            | 100%            | –                     | –          | 610        | 610      | –                 | –          | 20         | 20       | 590             | 3.3            |
| Total                      |                 | 291,399               | 20,491     | 610        | 312,500  | 83                | 123        | 20         | 226      | 312,274         | 0.1            |

Note

a Excludes loan commitments and financial guarantees of £11.7bn carried at fair value.

Stage 1 higher risk assets, presented gross of associated collateral held, are of weaker credit quality but have not significantly deteriorated since origination. Examples would include leveraged corporate loans or non-prime credit cards.

IFRS 9 Stage 1 and Stage 2 classification is not dependent solely on the absolute probability of default but on elements that determine a Significant Increase in Credit Risk (see Note 7 on page 223), including relative movement in probability of default since initial recognition. There is therefore no direct relationship between credit quality and IFRS 9 stage classification.

Analysis of specific portfolios and asset types

This section provides an analysis of principal portfolios and businesses, in particular, home loans, credit cards, unsecured loans and other retail lending.

Secured home loans

The UK home loans portfolio comprises first lien home loans and accounts for 91% (2017: 90%) of Barclays Group's total home loan balances.

Home loans principal portfolios

| As at 31 December                                         | Barclays UK |         |
|-----------------------------------------------------------|-------------|---------|
|                                                           | 2018        | 2017    |
| Gross loans and advances (£m)                             | 136,517     | 132,132 |
| 30-day arrears rate, excluding recovery book (%)          | 0.4         | 0.4     |
| 90-day arrears rate, excluding recovery book (%)          | 0.1         | 0.1     |
| Annualised gross charge-off rates – 180 days past due (%) | 0.3         | 0.2     |
| Recovery book proportion of outstanding balances (%)      | 0.2         | 0.3     |
| Recovery book impairment coverage ratio (%)               | 7.1         | 11.2    |

Despite the proposed UK withdrawal from the European Union creating large levels of uncertainty in the housing market and competitor pricing putting pressure on new flow, portfolio stock has increased year on year. However, delinquencies remain very low and stable and recovery stock has reduced. Recovery book coverage rate reduced to 7.1% (2017: 11.2%) reflecting the new impairment methodology following the transition to IFRS 9.

Within the UK home loans portfolio:

- Owner-occupied interest-only home loans comprised 26% (2017: 28%) of total balances. The average balance weighted LTV on these loans decreased to 38.8% (2017: 39.7%). The 90-day arrears rate excluding recovery book remained steady at 0.3% (2017: 0.3%)
- Buy to Let (BTL) home loans comprised 12% (2017: 11%) of total balances. The average balance weighted LTV increased to 55.4% (2017: 53.7%) driven by the volume of new business written. Whilst the average balance weighted LTV of new business remained stable during 2018, it is higher than for the existing book and increased the total book average figure as a result. This increase was partially offset by increases in house prices applied during the second half of the year with positive movements in HPI reported. The BTL 90-day arrears rate excluding recovery book remained steady at 0.1% (2017: 0.1%).

Risk review

Risk performance

Credit risk

Home loans principal portfolios – distribution of balances by LTV<sup>a</sup>

|                        | Distribution of balances | Distribution of impairment allowance | Coverage ratio |
|------------------------|--------------------------|--------------------------------------|----------------|
|                        | %                        | %                                    | %              |
| As at 31 December 2018 |                          |                                      |                |
| Barclays UK            |                          |                                      |                |
| <=75%                  | 90.6                     | 50.9                                 | –              |
| >75% and <=90%         | 8.6                      | 22.1                                 | 0.1            |
| >90% and <=100%        | 0.7                      | 7.7                                  | 0.5            |
| >100%                  | 0.1                      | 19.3                                 | 10.8           |

Note  
a Portfolio mark to market based on the most updated valuation including recovery book balances. Updated valuations reflect the application of the latest HPI available as at 31 December 2018.

Home loans principal portfolios – average LTV

|                                     | Barclays UK |       |
|-------------------------------------|-------------|-------|
|                                     | 2018        | 2017  |
| As at 31 December                   |             |       |
| Overall portfolio LTV (%):          |             |       |
| Balance weighted                    | 48.9        | 47.6  |
| Valuation weighted                  | 35.8        | 35.2  |
| >100% LTVs:                         |             |       |
| Balances (£m)                       | 147         | 215   |
| Mark to market collateral (£m)      | 130         | 188   |
| Average LTV: balance weighted (%)   | 134.0       | 127.7 |
| Average LTV: valuation weighted (%) | 119.1       | 118.6 |
| Balances in recovery book (%)       | 5.5         | 5.9   |

The reduction in home loans that have LTV >100% to £147m (2017: £215m) was driven by increases in HPI through the second half of the year.

Home loans principal portfolios – new lending

|                                                       | Barclays UK |        |
|-------------------------------------------------------|-------------|--------|
|                                                       | 2018        | 2017   |
| As at 31 December                                     |             |        |
| New bookings (£m)                                     | 23,008      | 22,665 |
| New home loan proportion above 90% LTV (%)            | 1.8         | 2.1    |
| Average LTV on new home loans: balance weighted (%)   | 65.4        | 63.8   |
| Average LTV on new home loans: valuation weighted (%) | 57.4        | 56.0   |

**Head Office:** Italian home loans and advances at amortised cost reduced to £7.9bn (1 January 2018: £8.8bn) and continue to run-off since new bookings ceased in 2016. The portfolio is secured on residential property with an average balance weighted mark to market LTV of 61.8% (2017: 61.0%). 90-day arrears and gross charge-off rates remained stable at 1.4% (2017: 1.4%) and 0.8% (2017: 0.8%) respectively.

Credit cards, unsecured loans and other retail lending

The principal portfolios listed below accounted for 87% (2017: 87%) of Barclays Group's total credit cards, unsecured loans and other retail lending.

Credit cards, unsecured loans and other retail lending principal portfolios

|                          | Gross loans and advances | 30-day arrears, excluding recovery book | 90-day arrears, excluding recovery book | Annualised gross charge-off rate |
|--------------------------|--------------------------|-----------------------------------------|-----------------------------------------|----------------------------------|
|                          | £m                       | %                                       | %                                       | %                                |
| As at 31 December 2018   |                          |                                         |                                         |                                  |
| Barclays UK              |                          |                                         |                                         |                                  |
| UK cards                 | 17,285                   | 1.8                                     | 0.9                                     | 4.7                              |
| UK personal loans        | 6,335                    | 2.3                                     | 1.1                                     | 3.7                              |
| Barclays International   |                          |                                         |                                         |                                  |
| US cards                 | 22,178                   | 2.7                                     | 1.4                                     | 5.7                              |
| Barclays partner finance | 4,216                    | 1.1                                     | 0.4                                     | 2.3                              |
| Germany consumer lending | 3,545                    | 1.9                                     | 0.8                                     | 2.9                              |
| As at 31 December 2017   |                          |                                         |                                         |                                  |
| Barclays UK              |                          |                                         |                                         |                                  |
| UK cards                 | 17,686                   | 1.8                                     | 0.8                                     | 5.0                              |
| UK personal loans        | 6,255                    | 2.5                                     | 1.2                                     | 3.3                              |
| Barclays International   |                          |                                         |                                         |                                  |
| US cards                 | 21,350                   | 2.6                                     | 1.3                                     | 5.0                              |
| Barclays partner finance | 3,814                    | 1.3                                     | 0.5                                     | 2.6                              |
| Germany consumer lending | 3,384                    | 2.3                                     | 1.0                                     | 3.2                              |

**UK cards:** 30- and 90-day arrears rates remained stable. The annualised gross charge-off rate reduced to 4.7% (2017: 5.0%) as a result of charge-offs returning to stabilised levels in 2018 following one-off accelerated charge-offs in 2017.

**UK personal loans:** 30- and 90-day arrears rates reduced slightly, whilst the annualised charge-off rate increased. These movements were as a result of accounts that had remained in collections longer than expected in 2017 being moved to charge-off following resolution of collections performance issues.

**US cards:** The annualised gross charge-off rate increased to 5.7% (2017: 5.0%) broadly in line with trends across the industry and change in portfolio mix reflecting a one-off asset sale benefiting 2017.

**Barclays partner finance:** 30- and 90-day arrear rates reduced driven by improved quality of new business and better arrears management.

**Germany consumer lending:** Arrears and charge-off rates reduced due to improved performance in collections along with booking lower risk business.

Forbearance

Forbearance measures consist of concessions towards a debtor that is experiencing or about to experience difficulties in meeting their financial commitments ('financial difficulties').

| Analysis of forbearance programmes |          |                       |
|------------------------------------|----------|-----------------------|
|                                    | Balances | Impairment Allowances |
| As at 31 December 2018             |          |                       |
| Barclays UK                        | 647      | 172                   |
| Barclays International             | 233      | 190                   |
| Head Office                        | 165      | 10                    |
| Total retail                       | 1,045    | 372                   |
| Barclays UK                        | 671      | 45                    |
| Barclays International             | 2,284    | 241                   |
| Head Office                        | –        | –                     |
| Total wholesale                    | 2,955    | 286                   |
| Group total                        | 4,000    | 658                   |
| As at 31 December 2017             |          |                       |
| Barclays UK                        | 847      | 226                   |
| Barclays International             | 210      | 86                    |
| Head Office                        | 186      | 11                    |
| Total retail                       | 1,243    | 323                   |
| Barclays UK                        | 606      | 31                    |
| Barclays International             | 2,347    | 519                   |
| Head Office                        | –        | –                     |
| Total wholesale                    | 2,953    | 550                   |
| Group total                        | 4,196    | 873                   |

Balances on forbearance programmes decreased 5% driven by better portfolio performance.

Retail balances on forbearance reduced 16% to £1.0bn, reflecting a decrease in Barclays UK partially offset by an increase in Barclays International portfolios.

- **Barclays UK:** continued to reduce reflecting the ongoing improvements in operational effectiveness over the past two years along with improving arrears rates and accounts completing and exiting plans.
- **Barclays International:** US cards forbearance balances increased to £177m (2017: £148m) in line with book size but as a percentage of total balance remained low (<1%).

Wholesale balances on forbearance remained stable at £3.0bn (2017: £3.0bn) with a reduction in CIB of £280m offset by an increase in Wealth BI of £211m. Impairment allowance reduced to £286m (2017: £550m) reflecting significant write-offs and single name releases within CIB. Barclays International accounted for 77% of Wholesale forbearance with corporate cases representing 72% of all forborne balances.

Risk review

# Risk performance

Credit risk

## Retail forbearance programmes

Forbearance on Barclays Group's principal retail portfolios is presented below. The principal portfolios account for 84% (2017: 75%) of total retail forbearance balances.

| Analysis of key portfolios in forbearance programmes |                                    |                                        |                                                                |                                                                  |                                                                            |                                                           |
|------------------------------------------------------|------------------------------------|----------------------------------------|----------------------------------------------------------------|------------------------------------------------------------------|----------------------------------------------------------------------------|-----------------------------------------------------------|
|                                                      | Balances on forbearance programmes |                                        | Mark to market LTV of forbearance balances: balance weighted % | Mark to market LTV of forbearance balances: valuation weighted % | Impairment allowances marked against balances on forbearance programmes £m | Total balances on forbearance programmes coverage ratio % |
|                                                      | Total £m                           | % of gross retail loans and advances % |                                                                |                                                                  |                                                                            |                                                           |
| As at 31 December 2018                               |                                    |                                        |                                                                |                                                                  |                                                                            |                                                           |
| Barclays UK                                          |                                    |                                        |                                                                |                                                                  |                                                                            |                                                           |
| UK home loans                                        | 296                                | 0.2                                    | 41.6                                                           | 29.8                                                             | –                                                                          | –                                                         |
| UK cards                                             | 289                                | 1.7                                    | n/a                                                            | n/a                                                              | 121                                                                        | 41.9                                                      |
| UK personal loans                                    | 62                                 | 1.0                                    | n/a                                                            | n/a                                                              | 51                                                                         | 82.3                                                      |
| Barclays International                               |                                    |                                        |                                                                |                                                                  |                                                                            |                                                           |
| US cards                                             | 177                                | 0.8                                    | n/a                                                            | n/a                                                              | 131                                                                        | 74.0                                                      |
| Barclays partner finance                             | 6                                  | 0.1                                    | n/a                                                            | n/a                                                              | 4                                                                          | 66.7                                                      |
| Germany consumer lending                             | 46                                 | 1.3                                    | n/a                                                            | n/a                                                              | 28                                                                         | 60.9                                                      |
| As at 31 December 2017                               |                                    |                                        |                                                                |                                                                  |                                                                            |                                                           |
| Barclays UK                                          |                                    |                                        |                                                                |                                                                  |                                                                            |                                                           |
| UK home loans                                        | 355                                | 0.3                                    | 43.2                                                           | 31.0                                                             | 4                                                                          | 1.1                                                       |
| UK cards                                             | 302                                | 1.7                                    | n/a                                                            | n/a                                                              | 179                                                                        | 59.3                                                      |
| UK personal loans                                    | 77                                 | 1.2                                    | n/a                                                            | n/a                                                              | 30                                                                         | 39.0                                                      |
| Barclays International                               |                                    |                                        |                                                                |                                                                  |                                                                            |                                                           |
| US cards                                             | 148                                | 0.7                                    | n/a                                                            | n/a                                                              | 58                                                                         | 39.2                                                      |
| Barclays partner finance                             | 9                                  | 0.2                                    | n/a                                                            | n/a                                                              | 7                                                                          | 77.8                                                      |
| Germany consumer lending                             | 47                                 | 1.4                                    | n/a                                                            | n/a                                                              | 17                                                                         | 36.2                                                      |

**UK home loans:** Forbearance stock reduced to £296m (2017: £355m), due to operational effectiveness and accounts successfully exiting plans.

**UK cards:** Forbearance balances reduced due to tightening of entry criteria. The coverage ratio reduction was driven by the transition to IFRS 9 model which removed some conservatism and updates to debt sale parameters.

**UK personal loans:** Forbearance reduced to £62m (2017: £77m), predominantly as a result of tightening criteria for short-term plans. Longer-term forbearance plans remained the preferred offering and maintained a steady trend across 2018. Term extensions increased, albeit remained low at £9m.

**US cards:** Forbearance balances increased to £177m (2017: £148m) reflecting book growth, but remain low (<1%) as a percentage of total balance.

**Barclays partner finance:** Forbearance plan reduction was primarily driven by operational process changes introduced in 2018 whereby customers on long-term plans with two missed payments and experiencing financial difficulty were placed on alternative plans and impaired appropriately.

**Germany consumer lending:** The increase in coverage ratios was primarily driven by transition to IFRS 9 methodology.

| Forbearance by type         |               |         |          |         |                        |         |          |         |
|-----------------------------|---------------|---------|----------|---------|------------------------|---------|----------|---------|
|                             | Barclays UK   |         |          |         | Barclays International |         |          |         |
|                             | UK home loans |         | UK cards |         | UK personal loans      |         | US cards |         |
|                             | 2018 £m       | 2017 £m | 2018 £m  | 2017 £m | 2018 £m                | 2017 £m | 2018 £m  | 2017 £m |
| As at 31 December           |               |         |          |         |                        |         |          |         |
| Payment concession          | 80            | 94      | 69       | 84      | –                      | –       | –        | –       |
| Interest-only conversion    | 60            | 75      | –        | –       | –                      | –       | –        | –       |
| Term extension              | 154           | 184     | –        | –       | 9                      | 8       | –        | –       |
| Fully amortising            | –             | –       | –        | –       | 52                     | 54      | 160      | 135     |
| Repayment plan <sup>a</sup> | –             | –       | 89       | 96      | 1                      | 15      | 17       | 13      |
| Interest rate concession    | 2             | 2       | 131      | 122     | –                      | –       | –        | –       |
| Total                       | 296           | 355     | 289      | 302     | 62                     | 77      | 177      | 148     |

Note  
a Repayment plan represents a reduction to the minimum payment due requirements and interest rate.



Wholesale forbearance programmes

The tables below detail balance information for wholesale forbearance cases.

Analysis of wholesale balances in forbearance programmes

|                        | Balances on forbearance programmes |                                         | Impairment allowances marked against balances on forbearance programmes | Total balances on forbearance programmes |
|------------------------|------------------------------------|-----------------------------------------|-------------------------------------------------------------------------|------------------------------------------|
|                        | Total balances £m                  | % of gross wholesale loans and advances | £m                                                                      | coverage ratio %                         |
| As at 31 December 2018 |                                    |                                         |                                                                         |                                          |
| Barclays UK            | 671                                | 2.4                                     | 45                                                                      | 6.7                                      |
| Barclays International | 2,284                              | 2.3                                     | 241                                                                     | 10.6                                     |
| Total                  | 2,955                              | 2.3                                     | 286                                                                     | 9.7                                      |
| As at 31 December 2017 |                                    |                                         |                                                                         |                                          |
| Barclays UK            | 606                                | 2.1                                     | 31                                                                      | 5.1                                      |
| Barclays International | 2,347                              | 1.4                                     | 519                                                                     | 22.1                                     |
| Total                  | 2,953                              | 1.4                                     | 550                                                                     | 18.6                                     |

Wholesale forbearance reporting split by exposure class

|                                                               | Corporate £m | Personal and trusts £m | Other £m | Total £m |
|---------------------------------------------------------------|--------------|------------------------|----------|----------|
| As at 31 December 2018                                        |              |                        |          |          |
| Restructure: reduced contractual cash flows                   | 3            | –                      | –        | 3        |
| Restructure: maturity date extension                          | 286          | 186                    | 2        | 474      |
| Restructure: changed cash flow profile (other than extension) | 450          | 31                     | –        | 481      |
| Restructure: payment other than cash                          | 18           | –                      | –        | 18       |
| Change in security                                            | 10           | 3                      | –        | 13       |
| Adjustments or non-enforcement of covenants                   | 1,040        | 177                    | 1        | 1,218    |
| Other (e.g. capital repayment holiday; restructure pending)   | 452          | 295                    | 1        | 748      |
| Total                                                         | 2,259        | 692                    | 4        | 2,955    |
| As at 31 December 2017                                        |              |                        |          |          |
| Restructure: reduced contractual cash flows                   | 5            | –                      | –        | 5        |
| Restructure: maturity date extension                          | 373          | 26                     | –        | 399      |
| Restructure: changed cash flow profile (other than extension) | 297          | –                      | –        | 297      |
| Restructure: payment other than cash                          | 16           | –                      | –        | 16       |
| Change in security                                            | 9            | –                      | –        | 9        |
| Adjustments or non-enforcement of covenants                   | 1,477        | 101                    | 1        | 1,579    |
| Other (e.g. capital repayment holiday; restructure pending)   | 474          | 174                    | –        | 648      |
| Total                                                         | 2,651        | 301                    | 1        | 2,953    |

Risk review

Risk performance

Credit risk

Wholesale forbearance reporting split by business unit

|                                                               | Barclays UK<br>£m | Barclays<br>International<br>£m | Total<br>£m |
|---------------------------------------------------------------|-------------------|---------------------------------|-------------|
| As at 31 December 2018                                        |                   |                                 |             |
| Restructure: reduced contractual cash flows                   | 1                 | 2                               | 3           |
| Restructure: maturity date extension                          | 129               | 345                             | 474         |
| Restructure: changed cash flow profile (other than extension) | 286               | 195                             | 481         |
| Restructure: payment other than cash                          | —                 | 18                              | 18          |
| Change in security                                            | 3                 | 10                              | 13          |
| Adjustments or non-enforcements of covenants                  | 132               | 1,086                           | 1,218       |
| Other (e.g. capital repayment holiday; restructure pending)   | 120               | 628                             | 748         |
| Total                                                         | 671               | 2,284                           | 2,955       |
| As at 31 December 2017                                        |                   |                                 |             |
| Restructure: reduced contractual cash flows                   | 3                 | 2                               | 5           |
| Restructure: maturity date extension                          | 90                | 309                             | 399         |
| Restructure: changed cash flow profile (other than extension) | 199               | 98                              | 297         |
| Restructure: payment other than cash                          | —                 | 16                              | 16          |
| Change in security                                            | —                 | 9                               | 9           |
| Adjustments or non-enforcements of covenants                  | 223               | 1,356                           | 1,579       |
| Other (e.g. capital repayment holiday; restructure pending)   | 91                | 557                             | 648         |
| Total                                                         | 606               | 2,347                           | 2,953       |

Wholesale forbearance flows in 2018

|                                               | £m      |
|-----------------------------------------------|---------|
| As at 1 January 2018                          | 2,953   |
| Added to forbearance                          | 2,082   |
| Removed from forbearance (credit improvement) | (1,126) |
| Fully or partially repaid and other movements | (679)   |
| Written off/moved to recovery book            | (275)   |
| As at 31 December 2018                        | 2,955   |

Analysis of debt securities

Debt securities include government securities held as part of the Barclays Group’s treasury management portfolio for liquidity and regulatory purposes, and are for use on a continuing basis in the activities of the Barclays Group.

The following tables provide an analysis of debt securities held by the Barclays Group for trading and investment purposes by issuer type, and where the Barclays Group held government securities exceeding 10% of shareholders’ equity.

Further information on the credit quality of debt securities is presented on pages 121 to 122.

Debt securities

|                                      | 2018    |       | 2017    |       |
|--------------------------------------|---------|-------|---------|-------|
| As at 31 December                    | £m      | %     | £m      | %     |
| Of which issued by:                  |         |       |         |       |
| Governments and other public bodies  | 76,646  | 64.6  | 69,981  | 64.5  |
| Corporate and other issuers          | 30,767  | 26.0  | 27,976  | 25.9  |
| US agency                            | 7,014   | 5.9   | 7,868   | 7.3   |
| Mortgage and asset backed securities | 4,143   | 3.5   | 2,520   | 2.3   |
| Total                                | 118,570 | 100.0 | 108,345 | 100.0 |

Government securities

|                   | 2018<br>Fair value<br>£m | 2017<br>Fair value<br>£m |
|-------------------|--------------------------|--------------------------|
| As at 31 December |                          |                          |
| United States     | 31,199                   | 21,570                   |
| United Kingdom    | 19,555                   | 19,475                   |



Risk review

# Risk performance

## Market risk

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| Provides a Barclays Group-wide overview of where assets and liabilities on Barclays Group's balance sheet are managed within regulatory traded and non-traded books.                | ▪ Balance sheet view of trading and banking books 132                      |
| Barclays Group discloses details on management measures of market risk. Total management VaR includes all trading positions and is presented on a diversified basis by risk factor. | ▪ Traded market risk 133                                                   |
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Risk review

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Market risk

## Balance sheet view of trading and banking books

As defined by regulatory rules, a trading book consists of positions held for trading intent or to hedge elements of the trading book. Trading intent must be evidenced in the basis of the strategies, policies and procedures set up by the firm to manage the position or portfolio. The table below provides a Group-wide overview of where assets and liabilities on the Barclays Group’s balance sheet are managed within regulatory traded and non-traded books.

The balance sheet split by trading book and banking books is shown on an IFRS accounting scope of consolidation.

| Balance sheet split by trading and banking books                  |                                 |                    |             |
|-------------------------------------------------------------------|---------------------------------|--------------------|-------------|
|                                                                   | Banking book <sup>a</sup><br>£m | Trading book<br>£m | Total<br>£m |
| As at 31 December 2018                                            |                                 |                    |             |
| Cash and balances at central banks                                | 177,069                         | –                  | 177,069     |
| Cash collateral and settlement balances                           | 60,309                          | 16,913             | 77,222      |
| Loans and advances at amortised cost                              | 326,406                         | –                  | 326,406     |
| Reverse repurchase agreements and other similar secured lending   | 2,260                           | 48                 | 2,308       |
| Trading portfolio assets                                          | 6,479                           | 97,708             | 104,187     |
| Financial assets designated at fair value                         | 12,656                          | 136,992            | 149,648     |
| Derivative financial instruments                                  | 688                             | 221,850            | 222,538     |
| Financial assets at fair value through other comprehensive income | 52,816                          | –                  | 52,816      |
| Investments in associates and joint ventures                      | 762                             | –                  | 762         |
| Goodwill and intangible assets                                    | 7,973                           | –                  | 7,973       |
| Property, plant and equipment                                     | 2,535                           | –                  | 2,535       |
| Current tax assets                                                | 798                             | –                  | 798         |
| Deferred tax assets                                               | 3,828                           | –                  | 3,828       |
| Retirement benefit assets                                         | 1,768                           | –                  | 1,768       |
| Other assets                                                      | 3,425                           | –                  | 3,425       |
| Total assets                                                      | 659,772                         | 473,511            | 1,133,283   |
|                                                                   |                                 |                    |             |
| Deposits at amortised cost                                        | 393,492                         | 1,346              | 394,838     |
| Cash collateral and settlement balances                           | 43,883                          | 23,639             | 67,522      |
| Repurchase agreements and other similar secured borrowing         | 17,009                          | 1,569              | 18,578      |
| Debt securities in issue                                          | 82,286                          | –                  | 82,286      |
| Subordinated liabilities                                          | 20,559                          | –                  | 20,559      |
| Trading portfolio liabilities                                     | –                               | 37,882             | 37,882      |
| Financial liabilities designated at fair value                    | 7,592                           | 209,242            | 216,834     |
| Derivative financial instruments                                  | 734                             | 218,909            | 219,643     |
| Current tax liabilities                                           | 628                             | –                  | 628         |
| Deferred tax liabilities                                          | 51                              | –                  | 51          |
| Retirement benefit liabilities                                    | 315                             | –                  | 315         |
| Other liabilities                                                 | 7,716                           | –                  | 7,716       |
| Provisions                                                        | 2,652                           | –                  | 2,652       |
| Total liabilities                                                 | 576,917                         | 492,587            | 1,069,504   |

Note

a The primary risk factors for banking book assets and liabilities are interest rates and to a lesser extent, foreign exchange rates. Credit spreads and equity prices will also be factors where Barclays Group holds debt and equity securities respectively, either as financial assets designated at fair value (see Note 13) or as financial assets at fair value through other comprehensive income (see Note 13) of the financial statements.

Included within the trading book are assets and liabilities which are included in the market risk regulatory measures.

Traded market risk review

Review of management measures

The following disclosures provide details on management measures of market risk.

The table below shows the total management VaR on a diversified basis by risk factor. Total management VaR includes all trading positions in CIB and Head Office.

Limits are applied against each risk factor VaR as well as total Management VaR, which are then cascaded further by risk managers to each business.

The daily average, maximum and minimum values of management VaR  
Management VaR (95%, one day) (audited)

|                                             | 2018          |                         |                        | 2017          |                         |                        |
|---------------------------------------------|---------------|-------------------------|------------------------|---------------|-------------------------|------------------------|
|                                             | Average<br>£m | High <sup>b</sup><br>£m | Low <sup>b</sup><br>£m | Average<br>£m | High <sup>b</sup><br>£m | Low <sup>b</sup><br>£m |
| For the year ended 31 December <sup>a</sup> |               |                         |                        |               |                         |                        |
| Credit risk                                 | 11            | 16                      | 8                      | 12            | 18                      | 8                      |
| Interest rate risk                          | 8             | 19                      | 3                      | 8             | 15                      | 4                      |
| Equity risk                                 | 7             | 14                      | 4                      | 8             | 14                      | 4                      |
| Basis risk                                  | 6             | 8                       | 4                      | 5             | 6                       | 3                      |
| Spread risk                                 | 6             | 9                       | 3                      | 5             | 8                       | 3                      |
| Foreign exchange risk                       | 3             | 7                       | 2                      | 3             | 7                       | 2                      |
| Commodity risk                              | 1             | 2                       | –                      | 2             | 3                       | 1                      |
| Inflation risk                              | 3             | 4                       | 2                      | 2             | 4                       | 1                      |
| Diversification effect <sup>b</sup>         | (24)          | n/a                     | n/a                    | (26)          | n/a                     | n/a                    |
| Total management VaR                        | 21            | 27                      | 15                     | 19            | 26                      | 14                     |

Notes

a Excludes BAGL from 23 July 2018.

b Diversification effects recognise that forecast losses from different assets or businesses are unlikely to occur concurrently, hence the expected aggregate loss is lower than the sum of the expected losses from each area. Historical correlations between losses are taken into account in making these assessments. The high and low VaR figures reported for each category did not necessarily occur on the same day as the high and low VaR reported as a whole. Consequently, a diversification effect balance for the high and low VaR figures would not be meaningful and is therefore omitted from the above table.

Management VaR remained relatively stable year-on-year. The marginal increase in average management VaR in 2018 was due to a higher volatility environment compared to 2017.

Barclays Group Management VaR<sup>a</sup> (£m)



Note

a Excludes BAGL from 23 July 2018.

Business scenario stresses

As part of Barclays Group’s risk management framework, on a regular basis the performance of the trading business in hypothetical scenarios characterised by severe macroeconomic conditions is modelled. Up to seven global scenarios are modelled on a regular basis, for example, a sharp deterioration in liquidity, a slowdown in the global economy, global recession, and a sharp increase in economic growth.

In 2018, the scenario analyses showed that the largest market risk related impacts would be due to a severe deterioration in financial liquidity and global recession.

Risk review

Risk performance

Market risk

Review of regulatory measures

The following disclosures provide details on regulatory measures of market risk.

Barclays Group’s market risk capital requirement comprises of two elements:

- the market risk of trading book positions booked to legal entities are measured under a PRA approved internal models approach, including Regulatory VaR, Stressed Value at Risk (SVaR), Incremental Risk Charge (IRC) and Comprehensive Risk Measure (CRM) as required
- the trading book positions that do not meet the conditions for inclusion within the approved internal models approach are calculated using standardised rules.

The table below summarises the regulatory market risk measures, under the internal models approach.

| Analysis of Regulatory VaR, SVaR, IRC and Comprehensive Risk Measure <sup>a</sup> |                |            |           |           |
|-----------------------------------------------------------------------------------|----------------|------------|-----------|-----------|
|                                                                                   | Year-end<br>£m | Avg.<br>£m | Max<br>£m | Min<br>£m |
| As at 31 December 2018                                                            |                |            |           |           |
| Regulatory VaR (1-day)                                                            | 24             | 27         | 41        | 19        |
| Regulatory VaR (10-day) <sup>b</sup>                                              | 76             | 87         | 129       | 61        |
| SVaR (1-day)                                                                      | 83             | 67         | 112       | 41        |
| SVaR (10-day) <sup>b</sup>                                                        | 262            | 211        | 355       | 130       |
| IRC                                                                               | 146            | 126        | 219       | 52        |
| CRM                                                                               | —              | —          | —         | —         |
| As at 31 December 2017                                                            |                |            |           |           |
| Regulatory VaR (1-day)                                                            | 28             | 27         | 39        | 19        |
| Regulatory VaR (10-day) <sup>b</sup>                                              | 90             | 85         | 123       | 60        |
| SVaR (1-day)                                                                      | 59             | 63         | 105       | 41        |
| SVaR (10-day) <sup>b</sup>                                                        | 186            | 200        | 331       | 130       |
| IRC                                                                               | 188            | 202        | 326       | 142       |
| CRM                                                                               | —              | 1          | 2         | —         |

Notes  
a Excludes BAGL from 23 July 2018.  
b The 10 day VaR is based on scaling of 1-day VaR model output since VaR is currently not modelled for a 10-day holding period.

Overall, there was an increase in SVaR and a decrease in IRC in 2018, with no significant movements in other internal model components:

- Regulatory VaR: Average VaR was broadly unchanged compared to the previous year
- SVaR: Average SVaR increase was due to the date range selected for the one-year stressed period changing
- IRC: Decrease mainly driven by decrease in Rates and Fixed Income Financing, offset by the Foreign Exchange business
- CRM: Remained at zero throughout the year.

| Breakdown of the major regulatory risk measures by portfolio <sup>a</sup> |             |                |              |                                             |               |                                     |                                                        |                                                |
|---------------------------------------------------------------------------|-------------|----------------|--------------|---------------------------------------------|---------------|-------------------------------------|--------------------------------------------------------|------------------------------------------------|
|                                                                           | Macro<br>£m | Equities<br>£m | Credit<br>£m | Barclays<br>International<br>Treasury<br>£m | Banking<br>£m | Barclays<br>Group<br>Treasury<br>£m | Financial<br>Resource<br>Management <sup>b</sup><br>£m | Investing<br>and<br>Lending <sup>b</sup><br>£m |
| As at 31 December 2018                                                    |             |                |              |                                             |               |                                     |                                                        |                                                |
| Regulatory VaR (1-day)                                                    | 10          | 19             | 14           | —                                           | 10            | 5                                   | 10                                                     | 1                                              |
| Regulatory VaR (10-day)                                                   | 31          | 60             | 45           | 1                                           | 30            | 17                                  | 31                                                     | 2                                              |
| SVaR (1-day)                                                              | 64          | 59             | 30           | 1                                           | 20            | 13                                  | 20                                                     | 4                                              |
| SVaR (10-day)                                                             | 203         | 187            | 95           | 2                                           | 63            | 40                                  | 64                                                     | 11                                             |
| IRC                                                                       | 154         | 7              | 209          | —                                           | 14            | 9                                   | 84                                                     | 5                                              |
| CRM                                                                       | —           | —              | —            | —                                           | —             | —                                   | —                                                      | —                                              |
| As at 31 December 2017                                                    |             |                |              |                                             |               |                                     |                                                        |                                                |
| Regulatory VaR (1-day)                                                    | 13          | 6              | 19           | —                                           | 5             | 6                                   | 8                                                      | —                                              |
| Regulatory VaR (10-day)                                                   | 42          | 20             | 59           | —                                           | 16            | 18                                  | 25                                                     | —                                              |
| SVaR (1-day)                                                              | 23          | 11             | 41           | —                                           | 10            | 11                                  | 20                                                     | —                                              |
| SVaR (10-day)                                                             | 72          | 35             | 130          | 1                                           | 30            | 35                                  | 64                                                     | —                                              |
| IRC                                                                       | 203         | 5              | 270          | —                                           | 1             | 10                                  | 65                                                     | —                                              |
| CRM                                                                       | —           | —              | —            | —                                           | —             | —                                   | —                                                      | —                                              |

Notes  
a Excludes BAGL.  
b A hierarchy change affecting Financial Resource Management resulted in the creation of the new Investing and Lending portfolio during 2018.

The table above shows the primary portfolios which are driving the trading businesses’ modelled capital requirement as at 2018 year-end. The standalone portfolio results diversify at the total level and are not additive. Regulatory VaR, SVaR, IRC and CRM in the prior table show the diversified results at a Barclays Group level.

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Treasury and capital risk

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| Liquidity risk performance                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                    |                                 |
| The risk that the firm is unable to meet its contractual or contingent obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets.                                                                                                                                                                       | <ul style="list-style-type: none"><li>▪ Liquidity overview and summary of performance</li><li>▪ Liquidity risk stress testing<ul style="list-style-type: none"><li>– Liquidity risk appetite</li><li>– Liquidity regulation</li><li>– Liquidity coverage ratio</li></ul></li></ul> | 137<br>137<br>138<br>138<br>139 |
| This section provides an overview of Barclays Group's liquidity risk.                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                    |                                 |
| The liquidity pool is held unencumbered and is not used to support payment or clearing requirements. The liquidity pool is intended to offset stress outflows, and comprises the following cash and unencumbered assets.                                                                                                                                                        | <ul style="list-style-type: none"><li>▪ Liquidity pool<ul style="list-style-type: none"><li>– Composition of the liquidity pool</li><li>– Liquidity pool by currency</li><li>– Management of the liquidity pool</li><li>– Contingent liquidity</li></ul></li></ul>                 | 139<br>139<br>139<br>139<br>140 |
| The basis for sound liquidity risk management is a solid funding structure that reduces the probability of a liquidity stress leading to an inability to meet funding obligations as they fall due.                                                                                                                                                                             | <ul style="list-style-type: none"><li>▪ Funding structure and funding relationships<ul style="list-style-type: none"><li>– Deposit funding</li><li>– Wholesale funding</li></ul></li></ul>                                                                                         | 140<br>140<br>141               |
| Asset encumbrance arises from collateral pledged against secured funding and other collateralised obligations. Barclays funds a portion of trading portfolio assets and other securities via repurchase agreements and other similar borrowing, and pledges a portion of loans and advances as collateral in securitisation, covered bond and other similar secured structures. | <ul style="list-style-type: none"><li>▪ Encumbrance<ul style="list-style-type: none"><li>– On-balance sheet</li><li>– Off-balance sheet</li><li>– Repurchase agreements and reverse repurchase agreements</li></ul></li></ul>                                                      | 142<br>143<br>143<br>144        |
| In addition to monitoring and managing key metrics related to the financial strength of Barclays Group, Barclays Group solicits independent credit ratings.                                                                                                                                                                                                                     | <ul style="list-style-type: none"><li>▪ Credit ratings</li></ul>                                                                                                                                                                                                                   | 146                             |
| These ratings assess the creditworthiness of Barclays Group, its subsidiaries and branches and are based on reviews of a broad range of business and financial attributes including risk management processes and procedures, capital strength, earnings, funding, asset quality, liquidity, accounting and governance.                                                         |                                                                                                                                                                                                                                                                                    |                                 |
| Provides details on the contractual maturity of all financial instruments and other assets and liabilities.                                                                                                                                                                                                                                                                     | <ul style="list-style-type: none"><li>▪ Contractual maturity of financial assets and liabilities</li></ul>                                                                                                                                                                         | 147                             |



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|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|-----|
| Capital risk performance                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                               |     |
| Capital risk is the risk that the firm has an insufficient level or composition of capital to support its normal business activities and to meet its regulatory capital requirements under normal operating environments or stressed conditions (both actual and as defined for internal planning or regulatory testing purposes). This also includes the risk from the firm's pension plans. | Capital risk overview and summary of performance                                                                              | 151 |
|                                                                                                                                                                                                                                                                                                                                                                                               | Regulatory minimum capital and leverage requirements <ul style="list-style-type: none"><li>Capital</li><li>Leverage</li></ul> | 152 |
| This section details Barclays Group's capital position providing information on both capital resources and capital requirements. It also provides details of the leverage ratios and exposures.                                                                                                                                                                                               |                                                                                                                               |     |
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| A review focusing on the UK retirement fund, which represents the majority of Barclays Group's total retirement benefit obligation. requirement for own funds and Eligible Liabilities (MREL) position and ratios.                                                                                                                                                                            | Pension risk review                                                                                                           | 157 |
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| A description of the non-traded market risk framework is provided.                                                                                                                                                                                                                                                                                                                            | Interest rate risk in the banking book overview and summary of performance                                                    | 159 |
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| Barclays Group measures the volatility of the value of the FVOCI instruments in the liquidity pool through non-traded market risk VaR.                                                                                                                                                                                                                                                        |                                                                                                                               |     |

### Liquidity risk

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

All disclosures in this section (pages 137 to 150) are unaudited unless otherwise stated.

### Key metrics

Liquidity Coverage Ratio

169%

### Overview

The Barclays Group has a comprehensive key risk control framework for managing liquidity risk. The Liquidity Framework meets the PRA's standards and is designed to maintain liquidity resources that are sufficient in amount and quality, and a funding profile that is appropriate to meet the liquidity risk appetite. The Liquidity Framework is delivered via a combination of policy formation, review and governance, analysis, stress testing, limit setting and monitoring.

This section provides an analysis of the Barclays Group's: (i) summary of performance, (ii) liquidity risk stress testing, (iii) liquidity pool, (iv) funding structure and funding relationships, (v) encumbrance, (vi) credit ratings, and (vii) contractual maturity of financial assets and liabilities.

### Summary of performance

The liquidity pool increased to £227bn (December 2017: £220bn) driven largely by net deposit growth across businesses. The Liquidity Coverage Ratio (LCR) increased to 169% (December 2017: 154%), equivalent to a surplus of £90bn (December 2017: £75bn) to 100% regulatory requirement. The Barclays Group also continued to maintain surpluses to its internal liquidity requirements. The strong liquidity position reflects the Barclays Group's prudent approach given the continued macroeconomic uncertainty.

During the year, the Barclays Group issued £12.2bn of minimum requirement for own funds and eligible liabilities (MREL) instruments in a range of tenor and currencies.

Barclays Bank PLC continued to issue in the shorter-term markets and Barclays Bank UK PLC issued in the shorter-term and secured markets, helping to maintain their stable and diversified funding bases.

The overall funding structure has improved further. Barclays Group has continued to reduce its reliance on short-term wholesale funding, where the proportion maturing in less than 1 year fell to 30% (December 2017: 31%).

### Liquidity risk stress testing

Under the Liquidity Framework, the Barclays Group has established a liquidity risk appetite (LRA) together with the appropriate limits for the management of the liquidity risk. This is the level of liquidity risk the Barclays Group chooses to take in pursuit of its business objectives and in meeting its regulatory obligations. The Barclays Group sets its internal liquidity risk appetite (LRA) based on internal liquidity risk assessments and, external regulatory requirements namely the CRD IV Delegated Act Liquidity Coverage Ratio (LCR).

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**Liquidity risk appetite**  
The liquidity risk assessment measures the potential contractual and contingent stress outflows under a range of stress scenarios, which are then used to determine the size of the liquidity pool that is immediately available to meet anticipated outflows if a stress occurs.

As part of the LRA, the Barclays Group runs three short-term liquidity stress scenarios, aligned to the PRA’s prescribed stresses:

- 90 day market-wide stress event
- 30 day Barclays-specific stress event
- combined 30 day market-wide and Barclays-specific stress event

**Key LRA assumptions**  
For the year ended 31 December 2018

| Drivers of Liquidity Risk                    | LRA Combined stress – key assumptions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|----------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Wholesale Secured and Unsecured Funding Risk | <ul style="list-style-type: none"><li>▪ Zero rollover of maturing wholesale unsecured funding</li><li>▪ Loss of repo capacity on non-extremely liquid repos at contractual maturity date</li><li>▪ Roll of repo for extremely liquid repo at wider haircut at contractual maturity date</li><li>▪ Withdrawal of contractual buyback obligations, excess client futures margin, Prime Brokerage (PB) client cash and overlifts</li><li>▪ Haircuts applied to the market value of marketable assets held in the liquidity buffer</li></ul> |
| Retail and Corporate Funding Risk            | <ul style="list-style-type: none"><li>▪ Retail and Corporate deposit outflows as counterparties seek to diversify their deposit balances</li></ul>                                                                                                                                                                                                                                                                                                                                                                                       |
| Intraday Liquidity Risk                      | <ul style="list-style-type: none"><li>▪ Liquidity held against intraday requirements for the settlement of cash and securities under a stress</li></ul>                                                                                                                                                                                                                                                                                                                                                                                  |
| Intra-Group Liquidity Risk                   | <ul style="list-style-type: none"><li>▪ Liquidity support for material subsidiaries. Surplus liquidity held within certain subsidiaries is not taken as a benefit to the wider Group.</li></ul>                                                                                                                                                                                                                                                                                                                                          |
| Cross-Currency Liquidity Risk                | <ul style="list-style-type: none"><li>▪ Currency liquidity cash flows at contractual maturity for physically settled FX forwards and cross currency swaps</li></ul>                                                                                                                                                                                                                                                                                                                                                                      |
| Off-Balance Sheet Liquidity Risk             | <ul style="list-style-type: none"><li>▪ Drawdown on committed facilities based on facility and counterparty type</li><li>▪ Collateral outflows due to a two-notch credit rating downgrade</li><li>▪ Increase in the Barclays Group’s initial margin requirement across all major exchanges</li><li>▪ Variation margin outflows from collateralised risk positions</li><li>▪ Outflow of collateral owing but not called</li><li>▪ Loss of internal sources of funding within the PB synthetics business</li></ul>                         |
| Franchise-Viability Risk                     | <ul style="list-style-type: none"><li>▪ Liquidity held in order to meet outflows that are non-contractual in nature, but are necessary in order to support the firm’s ongoing franchise (e.g. debt buybacks)</li></ul>                                                                                                                                                                                                                                                                                                                   |
| Funding Concentration Risk                   | <ul style="list-style-type: none"><li>▪ Liquidity held against largest wholesale funding counterparty refusing to roll</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                         |

As at 31 December 2018, the Barclays Group held eligible liquid assets well in excess of 100% of net stress outflows of the 30 day combined scenario, which has the highest net outflows of the three short-term liquidity stress scenarios.

The Barclays Group also runs a long-term liquidity stress test, which measures the anticipated outflows over a 12-month market-wide scenario. As at 31 December 2018, the Barclays Group remained compliant to this internal metric.

**Liquidity regulation**  
The Barclays Group monitors its position against the CRD IV Delegated Act Liquidity Coverage Ratio and the Basel III Net Stable Funding Ratio (NSFR).  
The LCR is designed to promote short-term resilience of a bank’s liquidity risk profile by holding sufficient High Quality Liquid Assets to survive an acute stress scenario lasting for 30 days. The NSFR has a time horizon of 12 months and has been developed to promote a sustainable maturity structure of assets and liabilities.

In October 2014, the BCBS published a standard defining the minimum requirements for the Net Stable Funding Ration (NSFR). The EU is implementing the NSFR regulations as part of the Risk Reduction Measures package, on which political agreement was reached in December 2018. The regulations are expected to enter into force two years after they are published, which is likely to be around Q2 2021. Barclays continues to assess the impact of these measures on its NSFR ratio, which remains above the 100% requirement, based on a conservative interpretation of the regulations.



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Risk review

Risk performance

Treasury and capital risk

Contingent liquidity

In addition to the Group liquidity pool, the Barclays Group has access to other unencumbered assets which provide a source of contingent liquidity. While these are not relied on in the Group's LRA, a portion of these assets may be monetised in a stress to generate liquidity through use as collateral for secured funding or through outright sale.

In a Barclays-specific, market-wide or combined liquidity stress, liquidity available via market sources could be severely disrupted. In circumstances where market liquidity is unavailable or available only at heavily discounted prices, the Barclays Group could generate liquidity via central bank facilities. The Barclays Group maintains a significant amount of collateral positioned at central banks and available to raise funding.

For more detail on the Barclays Group's other unencumbered assets, see pages 142 to 144.

Funding structure and funding relationships

The basis for sound liquidity risk management is a solid funding structure that reduces the probability of a liquidity stress leading to an inability to meet funding obligations as they fall due. The Barclays Group's overall funding strategy is to develop a diversified funding base (geographically, by type and by counterparty) and maintain access to a variety of alternative funding sources, to provide protection against unexpected fluctuations, while minimising the cost of funding.

Within this, the Barclays Group aims to align the sources and uses of funding. As such, retail and corporate loans and advances are largely funded by customer deposits in the relevant entities, with the surplus primarily funding the liquidity pool. Other assets, together with other loans and advances, are funded by wholesale debt and equity. The majority of reverse repurchase agreements are matched by repurchase agreements. Derivative liabilities and assets are largely matched. A substantial proportion of balance sheet derivative positions qualify for counterparty netting and the remaining portions are largely offset once netted against cash collateral received and paid.

These funding relationships are summarised below:

| Assets                                                                                           | 2018<br>£bn | 2017 <sup>b</sup><br>£bn | Liabilities                                                                                   | 2018<br>£bn | 2017 <sup>b</sup><br>£bn |
|--------------------------------------------------------------------------------------------------|-------------|--------------------------|-----------------------------------------------------------------------------------------------|-------------|--------------------------|
| Loans and advances at amortised cost                                                             | 327         | 324                      | Deposits at amortised cost                                                                    | 395         | 399                      |
| Group liquidity pool                                                                             | 227         | 220                      | < 1 Year wholesale funding                                                                    | 47          | 45                       |
|                                                                                                  |             |                          | > 1 Year wholesale funding                                                                    | 107         | 99                       |
| Other assets <sup>a</sup>                                                                        | 53          | 47                       | Equity and other liabilities                                                                  | 102         | 79                       |
| Reverse repurchase agreements, trading portfolio assets, cash collateral and settlement balances | 303         | 304                      | Repurchase agreements, trading portfolio liabilities, cash collateral and settlement balances | 262         | 273                      |
| Derivative financial instruments                                                                 | 223         | 238                      | Derivative financial instruments                                                              | 220         | 238                      |
| Total assets                                                                                     | 1,133       | 1,133                    | Total liabilities                                                                             | 1,133       | 1,133                    |

Notes

a Other assets include fair value assets that are not part of reverse repurchase agreements or trading portfolio assets, and other asset categories.

b December 2017 comparatives have been updated for balance sheet presentation changes.

| Deposit funding (audited)                               | 2018                                     |                                |                                    | 2017                    |
|---------------------------------------------------------|------------------------------------------|--------------------------------|------------------------------------|-------------------------|
| Funding of loans and advances<br>As at 31 December 2018 | Loans and advances at amortised cost £bn | Deposits at amortised cost £bn | Loan: deposit ratio <sup>a</sup> % | Loan to deposit ratio % |
| Barclays UK                                             | 189                                      | 197                            | 96%                                | 95%                     |
| Barclays International                                  | 127                                      | 197                            | 65%                                | 68%                     |
| Head Office                                             | 11                                       | —                              |                                    |                         |
| Barclays Group                                          | 326                                      | 395                            | 83%                                | 81%                     |

Note

a The loan: deposit ratio is calculated as loans and advances at amortised cost divided by deposits at amortised cost. Comparatives have been updated based on this approach.

As at 31 December 2018, £172bn (2017: £175bn) of total customer deposits were insured through the UK Financial Services Compensation Scheme (FSCS) and other similar schemes. In addition to these customer deposits £5bn (2017: £4bn) of other liabilities are insured by other governments.

Contractually current accounts are repayable on demand and savings accounts at short notice. In practise, their observed maturity is typically longer than their contractual maturity. Similarly, repayment profiles of certain types of assets e.g. mortgages, overdrafts and credit card lending, differ from their contractual profiles. The Barclays Group therefore assesses the behavioural maturity of both customer assets and liabilities to identify structural balance sheet funding gaps. In doing so, it applies quantitative modelling and qualitative assessments which take into account historical experience, current customer composition, and macroeconomic projections.

The Barclays Group's broad base of customers, numerically and by depositor type, helps protect against unexpected fluctuations in balances and hence provide a stable funding base for the Barclays Group's operations and liquidity needs.



Wholesale funding

Barclays Bank Group and Barclays Bank UK Group maintain access to a variety of sources of wholesale funds in major currencies, including those available from term investors across a variety of distribution channels and geographies, short-term funding markets and repo markets.

Barclays Bank Group has direct access to US, European and Asian capital markets through its global investment banking operations and to long-term investors through its clients worldwide. Key sources of wholesale funding include money markets, certificates of deposit, commercial paper, medium term issuances (including structured notes) and securitisations.

Key sources of wholesale funding for Barclays Bank UK Group include money markets, certificates of deposit, commercial paper, covered bonds and other securitisations.

Barclays Group expects to continue issuing public wholesale debt from Barclays PLC (the Parent company), in order to maintain compliance with indicative MREL requirements and maintain a stable and diverse funding base by type, currency and market.

As at 31 December 2018, Barclays Group's total wholesale funding outstanding (excluding repurchase agreements) was £154.0bn (2017: £143.7bn), of which £22.5bn (2017: £20.3bn) was secured funding and £131.5bn (2017: £123.4bn) unsecured funding. Unsecured funding includes £47.3bn (2017: £44.8bn) of privately placed senior unsecured notes issued through a variety of distribution channels including intermediaries and private banks.

During the year, Barclays Group issued £12.2bn of minimum requirement for own funds and eligible liabilities (MREL) instruments from Barclays PLC (the Parent company) in a range of different currencies and tenors. Barclays Bank PLC continued to issue in the shorter-term markets and Barclays Bank UK PLC issued in the shorter-term and secured markets, helping to maintain their stable and diversified funding bases.

As at 31 December 2018, wholesale funding of £46.7bn (2017: £44.9bn) matures in less than one year, of which £19.1bn (2017: £13.8bn) relates to term funding. Although not a requirement, the liquidity pool exceeded the wholesale funding maturing in less than one year by £180bn (2017: £163bn).

Barclays Bank Group and Barclays Bank UK Group also support various central bank monetary initiatives including participation in the Bank of England's Term Funding Scheme. These are reported under 'repurchase agreements and other similar secured borrowing' on the balance sheet.

| Maturity profile of wholesale funding <sup>a,b</sup> |                    |                      |                      |                       |                |                  |                  |                  |                  |                 |              |
|------------------------------------------------------|--------------------|----------------------|----------------------|-----------------------|----------------|------------------|------------------|------------------|------------------|-----------------|--------------|
|                                                      | <1<br>month<br>£bn | 1-3<br>months<br>£bn | 3-6<br>months<br>£bn | 6-12<br>months<br>£bn | <1 year<br>£bn | 1-2 years<br>£bn | 2-3 years<br>£bn | 3-4 years<br>£bn | 4-5 years<br>£bn | >5 years<br>£bn | Total<br>£bn |
| Barclays PLC<br>(the Parent company)                 |                    |                      |                      |                       |                |                  |                  |                  |                  |                 |              |
| Senior unsecured (Public benchmark)                  | –                  | –                    | –                    | 1.6                   | 1.6            | 1.1              | 4.4              | 1.3              | 6.7              | 16.3            | 31.4         |
| Senior unsecured (Privately placed)                  | –                  | –                    | –                    | –                     | –              | –                | 0.2              | –                | 0.2              | 0.5             | 0.9          |
| Subordinated liabilities                             | –                  | –                    | –                    | –                     | –              | –                | –                | –                | –                | 6.8             | 6.8          |
| Barclays Bank PLC<br>(including subsidiaries)        |                    |                      |                      |                       |                |                  |                  |                  |                  |                 |              |
| Certificates of deposit and commercial paper         | 0.1                | 7.8                  | 3.5                  | 8.0                   | 19.4           | 1.2              | 0.8              | 0.5              | 0.1              | –               | 22.0         |
| Asset backed commercial paper                        | 2.0                | 3.7                  | 1.1                  | –                     | 6.8            | –                | –                | –                | –                | –               | 6.8          |
| Senior unsecured (Public benchmark)                  | –                  | 0.3                  | 1.1                  | 1.1                   | 2.5            | 3.0              | 0.4              | –                | –                | 1.2             | 7.1          |
| Senior unsecured (Privately placed) <sup>c</sup>     | 0.1                | 3.0                  | 2.3                  | 5.6                   | 11.0           | 7.7              | 4.6              | 2.6              | 4.0              | 16.5            | 46.4         |
| Asset backed securities                              | –                  | –                    | –                    | 1.0                   | 1.0            | 1.2              | 0.2              | 0.2              | 0.6              | 2.6             | 5.8          |
| Subordinated liabilities                             | 0.2                | 0.1                  | –                    | 0.1                   | 0.4            | 0.9              | 5.2              | 3.4              | –                | 4.1             | 14.0         |
| Other                                                | 0.1                | –                    | –                    | –                     | 0.1            | 0.1              | –                | –                | 0.3              | 1.1             | 1.6          |
| Barclays Bank UK PLC<br>(including subsidiaries)     |                    |                      |                      |                       |                |                  |                  |                  |                  |                 |              |
| Certificates of deposit and commercial paper         | –                  | 1.0                  | 0.2                  | 0.1                   | 1.3            | –                | –                | –                | –                | –               | 1.3          |
| Covered bonds                                        | –                  | –                    | –                    | 1.8                   | 1.8            | 1.0              | 1.0              | 2.4              | 1.3              | 1.1             | 8.6          |
| Asset backed securities                              | –                  | –                    | –                    | 0.8                   | 0.8            | 0.5              | –                | –                | –                | –               | 1.3          |
| Total as at 31 December 2018                         | 2.5                | 15.9                 | 8.2                  | 20.1                  | 46.7           | 16.7             | 16.8             | 10.4             | 13.2             | 50.2            | 154.0        |
| Of which secured                                     | 2.0                | 3.7                  | 1.1                  | 3.6                   | 10.4           | 2.7              | 1.2              | 2.6              | 1.9              | 3.7             | 22.5         |
| Of which unsecured                                   | 0.5                | 12.2                 | 7.1                  | 16.5                  | 36.3           | 14.0             | 15.6             | 7.8              | 11.3             | 46.5            | 131.5        |
| Total as at 31 December 2017                         | 7.2                | 14.9                 | 12.5                 | 10.3                  | 44.9           | 18.7             | 12.0             | 13.6             | 10.8             | 43.7            | 143.7        |
| Of which secured                                     | 1.9                | 5.1                  | 1.0                  | 0.2                   | 8.2            | 3.5              | 2.0              | 1.0              | 2.5              | 3.1             | 20.3         |
| Of which unsecured                                   | 5.3                | 9.8                  | 11.5                 | 10.1                  | 36.7           | 15.2             | 10.0             | 12.6             | 8.3              | 40.6            | 123.4        |

Notes

a The composition of wholesale funding principally comprises of debt securities and subordinated liabilities.

b Term funding comprises public benchmark and privately placed senior unsecured notes, covered bonds, asset backed securities (ABS) and subordinated debt where the original maturity of the instrument was more than one year.

c Includes structured notes of £35.7bn, £6.2bn of which matures within one year.

Risk review

Risk performance

Treasury and capital risk

Currency composition of wholesale debt

As at 31 December 2018, the proportion of wholesale funding by major currencies was as follows:

| Currency composition of wholesale funding    | USD | EUR | GBP | Other |
|----------------------------------------------|-----|-----|-----|-------|
|                                              | %   | %   | %   | %     |
| Certificates of deposit and commercial paper | 48  | 49  | 3   | –     |
| Asset backed commercial paper                | 86  | 9   | 5   | –     |
| Senior unsecured (Public benchmark)          | 61  | 19  | 12  | 8     |
| Senior unsecured (Privately placed)          | 54  | 24  | 9   | 13    |
| Covered bonds/Asset backed securities        | 33  | 35  | 32  | –     |
| Subordinated liabilities                     | 46  | 24  | 28  | 2     |
| Total as at 31 December 2018                 | 53  | 27  | 13  | 7     |
| Total as at 31 December 2017                 | 50  | 28  | 10  | 12    |

To manage cross currency refinancing risk, the Barclays Group manages to foreign exchange cash flow limits, which limit risk at specific maturities.

Encumbrance

Asset encumbrance arises from collateral pledged against secured funding and other collateralised obligations. Barclays funds a portion of trading portfolio assets and other securities via repurchase agreements and other similar borrowing, and pledges a portion of loans and advances as collateral in securitisation, covered bond and other similar secured structures. Barclays monitors the mix of secured and unsecured funding sources and seeks to efficiently utilise available collateral to raise secured funding and meet other collateral requirements.

Encumbered assets have been defined consistently with the Barclays Group’s reporting requirements under Article 100 of the CRR. Securities and commodities assets are considered encumbered when they have been pledged or used to secure, collateralise or credit enhance a transaction which impacts their transferability and free use. This includes external repurchase or other similar agreements with market counterparties.

Excluding assets positioned at central banks, as at 31 December 2018, £165.9bn (2017: £193.2bn) of the Barclays Group’s assets were encumbered, primarily due to firm financing of trading portfolio assets, posting of cash collateral, funding secured against loans and advances, and other assets at fair value.

Assets may also be encumbered under secured funding arrangements with central banks. In advance of such encumbrance, assets are often positioned with central banks to facilitate efficient future draw down. £78.6bn (2017: £70.0bn) of on-balance sheet assets were positioned at the central banks, consisting of encumbered assets and collateral available for use in secured financing transactions.

£350.6bn (2017: £341.9bn) of on and off balance sheet assets not positioned at the central bank were identified as readily available assets for use in secured financing transactions. Additionally, they include cash and securities held in the Barclays Group’s liquidity pool as well as unencumbered assets which provide a source of contingent liquidity. While these additional assets are not relied upon in the Barclays Group’s liquidity pool, a portion of these assets may be monetised to generate liquidity through use as collateral for secured funding or through outright sale. Loans and advances to customers are only classified as readily available if they are already in a form, such that, they can be used to raise funding without further management actions. This includes excess collateral already in secured funding vehicles.

£216.3bn (2017: £198.0bn) of assets not positioned at the central banks were identified as available as collateral. These assets are not subject to any restrictions on their ability to secure funding, to be offered as collateral, or to be sold to reduce potential future funding requirements, but are not immediately available in the normal course of business in their current form. They primarily consist of loans and advances which would be suitable for use in secured funding structures but are conservatively classified as not readily available because they are not in a transferable form.

Not available as collateral consists of assets that cannot be pledged or used as security for funding due to restrictions that prevent their pledge or use as security for funding in the normal course of business.

Derivatives and reverse repos are shown separately as these on-balance sheet assets cannot be pledged. However, these assets can give rise to the receipt of non-cash assets which are held off-balance sheet, and can be used to raise secured funding or meet additional funding requirements.

In addition, £529.0bn (2017: £547.6bn) of the total £598.3bn (2017: £608.4bn) securities accepted as collateral, and held off-balance sheet, were on-pledged, the significant majority of which related to matched-book activity where reverse repurchase agreements are matched by repurchase agreements entered into to facilitate client activity. The remainder relates primarily to reverse repurchase agreements used to settle trading portfolio liabilities as well as collateral posted against derivatives margin requirements.

Asset encumbrance

| On-balance sheet                                                  | Assets encumbered as a result of transactions with counterparties other than central banks |                                              |                                                  |              |           | Other assets (comprising assets encumbered at the central bank and unencumbered assets) |                                           |                                      |                                             |                                               |              |
|-------------------------------------------------------------------|--------------------------------------------------------------------------------------------|----------------------------------------------|--------------------------------------------------|--------------|-----------|-----------------------------------------------------------------------------------------|-------------------------------------------|--------------------------------------|---------------------------------------------|-----------------------------------------------|--------------|
|                                                                   | Assets<br>£bn                                                                              | As a<br>result of<br>covered<br>bonds<br>£bn | As a<br>result of<br>securitis-<br>ations<br>£bn | Other<br>£bn | Total £bn | Assets<br>positioned<br>at the<br>central<br>banks <sup>a</sup><br>£bn                  | Assets not positioned at the central bank |                                      |                                             |                                               | Total<br>£bn |
|                                                                   |                                                                                            |                                              |                                                  |              |           |                                                                                         | Readily<br>available<br>assets<br>£bn     | Available<br>as<br>collateral<br>£bn | Not<br>available<br>as<br>collateral<br>£bn | Derivatives<br>and<br>Reverse<br>repos<br>£bn |              |
| As at 31 December 2018                                            |                                                                                            |                                              |                                                  |              |           |                                                                                         |                                           |                                      |                                             |                                               |              |
| Cash and balances at central banks                                | 177.1                                                                                      | —                                            | —                                                | —            | —         | —                                                                                       | 177.1                                     | —                                    | —                                           | —                                             | 177.1        |
| Cash collateral                                                   | 59.1                                                                                       | —                                            | —                                                | 55.5         | 55.5      | —                                                                                       | 3.6                                       | —                                    | —                                           | —                                             | 3.6          |
| Settlement balances                                               | 18.1                                                                                       | —                                            | —                                                | —            | —         | —                                                                                       | —                                         | —                                    | 18.1                                        | —                                             | 18.1         |
| Loans and advances at amortised cost                              | 326.4                                                                                      | 11.6                                         | 9.7                                              | 8.2          | 29.5      | 78.1                                                                                    | 19.2                                      | 197.1                                | 2.5                                         | —                                             | 296.9        |
| Reverse repurchase agreements and other similar secured lending   | 2.3                                                                                        | —                                            | —                                                | —            | —         | —                                                                                       | —                                         | —                                    | —                                           | 2.3                                           | 2.3          |
| Trading portfolio assets                                          | 104.2                                                                                      | —                                            | —                                                | 63.1         | 63.1      | —                                                                                       | 41.1                                      | —                                    | —                                           | —                                             | 41.1         |
| Financial assets at fair value through the income statement       | 149.6                                                                                      | —                                            | —                                                | 7.4          | 7.4       | 0.5                                                                                     | 4.2                                       | 18.5                                 | —                                           | 119.0                                         | 142.2        |
| Derivative financial instruments                                  | 222.5                                                                                      | —                                            | —                                                | —            | —         | —                                                                                       | —                                         | —                                    | —                                           | 222.5                                         | 222.5        |
| Financial assets at fair value through other comprehensive income | 52.8                                                                                       | —                                            | —                                                | 10.4         | 10.4      | —                                                                                       | 41.7                                      | 0.7                                  | —                                           | —                                             | 42.4         |
| Other assets                                                      | 21.2                                                                                       | —                                            | —                                                | —            | —         | —                                                                                       | —                                         | —                                    | 21.2                                        | —                                             | 21.2         |
| Total on-balance sheet                                            | 1,133.3                                                                                    | 11.6                                         | 9.7                                              | 144.6        | 165.9     | 78.6                                                                                    | 286.9                                     | 216.3                                | 41.8                                        | 343.8                                         | 967.4        |
| Off-balance sheet                                                 |                                                                                            |                                              |                                                  |              |           |                                                                                         |                                           |                                      |                                             |                                               |              |
|                                                                   |                                                                                            |                                              |                                                  |              |           | Collateral received of which on-pledged £bn                                             | Readily available assets £bn              | Available as collateral £bn          | Not available as collateral £bn             |                                               |              |
| Fair value of securities accepted as collateral                   |                                                                                            |                                              |                                                  |              |           | 598.3                                                                                   | 529.0                                     | 63.7                                 | —                                           | 5.7                                           |              |
| Total unencumbered collateral                                     |                                                                                            |                                              |                                                  |              |           | —                                                                                       | —                                         | 350.6                                | 216.3                                       | 47.5                                          |              |

Note  
a Includes both encumbered and unencumbered assets. Assets within this category that have been encumbered are disclosed as assets pledged in Note 38 to the financial statements on page 292.

Risk review

Risk performance

Treasury and capital risk

Asset encumbrance

|                                                                | Assets encumbered as a result of transactions with counterparties other than central banks |                                              |                                                  |              |              | Other assets (comprising assets encumbered at the central bank and unencumbered assets) |                                           |                                      |                                             |                                               |              |
|----------------------------------------------------------------|--------------------------------------------------------------------------------------------|----------------------------------------------|--------------------------------------------------|--------------|--------------|-----------------------------------------------------------------------------------------|-------------------------------------------|--------------------------------------|---------------------------------------------|-----------------------------------------------|--------------|
|                                                                | Assets<br>£bn                                                                              | As a<br>result of<br>covered<br>bonds<br>£bn | As a<br>result of<br>securitis-<br>ations<br>£bn | Other<br>£bn | Total<br>£bn | Assets<br>positioned<br>at the<br>central<br>banks <sup>a</sup><br>£bn                  | Assets not positioned at the central bank |                                      |                                             |                                               | Total<br>£bn |
|                                                                |                                                                                            |                                              |                                                  |              |              |                                                                                         | Readily<br>available<br>assets<br>£bn     | Available<br>as<br>collateral<br>£bn | Not<br>available<br>as<br>collateral<br>£bn | Derivatives<br>and<br>Reverse<br>repos<br>£bn |              |
| On-balance sheet                                               |                                                                                            |                                              |                                                  |              |              |                                                                                         |                                           |                                      |                                             |                                               |              |
| As at 31 December 2017                                         |                                                                                            |                                              |                                                  |              |              |                                                                                         |                                           |                                      |                                             |                                               |              |
| Cash and balances at central banks                             | 171.1                                                                                      | —                                            | —                                                | —            | —            | —                                                                                       | 171.1                                     | —                                    | —                                           | —                                             | 171.1        |
| Cash collateral                                                | 58.6                                                                                       | —                                            | —                                                | 56.4         | 56.4         | —                                                                                       | 2.2                                       | —                                    | —                                           | —                                             | 2.2          |
| Settlement balances                                            | 18.6                                                                                       | —                                            | —                                                | —            | —            | —                                                                                       | —                                         | —                                    | 18.6                                        | —                                             | 18.6         |
| Loans and advances at amortised cost                           | 324.0                                                                                      | 11.2                                         | 18.4                                             | 13.0         | 42.6         | 70.0                                                                                    | 24.1                                      | 186.4                                | 0.9                                         | —                                             | 281.4        |
| Reverse repurchase agreements                                  | 12.5                                                                                       | —                                            | —                                                | —            | —            | —                                                                                       | —                                         | —                                    | —                                           | 12.5                                          | 12.5         |
| Trading portfolio assets                                       | 113.8                                                                                      | —                                            | —                                                | 73.9         | 73.9         | —                                                                                       | 39.9                                      | —                                    | —                                           | —                                             | 39.9         |
| Financial assets at fair value                                 | 116.3                                                                                      | —                                            | —                                                | 4.8          | 4.8          | —                                                                                       | 1.5                                       | 10.0                                 | —                                           | 100.0                                         | 111.5        |
| Derivative financial instruments                               | 237.7                                                                                      | —                                            | —                                                | —            | —            | —                                                                                       | —                                         | —                                    | —                                           | 237.7                                         | 237.7        |
| Financial Investments                                          | 58.9                                                                                       | —                                            | —                                                | 15.5         | 15.5         | —                                                                                       | 43.0                                      | 0.4                                  | —                                           | —                                             | 43.4         |
| Other assets                                                   | 20.5                                                                                       | —                                            | —                                                | —            | —            | —                                                                                       | —                                         | —                                    | 20.5                                        | —                                             | 20.5         |
| Assets included in disposal groups classified as held for sale | 1.2                                                                                        | —                                            | —                                                | —            | —            | —                                                                                       | —                                         | 1.2                                  | —                                           | —                                             | 1.2          |
| Total on-balance sheet                                         | 1,133.2                                                                                    | 11.2                                         | 18.4                                             | 163.6        | 193.2        | 70.0                                                                                    | 281.8                                     | 198.0                                | 40.0                                        | 350.2                                         | 940.0        |

Off-balance sheet

|                                                 | Collateral<br>received<br>£bn | Collateral<br>received<br>of which<br>on-<br>pledged<br>£bn | Readily<br>available<br>assets<br>£bn | Available<br>as<br>collateral<br>£bn | Not<br>available<br>as<br>collateral<br>£bn |
|-------------------------------------------------|-------------------------------|-------------------------------------------------------------|---------------------------------------|--------------------------------------|---------------------------------------------|
| Fair value of securities accepted as collateral | 608.4                         | 547.6                                                       | 60.1                                  | —                                    | 0.7                                         |
| Total unencumbered collateral                   | —                             | —                                                           | 341.9                                 | 198.0                                | 40.7                                        |

Note

a Includes both encumbered and unencumbered assets. Assets within this category that have been encumbered are disclosed as assets pledged in Note 38 to the financial statements on page 292.

Repurchase agreements and reverse repurchase agreements

Barclays enters into repurchase and other similar secured borrowing agreements to finance its trading portfolio assets. The majority of reverse repurchase agreements are matched by offsetting repurchase agreements entered into to facilitate client activity. The remainder are used to settle trading portfolio liabilities.

Due to the high quality of collateral provided against secured financing transactions, the liquidity risk associated with this activity is significantly lower than unsecured financing transactions. Nonetheless, Barclays manages to gross and net secured mismatch limits to limit refinancing risk under a severe stress scenario and a portion of the Barclays Group’s liquidity pool is held against stress outflows on these positions. The Barclays Group secured mismatch limits are calibrated based on market capacity, liquidity characteristics of the collateral and risk appetite of the Barclays Group.

The cash value of repurchase and reverse repurchase transactions will typically differ from the market value of the collateral against which these transactions are secured by an amount referred to as a haircut (or overcollateralisation). Typical haircut levels vary depending on the quality of the collateral that underlies these transactions. For transactions secured against extremely liquid fixed income collateral, lenders demand relatively small haircuts (typically ranging from 0-2%). For transactions secured against less liquid collateral, haircuts vary by asset class (typically ranging from 5-10% for corporate bonds and other less liquid collateral).

As at 31 December 2018, the significant majority of repurchase activity related to matched-book activity. The Barclays Group may face refinancing risk on the net maturity mismatch for matched-book activity.

Net matched-book activity<sup>a,b</sup>

|                                                                      | Less than<br>one month<br>£bn | One month<br>to three<br>months<br>£bn | Over<br>three<br>months<br>£bn |
|----------------------------------------------------------------------|-------------------------------|----------------------------------------|--------------------------------|
| Net match-book repurchase agreements/(Reverse repurchase agreements) |                               |                                        |                                |
| <b>As at 31 December 2018</b>                                        |                               |                                        |                                |
| Extremely liquid fixed income <sup>c</sup>                           | 32.4                          | (19.6)                                 | (11.3)                         |
| Liquid fixed income                                                  | (0.4)                         | 0.5                                    | 0.7                            |
| Equities                                                             | (10.9)                        | 7.7                                    | 6.4                            |
| Less liquid                                                          | (1.4)                         | 1.5                                    | 1.9                            |
| <b>Total</b>                                                         | <b>19.7</b>                   | <b>(9.9)</b>                           | <b>(2.3)</b>                   |
| <b>As at 31 December 2017</b>                                        |                               |                                        |                                |
| Extremely liquid fixed income <sup>c</sup>                           | 36.4                          | (18.1)                                 | (16.1)                         |
| Liquid fixed income                                                  | 0.9                           | (1.5)                                  | 1.4                            |
| Equities                                                             | (9.7)                         | 5.6                                    | 8.8                            |
| Less liquid                                                          | (1.7)                         | 0.7                                    | 2.2                            |
| <b>Total</b>                                                         | <b>25.9</b>                   | <b>(13.3)</b>                          | <b>(3.7)</b>                   |

The residual repurchase agreement activity is the firm-financing component and reflects Barclays funding of a portion of its trading portfolio assets. The primary risk related to firm-financing activity is the inability to roll-over transactions as they mature.

Firm financing repurchase agreements<sup>a,b,d</sup>

|                                            | Less than<br>one month<br>£bn | One month<br>to three<br>months<br>£bn | Over<br>three<br>months<br>£bn | Total<br>£bn |
|--------------------------------------------|-------------------------------|----------------------------------------|--------------------------------|--------------|
| <b>As at 31 December 2018</b>              |                               |                                        |                                |              |
| Extremely liquid fixed income <sup>c</sup> | 43.6                          | 5.1                                    | 1.6                            | 50.3         |
| Liquid fixed income                        | 3.2                           | 3.3                                    | 5.8                            | 12.3         |
| Equities                                   | 15.9                          | 15.1                                   | 9.0                            | 40.0         |
| Less liquid                                | 7.8                           | 1.6                                    | 13.8                           | 23.2         |
| <b>Total</b>                               | <b>70.5</b>                   | <b>25.1</b>                            | <b>30.2</b>                    | <b>125.8</b> |
| <b>As at 31 December 2017</b>              |                               |                                        |                                |              |
| Extremely liquid fixed income <sup>c</sup> | 37.2                          | 10.3                                   | 1.4                            | 48.9         |
| Liquid fixed income                        | 4.1                           | 1.5                                    | 2.5                            | 8.1          |
| Equities                                   | 17.4                          | 21.4                                   | 15.7                           | 54.5         |
| Less liquid                                | 2.1                           | 1.9                                    | 12.6                           | 16.6         |
| <b>Total</b>                               | <b>60.8</b>                   | <b>35.1</b>                            | <b>32.2</b>                    | <b>128.1</b> |

Notes

a Includes collateral swaps, financing positions for prime brokerage clients which reported as loans and advances or deposits on the balance sheet.

b Values are reported on a cash value basis.

c Extremely liquid fixed income is defined as very highly rated sovereigns and agencies, typically rated AA+ or better. It excludes liquid fixed income, equities and other less liquid collateral.

d Includes participation in central bank monetary initiatives e.g. Bank of England's Term Funding Scheme.



Risk review

Risk performance

Treasury and capital risk

Credit ratings

In addition to monitoring and managing key metrics related to the financial strength of the Barclays Group, Barclays also solicits independent credit ratings from Standard & Poor's Global (S&P), Moody's, Fitch and Rating and Investment Information (R&I). These ratings assess the creditworthiness of the Barclays Group, its subsidiaries and branches and are based on reviews of a broad range of business and financial attributes including capital strength, profitability, funding, liquidity, asset quality, strategy and governance.

| Credit ratings         |                   |         |        |
|------------------------|-------------------|---------|--------|
| As at 31 December 2018 | Standard & Poor's | Moody's | Fitch  |
| Barclays Bank PLC      |                   |         |        |
| Long-term              | A                 | A2      | A+     |
| Short-term             | A-1               | P-1     | F1     |
| Outlook                | Stable            | Stable  | Stable |
| Barclays Bank UK PLC   |                   |         |        |
| Long-term              | A                 | A1      | A+     |
| Short-term             | A-1               | P-1     | F1     |
| Outlook                | Stable            | Stable  | Stable |
| Barclays PLC           |                   |         |        |
| Long-term              | BBB               | Baa3    | A      |
| Short-term             | A-2               | P-3     | F1     |
| Outlook                | Stable            | Stable  | Stable |

All credit rating agencies took rating actions during the year to convert their respective initial ratings of Barclays Bank UK PLC to final ratings in April 2018, following the setting up of the ring-fenced bank.

In March 2018, S&P finalised their rating of Barclays Bank UK PLC, aligning it to Barclays Bank PLC's rating of A. Both entities are on stable outlooks. Barclays PLC continues to be rated BBB with a stable outlook.

In April 2018, Moody's assigned a rating to Barclays Bank UK PLC of A1, whilst Barclays Bank PLC and Barclays PLC's ratings were downgraded by one notch to A2 and Baa3 respectively due to their assessment of the entities' profitability and, for Barclays Bank PLC, the impact of ring-fencing. All entities carry stable outlooks.

Fitch assigned a rating to Barclays Bank UK PLC of A, aligning it to Barclays Bank PLC's rating in April 2018. In December 2018, both entities were upgraded by one notch to A+ due to the sufficient amount of junior debt both entities hold, referred to as qualifying junior debt (QJD). Barclays PLC continues to be rated A on stable outlook.

Barclays also solicits issuer ratings from R&I and the ratings of A- for Barclays PLC and A for Barclays Bank PLC were affirmed in July 2018 with stable outlooks.

A credit rating downgrade could result in outflows to meet collateral requirements on existing contracts. Outflows related to credit rating downgrades are included in the LRA stress scenarios and a portion of the liquidity pool is held against this risk. Credit ratings downgrades could also result in reduced funding capacity and increased funding costs.

The contractual collateral requirement following one- and two-notch long-term and associated short-term downgrades across all credit rating agencies, would result in outflows of £5bn and £6bn respectively, and are fully reserved for in the liquidity pool. These numbers do not assume any management or restructuring actions that could be taken to reduce posting requirements. These outflows do not include the potential liquidity impact from loss of unsecured funding, such as from money market funds, or loss of secured funding capacity. However, unsecured and secured funding stresses are included in the LRA stress scenarios and a portion of the liquidity pool is held against these risks.



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Contractual maturity of financial assets and liabilities

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

| Contractual maturity of financial assets and liabilities (audited) |              |                               |                                                   |                                                  |                                                |                                              |                                                 |                                                  |                                                |                   |           |
|--------------------------------------------------------------------|--------------|-------------------------------|---------------------------------------------------|--------------------------------------------------|------------------------------------------------|----------------------------------------------|-------------------------------------------------|--------------------------------------------------|------------------------------------------------|-------------------|-----------|
|                                                                    |              |                               | Over three months but not more than six months £m | Over six months but not more than nine months £m | Over nine months but not more than one year £m | Over one year but not more than two years £m | Over two years but not more than three years £m | Over three years but not more than five years £m | Over five years but not more than ten years £m |                   |           |
| As at 31 December 2018                                             | On demand £m | Not more than three months £m |                                                   |                                                  |                                                |                                              |                                                 |                                                  |                                                | Over ten years £m | Total £m  |
| Assets                                                             |              |                               |                                                   |                                                  |                                                |                                              |                                                 |                                                  |                                                |                   |           |
| Cash and balances at central banks                                 | 175,534      | 1,353                         | 118                                               | –                                                | 64                                             | –                                            | –                                               | –                                                | –                                              | –                 | 177,069   |
| Cash collateral and settlement balances                            | 2,389        | 74,786                        | 19                                                | –                                                | 22                                             | 2                                            | –                                               | 4                                                | –                                              | –                 | 77,222    |
| Loans and advances at amortised cost                               | 12,506       | 11,171                        | 7,938                                             | 5,416                                            | 7,072                                          | 26,336                                       | 25,559                                          | 39,604                                           | 48,606                                         | 142,198           | 326,406   |
| Reverse repurchase agreements and other similar secured lending    | 31           | 1,245                         | –                                                 | –                                                | –                                              | 586                                          | 446                                             | –                                                | –                                              | –                 | 2,308     |
| Trading portfolio assets                                           | 104,187      | –                             | –                                                 | –                                                | –                                              | –                                            | –                                               | –                                                | –                                              | –                 | 104,187   |
| Financial assets at fair value through the income statement        | 13,606       | 112,297                       | 7,174                                             | 3,124                                            | 2,312                                          | 4,677                                        | 165                                             | 311                                              | 829                                            | 5,153             | 149,648   |
| Derivative financial instruments                                   | 222,384      | –                             | 6                                                 | 1                                                | 4                                              | 14                                           | 11                                              | 11                                               | 86                                             | 21                | 222,538   |
| Financial investments                                              | –            | –                             | –                                                 | –                                                | –                                              | –                                            | –                                               | –                                                | –                                              | –                 | –         |
| Financial assets at fair value through other comprehensive income  | 11           | 3,120                         | 2,784                                             | 1,696                                            | 2,719                                          | 6,080                                        | 2,765                                           | 7,818                                            | 18,659                                         | 7,164             | 52,816    |
| Other financial assets                                             | 761          | 182                           | 56                                                | –                                                | 7                                              | –                                            | –                                               | –                                                | –                                              | –                 | 1,006     |
| Total financial assets                                             | 531,409      | 204,154                       | 18,095                                            | 10,237                                           | 12,200                                         | 37,695                                       | 28,946                                          | 47,748                                           | 68,180                                         | 154,536           | 1,113,200 |
| Other assets <sup>a</sup>                                          |              |                               |                                                   |                                                  |                                                |                                              |                                                 |                                                  |                                                |                   | 20,083    |
| Total assets                                                       |              |                               |                                                   |                                                  |                                                |                                              |                                                 |                                                  |                                                |                   | 1,133,283 |
| Liabilities                                                        |              |                               |                                                   |                                                  |                                                |                                              |                                                 |                                                  |                                                |                   |           |
| Deposits at amortised cost                                         | 342,967      | 30,029                        | 7,282                                             | 3,672                                            | 3,237                                          | 3,983                                        | 2,053                                           | 520                                              | 349                                            | 746               | 394,838   |
| Cash collateral and settlement balances                            | 3,542        | 63,973                        | 5                                                 | 2                                                | –                                              | –                                            | –                                               | –                                                | –                                              | –                 | 67,522    |
| Repurchase agreements and other similar secured borrowing          | 1,331        | 5,542                         | –                                                 | –                                                | –                                              | 3                                            | 10,017                                          | 1,201                                            | 484                                            | –                 | 18,578    |
| Debt securities in issue                                           | 26           | 14,779                        | 5,937                                             | 5,159                                            | 7,686                                          | 6,984                                        | 6,248                                           | 12,988                                           | 15,812                                         | 6,667             | 82,286    |
| Subordinated liabilities                                           | –            | 306                           | –                                                 | 78                                               | 45                                             | 860                                          | 5,156                                           | 3,387                                            | 6,968                                          | 3,759             | 20,559    |
| Trading portfolio liabilities                                      | 37,882       | –                             | –                                                 | –                                                | –                                              | –                                            | –                                               | –                                                | –                                              | –                 | 37,882    |
| Financial liabilities designated at fair value                     | 14,280       | 143,635                       | 6,809                                             | 9,051                                            | 3,577                                          | 10,383                                       | 5,689                                           | 7,116                                            | 4,415                                          | 11,879            | 216,834   |
| Derivative financial instruments                                   | 219,578      | 9                             | –                                                 | –                                                | –                                              | 3                                            | 3                                               | 3                                                | 3                                              | 44                | 219,643   |
| Other financial liabilities                                        | 277          | 2,984                         | –                                                 | –                                                | –                                              | 554                                          | –                                               | –                                                | –                                              | –                 | 3,815     |
| Total financial liabilities                                        | 619,883      | 261,257                       | 20,033                                            | 17,962                                           | 14,545                                         | 22,770                                       | 29,166                                          | 25,215                                           | 28,031                                         | 23,095            | 1,061,957 |
| Other liabilities                                                  |              |                               |                                                   |                                                  |                                                |                                              |                                                 |                                                  |                                                |                   | 7,547     |
| Total liabilities                                                  |              |                               |                                                   |                                                  |                                                |                                              |                                                 |                                                  |                                                |                   | 1,069,504 |
| Cumulative liquidity gap                                           | (88,474)     | (145,577)                     | (147,515)                                         | (155,240)                                        | (157,585)                                      | (142,660)                                    | (142,880)                                       | (120,347)                                        | (80,198)                                       | 51,243            | 63,779    |

Risk review

Risk performance

Treasury and capital risk

| Contractual maturity of financial assets and liabilities (audited) |                 |                               |                                                   |                                                  |                                                |                                              |                                                 |                                                  |                                                |                   |                  |
|--------------------------------------------------------------------|-----------------|-------------------------------|---------------------------------------------------|--------------------------------------------------|------------------------------------------------|----------------------------------------------|-------------------------------------------------|--------------------------------------------------|------------------------------------------------|-------------------|------------------|
|                                                                    |                 |                               | Over three months but not more than six months £m | Over six months but not more than nine months £m | Over nine months but not more than one year £m | Over one year but not more than two years £m | Over two years but not more than three years £m | Over three years but not more than five years £m | Over five years but not more than ten years £m | Over ten years £m | Total £m         |
| As at 31 December 2017                                             | On demand £m    | Not more than three months £m |                                                   |                                                  |                                                |                                              |                                                 |                                                  |                                                |                   |                  |
| <b>Assets</b>                                                      |                 |                               |                                                   |                                                  |                                                |                                              |                                                 |                                                  |                                                |                   |                  |
| Cash and balances at central banks                                 | 170,236         | 846                           | –                                                 | –                                                | –                                              | –                                            | –                                               | –                                                | –                                              | –                 | 171,082          |
| Cash collateral and settlement balances                            | 1,794           | 75,323                        | 32                                                | 2                                                | 14                                             | 3                                            | –                                               | –                                                | –                                              | –                 | 77,168           |
| Loans and advances at amortised cost                               | 13,667          | 25,720                        | 9,735                                             | 5,594                                            | 7,733                                          | 36,213                                       | 26,244                                          | 39,446                                           | 48,382                                         | 111,314           | 324,048          |
| Reverse repurchase agreements and other similar secured lending    | 7,522           | 4,446                         | 578                                               | –                                                | –                                              | –                                            | –                                               | –                                                | –                                              | –                 | 12,546           |
| Trading portfolio assets                                           | 113,760         | –                             | –                                                 | –                                                | –                                              | –                                            | –                                               | –                                                | –                                              | –                 | 113,760          |
| Financial assets at fair value through the income statement        | 14,800          | 77,288                        | 8,828                                             | 4,570                                            | 1,252                                          | 2,095                                        | 160                                             | 196                                              | 557                                            | 6,535             | 116,281          |
| Derivative financial instruments                                   | 237,504         | 41                            | –                                                 | –                                                | –                                              | 71                                           | 22                                              | 15                                               | 1                                              | 15                | 237,669          |
| Financial investments                                              | 30              | 2,378                         | 2,717                                             | 97                                               | 504                                            | 5,675                                        | 3,928                                           | 16,162                                           | 17,059                                         | 10,365            | 58,915           |
| Financial assets at fair value through other comprehensive income  | –               | –                             | –                                                 | –                                                | –                                              | –                                            | –                                               | –                                                | –                                              | –                 | –                |
| Other financial assets                                             | 2,153           | 759                           | –                                                 | –                                                | –                                              | 110                                          | –                                               | –                                                | –                                              | –                 | 3,022            |
| <b>Total financial assets</b>                                      | <b>561,466</b>  | <b>186,801</b>                | <b>21,890</b>                                     | <b>10,263</b>                                    | <b>9,503</b>                                   | <b>44,167</b>                                | <b>30,354</b>                                   | <b>55,819</b>                                    | <b>65,999</b>                                  | <b>128,229</b>    | <b>1,114,491</b> |
| <b>Other assets<sup>a</sup></b>                                    |                 |                               |                                                   |                                                  |                                                |                                              |                                                 |                                                  |                                                |                   | <b>18,757</b>    |
| <b>Total assets</b>                                                |                 |                               |                                                   |                                                  |                                                |                                              |                                                 |                                                  |                                                |                   | <b>1,133,248</b> |
| <b>Liabilities</b>                                                 |                 |                               |                                                   |                                                  |                                                |                                              |                                                 |                                                  |                                                |                   |                  |
| Deposits at amortised cost                                         | 337,881         | 39,586                        | 8,083                                             | 3,820                                            | 3,823                                          | 2,754                                        | 634                                             | 1,198                                            | 266                                            | 656               | 398,701          |
| Cash collateral and settlement balances                            | 2,047           | 66,052                        | 16                                                | 4                                                | 19                                             | 4                                            | 1                                               | –                                                | –                                              | –                 | 68,143           |
| Repurchase agreements and other similar secured borrowing          | 3,550           | 17,841                        | 4,516                                             | 2,136                                            | 1,396                                          | 310                                          | 93                                              | 10,006                                           | 490                                            | –                 | 40,338           |
| Debt securities in issue                                           | 907             | 17,120                        | 8,395                                             | 5,107                                            | 1,562                                          | 8,136                                        | 3,883                                           | 12,819                                           | 10,983                                         | 4,402             | 73,314           |
| Subordinated liabilities                                           | –               | 2,402                         | 791                                               | 7                                                | 23                                             | 57                                           | 1,959                                           | 8,751                                            | 5,466                                          | 4,370             | 23,826           |
| Trading portfolio liabilities                                      | 37,351          | –                             | –                                                 | –                                                | –                                              | –                                            | –                                               | –                                                | –                                              | –                 | 37,351           |
| Financial liabilities designated at fair value                     | 13,298          | 102,860                       | 10,570                                            | 5,918                                            | 3,139                                          | 10,515                                       | 7,281                                           | 5,879                                            | 4,923                                          | 9,335             | 173,718          |
| Derivative financial instruments                                   | 237,235         | 10                            | 3                                                 | –                                                | –                                              | 10                                           | 5                                               | 4                                                | 41                                             | 1,037             | 238,345          |
| Other financial liabilities                                        | 446             | 3,793                         | –                                                 | –                                                | –                                              | 781                                          | –                                               | –                                                | –                                              | –                 | 5,020            |
| <b>Total financial liabilities</b>                                 | <b>632,715</b>  | <b>249,664</b>                | <b>32,374</b>                                     | <b>16,992</b>                                    | <b>9,962</b>                                   | <b>22,567</b>                                | <b>13,856</b>                                   | <b>38,657</b>                                    | <b>22,169</b>                                  | <b>19,800</b>     | <b>1,058,756</b> |
| <b>Other liabilities</b>                                           |                 |                               |                                                   |                                                  |                                                |                                              |                                                 |                                                  |                                                |                   | <b>8,476</b>     |
| <b>Total liabilities</b>                                           |                 |                               |                                                   |                                                  |                                                |                                              |                                                 |                                                  |                                                |                   | <b>1,067,232</b> |
| <b>Cumulative liquidity gap</b>                                    | <b>(71,249)</b> | <b>(134,112)</b>              | <b>(144,596)</b>                                  | <b>(151,325)</b>                                 | <b>(151,784)</b>                               | <b>(130,184)</b>                             | <b>(113,686)</b>                                | <b>(96,524)</b>                                  | <b>(52,694)</b>                                | <b>55,735</b>     | <b>66,016</b>    |

Expected maturity dates may differ from the contract dates, to account for:

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



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Contractual maturity of financial liabilities on an undiscounted basis

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

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

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

| Contractual maturity of financial liabilities – undiscounted (audited) |                 |                                  |                                                      |                                                  |                                                   |                                                     |                                                   |                      |                  |
|------------------------------------------------------------------------|-----------------|----------------------------------|------------------------------------------------------|--------------------------------------------------|---------------------------------------------------|-----------------------------------------------------|---------------------------------------------------|----------------------|------------------|
|                                                                        | On demand<br>£m | Not more than three months<br>£m | Over three months but not more than six months<br>£m | Over six months but not more than one year<br>£m | Over one year but not more than three years<br>£m | Over three years but not more than five years<br>£m | Over five years but not more than ten years<br>£m | Over ten years<br>£m | Total<br>£m      |
| <b>As at 31 December 2018</b>                                          |                 |                                  |                                                      |                                                  |                                                   |                                                     |                                                   |                      |                  |
| Deposits at amortised cost                                             | 342,967         | 30,047                           | 7,295                                                | 6,924                                            | 6,069                                             | 546                                                 | 412                                               | 816                  | 395,076          |
| Cash collateral and settlement balances                                | 3,542           | 63,985                           | 5                                                    | 2                                                | –                                                 | –                                                   | –                                                 | –                    | 67,534           |
| Repurchase agreements and other similar secured borrowing              | 1,331           | 5,542                            | –                                                    | –                                                | 10,238                                            | 1,243                                               | 486                                               | –                    | 18,840           |
| Debt securities in issue                                               | 26              | 14,810                           | 5,976                                                | 12,914                                           | 13,849                                            | 13,351                                              | 17,639                                            | 10,254               | 88,819           |
| Subordinated liabilities                                               | –               | 306                              | –                                                    | 123                                              | 6,147                                             | 3,568                                               | 7,917                                             | 4,413                | 22,474           |
| Trading portfolio liabilities                                          | 37,882          | –                                | –                                                    | –                                                | –                                                 | –                                                   | –                                                 | –                    | 37,882           |
| Financial liabilities designated at fair value                         | 14,280          | 143,766                          | 6,948                                                | 12,732                                           | 16,546                                            | 7,679                                               | 5,008                                             | 17,621               | 224,580          |
| Derivative financial instruments                                       | 219,578         | 12                               | –                                                    | –                                                | 6                                                 | 3                                                   | 4                                                 | 59                   | 219,662          |
| Other financial liabilities                                            | 277             | 2,984                            | –                                                    | –                                                | 554                                               | –                                                   | –                                                 | –                    | 3,815            |
| <b>Total financial liabilities</b>                                     | <b>619,883</b>  | <b>261,452</b>                   | <b>20,224</b>                                        | <b>32,695</b>                                    | <b>53,409</b>                                     | <b>26,390</b>                                       | <b>31,466</b>                                     | <b>33,163</b>        | <b>1,078,682</b> |
| <b>As at 31 December 2017</b>                                          |                 |                                  |                                                      |                                                  |                                                   |                                                     |                                                   |                      |                  |
| Deposits at amortised cost                                             | 337,881         | 39,602                           | 8,087                                                | 7,650                                            | 3,405                                             | 1,200                                               | 267                                               | 725                  | 398,817          |
| Cash collateral and settlement balances                                | 2,047           | 66,059                           | 16                                                   | 24                                               | 5                                                 | –                                                   | –                                                 | –                    | 68,151           |
| Repurchase agreements and other similar secured borrowing              | 3,550           | 17,847                           | 4,526                                                | 3,557                                            | 410                                               | 10,259                                              | 490                                               | –                    | 40,639           |
| Debt securities in issue                                               | 907             | 17,614                           | 8,565                                                | 7,025                                            | 13,786                                            | 13,928                                              | 12,687                                            | 6,734                | 81,246           |
| Subordinated liabilities                                               | –               | 2,822                            | 1,816                                                | 685                                              | 5,501                                             | 10,232                                              | 6,243                                             | 6,231                | 33,530           |
| Trading portfolio liabilities                                          | 37,351          | –                                | –                                                    | –                                                | –                                                 | –                                                   | –                                                 | –                    | 37,351           |
| Financial liabilities designated at fair value                         | 13,298          | 102,983                          | 10,609                                               | 9,118                                            | 18,142                                            | 6,177                                               | 5,490                                             | 12,834               | 178,651          |
| Derivative financial instruments                                       | 237,235         | 9                                | 3                                                    | –                                                | 15                                                | 5                                                   | 48                                                | 1,755                | 239,070          |
| Other financial liabilities                                            | 446             | 3,793                            | –                                                    | –                                                | 781                                               | –                                                   | –                                                 | –                    | 5,020            |
| <b>Total financial liabilities</b>                                     | <b>632,715</b>  | <b>250,729</b>                   | <b>33,622</b>                                        | <b>28,059</b>                                    | <b>42,045</b>                                     | <b>41,801</b>                                       | <b>25,225</b>                                     | <b>28,279</b>        | <b>1,082,475</b> |

Risk review

Risk performance

Treasury and capital risk

**Maturity of off-balance sheet commitments received and given**

The table below presents the maturity split of the Barclays Group's off-balance sheet commitments received and given at the balance sheet date. The amounts disclosed in the table are the undiscounted cash flows (i.e. nominal values) on the basis of earliest opportunity at which they are available.

| Maturity analysis of off-balance sheet commitments received (audited) |                 |                                  |                                                      |                                                     |                                                   |                                                 |                                                    |                                                     |                                                   |                      |             |
|-----------------------------------------------------------------------|-----------------|----------------------------------|------------------------------------------------------|-----------------------------------------------------|---------------------------------------------------|-------------------------------------------------|----------------------------------------------------|-----------------------------------------------------|---------------------------------------------------|----------------------|-------------|
|                                                                       | On demand<br>£m | Not more than three months<br>£m | Over three months but not more than six months<br>£m | Over six months but not more than nine months<br>£m | Over nine months but not more than one year<br>£m | Over one year but not more than two years<br>£m | Over two years but not more than three years<br>£m | Over three years but not more than five years<br>£m | Over five years but not more than ten years<br>£m | Over ten years<br>£m | Total<br>£m |
| As at 31 December 2018                                                |                 |                                  |                                                      |                                                     |                                                   |                                                 |                                                    |                                                     |                                                   |                      |             |
| Guarantees, letters of credit and credit insurance                    | 6,288           | 110                              | 20                                                   | 13                                                  | 16                                                | 65                                              | 10                                                 | 33                                                  | 10                                                | 5                    | 6,570       |
| Other commitments received                                            | 93              | 42                               | –                                                    | –                                                   | –                                                 | –                                               | –                                                  | –                                                   | –                                                 | –                    | 135         |
| Total off-balance sheet commitments received                          | 6,381           | 152                              | 20                                                   | 13                                                  | 16                                                | 65                                              | 10                                                 | 33                                                  | 10                                                | 5                    | 6,705       |
| As at 31 December 2017                                                |                 |                                  |                                                      |                                                     |                                                   |                                                 |                                                    |                                                     |                                                   |                      |             |
| Guarantees, letters of credit and credit insurance                    | 6,373           | 5                                | 2                                                    | 3                                                   | 1                                                 | 8                                               | 7                                                  | 5                                                   | 3                                                 | 4                    | 6,411       |
| Other commitments received                                            | –               | 29                               | –                                                    | –                                                   | –                                                 | –                                               | –                                                  | –                                                   | –                                                 | –                    | 29          |
| Total off-balance sheet commitments received                          | 6,373           | 34                               | 2                                                    | 3                                                   | 1                                                 | 8                                               | 7                                                  | 5                                                   | 3                                                 | 4                    | 6,440       |

| Maturity analysis of off-balance sheet commitments given (audited)  |                 |                                  |                                                      |                                                     |                                                   |                                                 |                                                    |                                                     |                                                   |                      |             |
|---------------------------------------------------------------------|-----------------|----------------------------------|------------------------------------------------------|-----------------------------------------------------|---------------------------------------------------|-------------------------------------------------|----------------------------------------------------|-----------------------------------------------------|---------------------------------------------------|----------------------|-------------|
|                                                                     | On demand<br>£m | Not more than three months<br>£m | Over three months but not more than six months<br>£m | Over six months but not more than nine months<br>£m | Over nine months but not more than one year<br>£m | Over one year but not more than two years<br>£m | Over two years but not more than three years<br>£m | Over three years but not more than five years<br>£m | Over five years but not more than ten years<br>£m | Over ten years<br>£m | Total<br>£m |
| As at 31 December 2018                                              |                 |                                  |                                                      |                                                     |                                                   |                                                 |                                                    |                                                     |                                                   |                      |             |
| Contingent liabilities                                              | 16,344          | 1,102                            | 553                                                  | 145                                                 | 170                                               | 415                                             | 435                                                | 641                                                 | 319                                               | 179                  | 20,303      |
| Documentary credits and other short-term trade related transactions | 70              | 1,263                            | 325                                                  | 55                                                  | 14                                                | 11                                              | 3                                                  | –                                                   | –                                                 | –                    | 1,741       |
| Standby facilities, credit lines and other commitments              | 317,257         | 1,734                            | 1,311                                                | 397                                                 | 667                                               | 311                                             | 257                                                | 424                                                 | 19                                                | 105                  | 322,482     |
| Total off-balance sheet commitments given                           | 333,671         | 4,099                            | 2,189                                                | 597                                                 | 851                                               | 737                                             | 695                                                | 1,065                                               | 338                                               | 284                  | 344,526     |
| As at 31 December 2017                                              |                 |                                  |                                                      |                                                     |                                                   |                                                 |                                                    |                                                     |                                                   |                      |             |
| Contingent liabilities                                              | 16,047          | 1,085                            | 560                                                  | 92                                                  | 242                                               | 346                                             | 80                                                 | 59                                                  | 245                                               | 256                  | 19,012      |
| Documentary credits and other short-term trade related transactions | 34              | 593                              | 147                                                  | 26                                                  | 6                                                 | 5                                               | 1                                                  | –                                                   | –                                                 | –                    | 812         |
| Standby facilities, credit lines and other commitments              | 311,481         | 1,144                            | 883                                                  | 77                                                  | 778                                               | 44                                              | 47                                                 | 259                                                 | 2                                                 | 46                   | 314,761     |
| Total off-balance sheet commitments given                           | 327,562         | 2,822                            | 1,590                                                | 195                                                 | 1,026                                             | 395                                             | 128                                                | 318                                                 | 247                                               | 302                  | 334,585     |



## Capital risk

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

All disclosures in this section (pages 151-158) are unaudited unless otherwise stated.

## Key metrics

Common Equity Tier 1 ratio

13.2%

UK leverage ratio

5.1%

Average UK leverage ratio

4.5%

## Overview

The CET1 ratio, among other metrics, is a measure of the capital strength and resilience of Barclays. Maintenance of our capital resources is vital in order to meet the minimum capital requirements, and to cover the Barclays Group's current and forecast business needs, and associated risks in order to provide a viable and sustainable business offering.

This section provides an overview of the Barclays Group's: (i) regulatory minimum capital and leverage requirements; (ii) capital resources; (iii) risk weighted assets (RWAs); and (iv) leverage ratios and exposures.

## Summary of performance in the period

Barclays continues to be in excess of minimum transitional and fully loaded capital requirements, and regulatory minimum leverage requirements.

The CET1 ratio ended the year at 13.2% (December 2017: 13.3%), at our end state target of c.13%.

CET1 capital decreased £0.5bn to £41.1bn as underlying profit generation of £4.2bn, was more than offset by £2.1bn of litigation and conduct charges as the Barclays Group resolved legacy matters, £1.7bn for ordinary dividends and Additional Tier 1 coupons paid and foreseen, £1.0bn from the redemption of capital instruments and £0.5bn of pensions contributions.

RWAs remained broadly stable at £311.9bn (December 2017: £313.0bn). The Barclays Group continued to actively manage capital allocation to businesses during the year, including the redeployment of RWAs within CIB to higher returning businesses and clients, while targeting growth in selected consumer businesses in Barclays UK and Consumer, Cards and Payments. Within Barclays UK, the increase in RWAs included the impact of a change in the regulatory methodology for the Education, Social Housing and Local Authority (ESHLA) portfolio which was partly offset by a reduction in Head Office due to the regulatory deconsolidation of Barclays Africa Group Limited (BAGL).

The UK leverage ratio remained flat at 5.1% (December 2017: 5.1%). The leverage exposure increased marginally to £999bn (December 2017: £985bn) including securities financing transactions (SFTs), due to the CIB utilising leverage balance sheet more efficiently within high returning financing businesses. The average UK leverage ratio decreased to 4.5% (December 2017: 4.9%).

Risk review

Risk performance

Treasury and capital risk

Regulatory minimum capital requirements

Barclays' fully loaded CET1 regulatory requirement is 11.7% comprising a 4.5% Pillar 1 minimum, a 2.5% Capital Conservation Buffer (CCB), a 1.5% Global Systemically Important Institution (G-SII) buffer, a 2.7% Pillar 2A requirement applicable from 1 January 2019, and a 0.5% Countercyclical Capital Buffer (CCyB).

The CCB and the G-SII buffer, determined by the PRA in line with guidance from the Financial Stability Board (FSB), are subject to phased implementation at 25% per annum from 2016 with full effect from 2019. The CCB has been set at 2.5% with 1.9% applicable for 2018. The G-SII buffer for 2018 has been set at 1.5% with 1.1% applicable for 2018. The FSB confirmed that the G-SII buffer will remain at 1.5% applicable for 2019 and 2020.

The Barclays CCyB is based on the buffer rate applicable for each jurisdiction in which Barclays has exposures. On 28 November 2018, the Financial Policy Committee (FPC) increased the CCyB rate for UK exposures from 0.5% to 1%. The buffer rates set by other national authorities for our non-UK exposures are not currently material. Overall, this results in a 0.5% CCyB for Barclays for Q418.

Barclays' Pillar 2A requirement as per the PRA's Individual Capital Requirement for 2018 is 4.3% of which at least 56.25% needs to be met in CET1 form, equating to approximately 2.4% of RWAs. Certain elements of the Pillar 2A requirement are a fixed quantum whilst others are a proportion of RWAs and are based on a point in time assessment. The Pillar 2A requirement is subject to at least annual review.

The CET1 transitional minimum capital requirement for December 2018 was 10.4% comprising a 4.5% Pillar 1 minimum, a 1.9% CCB, a 1.1% G-SII buffer, a 0.5% CCyB and a 2.4% Pillar 2A requirement.

Regulatory minimum leverage requirements

Barclays is subject to a leverage ratio requirement that is implemented on a phased basis, with a transitional requirement of 3.8% as at 31 December 2018; this comprised the 3.25% minimum requirement, a transitional G-SII additional leverage ratio buffer (G-SII ALRB) of 0.39% and a countercyclical leverage ratio buffer (CCLB) of 0.2%. Although the leverage ratio is expressed in terms of T1 capital, 75% of the minimum requirement, equating to 2.4375%, needs to be met with CET1 capital. In addition, the G-SII ALRB and CCLB must be covered solely with CET1 capital. The CET1 capital held against the 0.39% transitional G-SII ALRB was £4.4bn and the 0.2% CCLB was £2.2bn. The fully loaded UK leverage requirement is expected to be 4.0%.

Capital resources

The CRR and Capital Requirements Directive (CRD) implemented Basel III within the EU (collectively known as CRD IV) on 1 January 2014. The rules are supplemented by Regulatory Technical Standards and the PRA's rulebook, including the implementation of transitional rules. However, rules and guidance are still subject to change as certain aspects of CRD IV are dependent on final technical standards and clarifications to be issued by the EBA and adopted by the European Commission and the PRA.

| Capital ratios <sup>a,b,c</sup> |       |       |
|---------------------------------|-------|-------|
| As at 31 December               | 2018  | 2017  |
| CET1                            | 13.2% | 13.3% |
| Tier 1 (T1)                     | 17.0% | 17.2% |
| Total regulatory capital        | 20.7% | 21.5% |

Notes

a CET1, T1 and T2 capital, and RWAs are calculated applying the transitional arrangements of the CRR. This includes IFRS 9 transitional arrangements and the grandfathering of CRR non-compliant capital instruments.

b The fully loaded CET1 ratio, as is relevant for assessing against the conversion trigger in Barclays PLC additional tier 1 (AT1) securities, was 12.8%, with £39.8bn of CET1 capital and £311.8bn of RWAs calculated without applying the transitional arrangements of the CRR.

c The Barclays PLC CET1 ratio, as is relevant for assessing against the conversion trigger in Barclays Bank PLC T2 Contingent Capital Notes, was 13.2%. For this calculation CET1 capital and RWAs are calculated applying the transitional arrangements under the CRR, including the IFRS 9 transitional arrangements. The benefit of the Financial Services Authority (FSA) October 2012 interpretation of the transitional provisions, relating to the implementation of CRD IV, expired in December 2017.



Capital resources (audited)

|                                                                                       | 2018<br>£bn | 2017<br>£bn |
|---------------------------------------------------------------------------------------|-------------|-------------|
| As at 31 December                                                                     |             |             |
| Total equity excluding non-controlling interests per the balance sheet                | 62.6        | 63.9        |
| Less: other equity instruments (recognised as AT1 capital)                            | (9.6)       | (8.9)       |
| Adjustment to retained earnings for foreseeable dividends                             | (0.7)       | (0.4)       |
| Other regulatory adjustments and deductions                                           |             |             |
| Additional value adjustments (PVA)                                                    | (1.7)       | (1.4)       |
| Goodwill and intangible assets                                                        | (8.0)       | (7.9)       |
| Deferred tax assets that rely on future profitability excluding temporary differences | (0.5)       | (0.6)       |
| Fair value reserves related to gains or losses on cash flow hedges                    | (0.7)       | (1.2)       |
| Excess of expected losses over impairment                                             | –           | (1.2)       |
| Gains or losses on liabilities at fair value resulting from own credit                | (0.1)       | 0.1         |
| Defined benefit pension fund assets                                                   | (1.3)       | (0.7)       |
| Direct and indirect holdings by an institution of own CET1 instruments                | (0.1)       | (0.1)       |
| Adjustment under IFRS 9 transitional arrangements                                     | 1.3         | –           |
| CET1 capital                                                                          | 41.1        | 41.6        |
| AT1 capital                                                                           |             |             |
| Capital instruments and related share premium accounts                                | 9.6         | 8.9         |
| Qualifying AT1 capital (including minority interests) issued by subsidiaries          | 2.4         | 3.5         |
| Other regulatory adjustments and deductions                                           | (0.1)       | (0.1)       |
| AT1 capital                                                                           | 11.9        | 12.3        |
| T1 capital                                                                            | 53.0        | 53.9        |
| T2 capital                                                                            |             |             |
| Capital instruments and related share premium accounts                                | 6.6         | 6.5         |
| Qualifying T2 capital (including minority interests) issued by subsidiaries           | 5.3         | 7.0         |
| Other regulatory adjustments and deductions                                           | (0.3)       | (0.3)       |
| Total regulatory capital                                                              | 64.6        | 67.2        |

Movement in CET1 capital

|                                                                                                          | 2018<br>£bn |
|----------------------------------------------------------------------------------------------------------|-------------|
| Opening balance as at 1 January                                                                          | 41.6        |
| Effects of changes in accounting policies                                                                | (2.2)       |
| Profit/Loss for the period attributable to equity holders                                                | 2.1         |
| Own credit relating to derivative liabilities                                                            | (0.1)       |
| Dividends paid and foreseen                                                                              | (1.7)       |
| Increase in retained regulatory capital generated from earnings                                          | 0.4         |
| Net impact of share schemes                                                                              | 0.1         |
| Fair value through other comprehensive income reserve                                                    | (0.5)       |
| Currency translation reserve                                                                             | 0.8         |
| Other reserves                                                                                           | (1.0)       |
| Decrease in other qualifying reserves                                                                    | (0.6)       |
| Pension remeasurements within reserves                                                                   | 0.3         |
| Defined benefit pension fund asset deduction                                                             | (0.6)       |
| Net impact of pensions                                                                                   | (0.3)       |
| Additional value adjustments (PVA)                                                                       | (0.4)       |
| Goodwill and intangible assets                                                                           | (0.1)       |
| Deferred tax assets that rely on future profitability excluding those arising from temporary differences | 0.1         |
| Excess of expected loss over impairment                                                                  | 1.2         |
| Adjustment under IFRS 9 transitional arrangements                                                        | 1.3         |
| Increase in regulatory capital due to adjustments and deductions                                         | 2.2         |
| Closing balance as at 31 December                                                                        | 41.1        |

Risk review

Risk performance

Treasury and capital risk

CET1 capital decreased £0.5bn to £41.1bn (December 2017: £41.6bn).

£4.2bn of organic capital generated from profits was more than offset by £2.1bn of litigation and conduct charges, as the Barclays Group resolved legacy matters, as well as the following significant items:

- £1.7bn of dividends paid and foreseen for ordinary dividends and AT1 coupons
- A £1bn decrease in other qualifying reserves following the redemption of the legacy \$2.65bn 8.125% Series Non-Cumulative Callable Dollar Preference Shares and \$2bn 8.25% AT1 securities due to these instruments being held on the balance sheet at historical FX rates
- A £0.3bn decrease as a result of movements relating to pensions, largely due to deficit contribution payments of £0.25bn in April 2018 and £0.25bn in September 2018.

The implementation of IFRS 9 resulted in a net increase in CET1 capital as the initial decrease in shareholders' equity of £2.2bn on implementation was more than offset by the transitional relief of £1.3bn and the removal of £1.2bn of regulatory deduction for the excess of expected loss over impairment.

Risk weighted assets

| Risk weighted assets (RWAs) by risk type and business |             |            |                          |            |                           |             |            |                  |      |            |
|-------------------------------------------------------|-------------|------------|--------------------------|------------|---------------------------|-------------|------------|------------------|------|------------|
|                                                       | Credit risk |            | Counterparty credit risk |            |                           | Market risk |            | Operational risk |      | Total RWAs |
|                                                       | Std<br>£bn  | IRB<br>£bn | Std<br>£bn               | IRB<br>£bn | Settlement<br>Risk<br>£bn | CVA<br>£bn  | Std<br>£bn | IMA<br>£bn       | £bn  | £bn        |
| As at 31 December 2018                                |             |            |                          |            |                           |             |            |                  |      |            |
| Barclays UK                                           | 3.3         | 59.7       | 0.2                      | –          | –                         | 0.1         | 0.1        | –                | 11.8 | 75.2       |
| Barclays International                                | 55.6        | 67.0       | 9.9                      | 15.0       | 0.2                       | 3.3         | 13.9       | 16.8             | 29.0 | 210.7      |
| Head Office                                           | 4.3         | 5.8        | –                        | –          | –                         | –           | –          | –                | 15.9 | 26.0       |
| Barclays Group                                        | 63.2        | 132.5      | 10.1                     | 15.0       | 0.2                       | 3.4         | 14.0       | 16.8             | 56.7 | 311.9      |
| As at 31 December 2017                                |             |            |                          |            |                           |             |            |                  |      |            |
| Barclays UK                                           | 3.8         | 55.0       | –                        | –          | –                         | –           | –          | –                | 12.2 | 70.9       |
| Barclays International                                | 49.1        | 69.5       | 17.0                     | 17.2       | 0.1                       | 2.8         | 13.3       | 13.5             | 27.7 | 210.3      |
| Head Office                                           | 2.9         | 9.8        | 0.1                      | 0.6        | –                         | 0.2         | 0.1        | 1.4              | 16.8 | 31.8       |
| Barclays Group                                        | 55.8        | 134.2      | 17.1                     | 17.9       | 0.1                       | 3.0         | 13.4       | 14.9             | 56.7 | 313.0      |

| Movement analysis of risk weighted assets |                    |                                              |                    |                         |                   |
|-------------------------------------------|--------------------|----------------------------------------------|--------------------|-------------------------|-------------------|
| Risk weighted assets                      | Credit risk<br>£bn | Counterparty credit risk <sup>a</sup><br>£bn | Market risk<br>£bn | Operational risk<br>£bn | Total RWAs<br>£bn |
|                                           | £bn                | £bn                                          | £bn                | £bn                     | £bn               |
| As at 31 December 2017                    | 190.0              | 38.0                                         | 28.3               | 56.7                    | 313.0             |
| Book size                                 | 6.8                | (0.6)                                        | 2.2                | –                       | 8.4               |
| Acquisitions and disposals                | (3.6)              | (0.3)                                        | (0.2)              | –                       | (4.1)             |
| Book quality                              | (2.9)              | (0.5)                                        | –                  | –                       | (3.4)             |
| Model updates                             | –                  | –                                            | –                  | –                       | –                 |
| Methodology and policy                    | 2.2                | (7.8)                                        | 0.5                | –                       | (5.1)             |
| Foreign exchange movement <sup>a</sup>    | 3.1                | –                                            | –                  | –                       | 3.1               |
| As at 31 December 2018                    | 195.6              | 28.8                                         | 30.8               | 56.7                    | 311.9             |

Note

a Foreign exchange movement does not include FX for modelled counterparty risk or modelled market risk.

RWAs decreased £1.1bn to £311.9bn:

- Book size increased RWAs £8.4bn primarily due to increased lending activity within the Investment Banking and Consumer, Cards & Payments businesses
- Acquisitions and disposals decreased RWAs £4.1bn primarily due to the regulatory deconsolidation of BAGL
- Book quality decreased RWAs £3.4bn primarily due to changes in the risk profile in Barclays International
- Methodology and policy decreased RWAs £5.1bn primarily due to an extended regulatory permission to use the modelled exposure measurement approach
- Foreign exchange movements increased RWAs £3.1bn primarily due to appreciation of period end USD against GBP.





Risk review

Risk performance

Treasury and capital risk

Foreign exchange risk (audited)

The Barclays Group is exposed to two sources of foreign exchange risk.

a) Transactional foreign currency exposure

Transactional foreign currency exposures represent exposure on banking assets and liabilities, denominated in currencies other than the functional currency of the transacting entity.

The Barclays Group's risk management policies prevent the holding of significant open positions in foreign currencies outside the trading portfolio managed by Barclays International which is monitored through VaR.

Banking book transactional foreign exchange risk outside of Barclays International is monitored on a daily basis by the market risk function and minimised by the businesses.

b) Translational foreign exchange exposure

The Barclays Group's investments in overseas subsidiaries and branches create capital resources denominated in foreign currencies, principally USD and EUR. Changes in the GBP value of the net investments due to foreign currency movements are captured in the currency translation reserve, resulting in a movement in CET1 capital.

The Barclays Group's strategy is to minimise the volatility of the capital ratios caused by foreign exchange movements, by matching the CET1 capital movements to the revaluation of the Barclays Group's foreign currency RWA exposures.

Functional currency of operations (audited)

|                        | Foreign<br>currency<br>net<br>investments<br>£m | Borrowings<br>which hedge<br>the net<br>investments<br>£m | Derivatives<br>which hedge<br>the net<br>investments<br>£m | Structural<br>currency<br>exposures<br>pre-<br>economic<br>hedges<br>£m | Economic<br>hedges<br>£m | Remaining<br>structural<br>currency<br>exposures<br>£m |
|------------------------|-------------------------------------------------|-----------------------------------------------------------|------------------------------------------------------------|-------------------------------------------------------------------------|--------------------------|--------------------------------------------------------|
| As at 31 December 2018 |                                                 |                                                           |                                                            |                                                                         |                          |                                                        |
| USD                    | 28,857                                          | (12,322)                                                  | (2,931)                                                    | 13,604                                                                  | (4,827)                  | 8,777                                                  |
| EUR                    | 2,672                                           | (3)                                                       | –                                                          | 2,669                                                                   | (2,146)                  | 523                                                    |
| ZAR                    | 5                                               | –                                                         | –                                                          | 5                                                                       | –                        | 5                                                      |
| JPY                    | 489                                             | –                                                         | –                                                          | 489                                                                     | –                        | 489                                                    |
| Other                  | 2,021                                           | –                                                         | (37)                                                       | 1,984                                                                   | –                        | 1,984                                                  |
| Total                  | 34,044                                          | (12,325)                                                  | (2,968)                                                    | 18,751                                                                  | (6,973)                  | 11,778                                                 |
| As at 31 December 2017 |                                                 |                                                           |                                                            |                                                                         |                          |                                                        |
| USD                    | 27,848                                          | (12,404)                                                  | (540)                                                      | 14,904                                                                  | (6,153)                  | 8,751                                                  |
| EUR                    | 2,489                                           | (3)                                                       | –                                                          | 2,486                                                                   | (2,127)                  | 359                                                    |
| ZAR                    | 8                                               | –                                                         | –                                                          | 8                                                                       | –                        | 8                                                      |
| JPY                    | 467                                             | (152)                                                     | (301)                                                      | 14                                                                      | –                        | 14                                                     |
| Other                  | 2,475                                           | –                                                         | (1,299)                                                    | 1,176                                                                   | –                        | 1,176                                                  |
| Total                  | 33,287                                          | (12,559)                                                  | (2,140)                                                    | 18,588                                                                  | (8,280)                  | 10,308                                                 |

The economic hedges primarily represent the USD and EUR preference shares and Additional Tier 1 (AT1) instruments that are held as equity. These are accounted for at historical cost under IFRS and do not qualify as hedges for accounting purposes.

During 2018, total structural currency exposure net of hedging instruments increased by £1.5bn to £11.8n (2017: £10.3bn). Foreign currency net investments increased by £0.76bn to £34bn (2017: £33.3bn) driven predominantly by a £1bn increase in US Dollars and a £0.2bn increase in Euro offset by a £0.5bn decrease in other currencies. The hedges associated with these investments increased by £0.6n to £15.3bn (2017: £14.7bn).



The UK Retirement Fund (UKRF) represents approximately 97% (2017: 96%) of Barclays Group's total retirement benefit obligations globally. As such this risk review section focuses exclusively on the UKRF. The UKRF is closed to new entrants and there is no new final salary benefit being accrued. Existing active members accrue a combination of a cash balance benefit and a defined contribution element. Pension risk arises as the market value of the pension fund assets may decline, investment returns may reduce or the estimated value of the pension liabilities may increase.

The Trustee Board of the UKRF defines its overall long-term investment strategy with investments across a broad range of asset classes. This results in an appropriate mix of return seeking assets as well as liability matching assets to better match future pension obligations. The main market risks within the asset portfolio are interest rates and equities. The split of scheme assets is shown within Note 33. The fair value of the UKRF assets was £29.0bn as at 31 December 2018 (2017: £30.1bn).

The UKRF retirement benefit obligations are a series of future cash flows with relatively long duration. On an IAS 19 basis these cash flows are sensitive to changes in the expected long-term price inflation rate (RPI) and the discount rate (AA corporate bond yield):

- an increase in long-term expected inflation corresponds to an increase in liabilities;
- a decrease in the discount rate corresponds to an increase in liabilities.

Pension risk is generated through Barclays Group's defined benefit schemes and this risk is set to reduce over time as the main defined benefit scheme is closed to new entrants. The chart below outlines the shape of the UKRF's liability cash flow profile as at 31 December 2018 that takes account of the future inflation indexing of payments to beneficiaries. The majority of the cash flows (approximately 92%) fall between 0 and 40 years, peaking between 11 and 20 years and reducing thereafter. The shape may vary depending on changes to inflation and longevity expectations and any members who elect to transfer out. Transfers out will bring forward the liability cash flows.

For more detail on the UKRF's financial and demographic assumptions see Note 33 to the financial statements.

| Age Group   | Percentage |
|-------------|------------|
| 0-10 Years  | 23.2%      |
| 11-20 Years | 29.1%      |
| 21-30 Years | 25.2%      |
| 31-40 Years | 14.5%      |
| 41-50 Years | 6.6%       |
| 51 Years+   | 1.4%       |

| Quarter     | UKRF Net IAS19 position (€tr) |
|-------------|-------------------------------|
| Q4 Dec 2016 | 1.2                           |
| Q1 Mar 2017 | 1.2                           |
| Q2 Jun 2017 | 1.1                           |
| Q3 Sep 2017 | 1.3                           |
| Q4 Dec 2017 | 1.4                           |
| Q1 Mar 2018 | 1.4                           |
| Q2 Jun 2018 | 1.5                           |
| Q3 Sep 2018 | 1.6                           |
| Q4 Dec 2018 | 1.8                           |

The graph above shows the UKRF's net IAS 19 pension position at each month-end for the past two years. During 2017 and 2018 the net improvement in the IAS 19 position was largely driven by bank contributions and credit spreads widening. Changes from other market levels, in particular equity prices and interest rates, were offset by updates to demographic assumptions.

Refer to Note 33 for the sensitivity of the UKRF to changes in key assumptions.

In line with Barclays' risk management framework the assets and liabilities of the UKRF are modelled within a VaR framework to show the volatility of the pension position at a total portfolio level. This enables the risks, diversification and liability matching characteristics of the UKRF obligations and investments to be adequately captured. VaR is measured and monitored on a monthly basis. Risks are reviewed and reported regularly at forums including the Board Risk Committee, the Group Risk Committee, the Pensions Management Group and the Pension Executive Board. The VaR model takes into account the valuation of the liabilities on an IAS 19 basis (see Note 33). The Trustee receives quarterly VaR measures on a funding basis.

The pension liability is also sensitive to post-retirement mortality assumptions which are reviewed regularly. See Note 33 for more details.

In addition, the impact of pension risk to Barclays Group is taken into account as part of the stress testing process. Stress testing is performed internally on at least an annual basis. The UKRF exposure is also included as part of regulatory stress tests.

Barclays defined benefit pension schemes affects capital in two ways:

- An IAS 19 deficit is treated as a liability in Barclays Group's balance sheet. Movement in a deficit due to remeasurements, including actuarial losses, are recognised immediately through Other Comprehensive Income and as such reduces shareholders' equity and CET1 capital. An IAS 19 surplus is treated as an asset on the balance sheet and increases shareholders' equity; however, it is deducted for the purposes of determining CET1 capital.
- In Barclays Group's statutory balance sheet an IAS 19 surplus or deficit is partially offset by a deferred tax liability or asset respectively. These may or may not be recognised for calculating CET1 capital depending on the overall deferred tax position of Barclays Group at the particular time.

Pension risk is taken into account in the Pillar 2A capital assessment undertaken by the PRA at least annually. The Pillar 2A requirement forms part of Barclays Group's overall regulatory minimum requirement for CET1 capital, Tier 1 capital and total capital.

Risk review

Risk performance

Treasury and capital risk

Minimum Requirement for own funds and Eligible Liabilities (MREL)

Under the Bank of England's statement of policy on MREL, the Bank of England will set MREL for UK Global Systemically Important Banks (G-SIBs) as necessary to implement the total loss-absorbing capacity (TLAC) standard. Institution or group-specific MREL requirements will depend on the preferred resolution strategy for that institution or group.

The MREL requirements will be phased in from 1 January 2019 and will be fully implemented by 1 January 2022, at which time G-SIBs with resolution entities incorporated in the UK, including Barclays, will be required to meet an MREL equivalent to the higher of either: (i) two times the sum of its Pillar 1 and Pillar 2A requirements or; (ii) the higher of two times its leverage ratio requirement or 6.75% of leverage exposures. However, the PRA will review the MREL calibration by the end of 2020, including assessing the proposal for Pillar 2A recapitalisation which may drive a different 1 January 2022 MREL requirement than currently proposed. In addition, it is proposed that CET1 capital cannot be counted towards both MREL and the combined buffer requirement (CBR), meaning that the CBR will effectively be applied above both the Pillar 1 and Pillar 2A requirements relating to own funds and MREL.

Barclays' indicative MREL requirement is currently expected to be 30.0% of RWAs from 1 January 2022 consisting of the following components:

- Loss absorption and recapitalisation amounts consisting of 8% Pillar 1 and 4.7% Pillar 2A buffers respectively
- Regulatory buffers including a 1.5% G-SII buffer, 2.5% CCB and 0.5% from the planned introduction of a 1% CCyB for the UK<sup>a</sup>.

| MREL position and ratios                                                                  |       |       |
|-------------------------------------------------------------------------------------------|-------|-------|
| MREL ratios                                                                               |       |       |
|                                                                                           | 2018  | 2017  |
| CET1 capital <sup>b</sup>                                                                 | 13.2% | 13.3% |
| Additional tier 1 (AT1) capital instruments and related share premium accounts            | 3.1%  | 2.9%  |
| Tier 2 (T2) capital instruments and related share premium accounts                        | 2.1%  | 2.1%  |
| Term senior unsecured funding                                                             | 9.7%  | 6.8%  |
| Total Barclays PLC (the Parent company) MREL ratio                                        |       |       |
| Qualifying AT1 capital (including minority interests) issued by subsidiaries <sup>c</sup> | 0.7%  | 1.1%  |
| Qualifying T2 capital (including minority interests) issued by subsidiaries <sup>c</sup>  | 1.6%  | 2.2%  |
| Total MREL ratio, including eligible Barclays Bank PLC instruments                        | 30.5% | 28.2% |

| MREL position                                                                             |      |      |
|-------------------------------------------------------------------------------------------|------|------|
|                                                                                           | £bn  | £bn  |
| CET1 capital <sup>b</sup>                                                                 | 41.1 | 41.6 |
| AT1 capital instruments and related share premium accounts                                | 9.6  | 8.9  |
| T2 capital instruments and related share premium accounts                                 | 6.6  | 6.5  |
| Term senior unsecured funding                                                             | 30.4 | 21.2 |
| Total Barclays PLC (the Parent company) MREL position                                     |      |      |
| Qualifying AT1 capital (including minority interests) issued by subsidiaries <sup>c</sup> | 2.3  | 3.4  |
| Qualifying T2 capital (including minority interests) issued by subsidiaries <sup>c</sup>  | 5.1  | 6.8  |
| Total MREL position, including eligible Barclays Bank PLC instruments                     | 95.1 | 88.4 |

|            |       |       |
|------------|-------|-------|
| Total RWAs | 311.9 | 313.0 |
|------------|-------|-------|

Notes

a 2022 requirements subject to Bank of England review by the end of 2020.

b CET1 capital and RWAs are calculated applying the transitional arrangements of the CRR. This includes IFRS 9 transitional arrangements and the grandfathering of CRR non-compliant capital instruments.

c Includes other AT1 capital regulatory adjustments and deductions of £0.1bn (December 2017: £0.1bn), and other T2 credit risk adjustments and deductions of £0.3bn (December 2017: £0.3bn).



## Interest rate risk in the banking book

The risk that the firm is exposed to capital or income volatility because of a mismatch between the interest rate exposures of its (non-traded) assets and liabilities.

All disclosures in this section (pages 159 to 161) are unaudited unless otherwise stated.

## Key metrics

AEaR

+£213m

across Barclays Group from a positive 100bps shock in interest rates.

## Overview

The non-traded market risk framework covers exposures in the banking book, mostly relating to accrual accounted and FVOCI instruments. The potential volatility of net interest income is measured by an Annual Earnings at Risk (AEaR) metric which is monitored regularly and reported to senior management and the BRC as part of the limit monitoring framework.

## Summary of performance in the period

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

Risk review

Risk performance

Treasury and capital risk

Net interest income sensitivity

The table below shows a sensitivity analysis on pre-tax net interest income for non-trading financial assets and financial liabilities, including the effect of any hedging. The sensitivity has been measured using the Annual Earnings at Risk (AEaR) methodology. Note that this metric assumes an instantaneous parallel change to interest rate forward curves. The model floors shocked market rates at zero; changes in Net Interest Income (NII) sensitivity are only observed where forward rates are greater than zero. The main model assumptions are: (i) one-year time horizon; (ii) balance sheet is held constant; (iii) balances are adjusted for assumed behavioural profiles (i.e. considers that customers may remortgage before the contractual maturity); and (iv) behavioural assumptions are kept unchanged in all rate scenarios.

| Net interest income sensitivity (AEaR) by business unit <sup>abc</sup> (audited) |                   |                              |             |
|----------------------------------------------------------------------------------|-------------------|------------------------------|-------------|
|                                                                                  | Barclays UK<br>£m | Barclays International<br>£m | Total<br>£m |
| As at 31 December 2018                                                           |                   |                              |             |
| +100bps                                                                          | 124               | 89                           | 213         |
| +25bps                                                                           | 30                | 23                           | 53          |
| -25bps                                                                           | (73)              | (35)                         | (108)       |
| As at 31 December 2017                                                           |                   |                              |             |
| +100bps                                                                          | 45                | 31                           | 76          |
| +25bps                                                                           | 11                | 9                            | 20          |
| -25bps                                                                           | (61)              | (22)                         | (83)        |

Notes

a Excludes investment banking business.

b Excludes Treasury operations, which are driven by the firm's investments in the liquidity pool, which are risk managed using value-based risk measures. Treasury's NII (AEaR) sensitivity to a +25/-25bps move is +£23m / -£29m respectively.

c Expected fixed rate mortgage pipeline completions in Barclays UK assumed to be consistent with level and timing of pipeline hedging.

NII asymmetry arises due to the current low level of interest rates. Modelled NII sensitivity to a -25bps shock to rates has increased year on year as a result of maturity of hedging which provided an offset to the exposure to falling interest rates. Modelled NII sensitivity to +25bps and +100bps shocks to rates also increased as a result.

| Net interest income sensitivity (AEaR) by currency <sup>a</sup> |                        |                        |                        |                        |
|-----------------------------------------------------------------|------------------------|------------------------|------------------------|------------------------|
|                                                                 | 2018                   |                        | 2017                   |                        |
|                                                                 | +25 basis points<br>£m | -25 basis points<br>£m | +25 basis points<br>£m | -25 basis points<br>£m |
| As at 31 December                                               |                        |                        |                        |                        |
| GBP                                                             | 43                     | (99)                   | 12                     | (76)                   |
| USD                                                             | 1                      | (1)                    | 1                      | (1)                    |
| EUR                                                             | 6                      | (3)                    | 4                      | (1)                    |
| Other currencies                                                | 3                      | (5)                    | 3                      | (5)                    |
| Total                                                           | 53                     | (108)                  | 20                     | (83)                   |
| As percentage of net interest income                            | 0.58%                  | (1.19%)                | 0.20%                  | (0.84%)                |

Note

a Barclays UK and Barclays International sensitivity (excluding Investment Banking business and Treasury).

Analysis of equity sensitivity

Equity sensitivity table measures the overall impact of a +/- 25bps movement in interest rates on retained earnings, fair value through other comprehensive income (FVOCI) and cash flow hedge reserves. This data is captured using DV01 metric which is an indicator of the shift in value for a 1 basis point in the yield curve.

| Analysis of equity sensitivity (audited)              |                        |                        |                        |                        |
|-------------------------------------------------------|------------------------|------------------------|------------------------|------------------------|
|                                                       | 2018                   |                        | 2017                   |                        |
|                                                       | +25 basis points<br>£m | -25 basis points<br>£m | +25 basis points<br>£m | -25 basis points<br>£m |
| As at 31 December                                     |                        |                        |                        |                        |
| Net interest income                                   | 53                     | (108)                  | 20                     | (83)                   |
| Taxation effects on the above                         | (13)                   | 27                     | (6)                    | 25                     |
| Effect on profit for the year                         | 40                     | (81)                   | 14                     | (58)                   |
| As percentage of net profit after tax                 | 1.69%                  | (3.41%)                | (1.57%)                | 6.52%                  |
| Effect on profit for the year (per above)             | 40                     | (81)                   | 14                     | (58)                   |
| Fair value through other comprehensive income reserve | (143)                  | 256                    | (164)                  | 219                    |
| Cash flow hedge reserve                               | (574)                  | 544                    | (616)                  | 598                    |
| Taxation effects on the above                         | 179                    | (200)                  | 195                    | (204)                  |
| Effect on equity                                      | (498)                  | 519                    | (571)                  | 555                    |
| As percentage of equity                               | (0.78%)                | 0.81%                  | (0.87%)                | 0.84%                  |



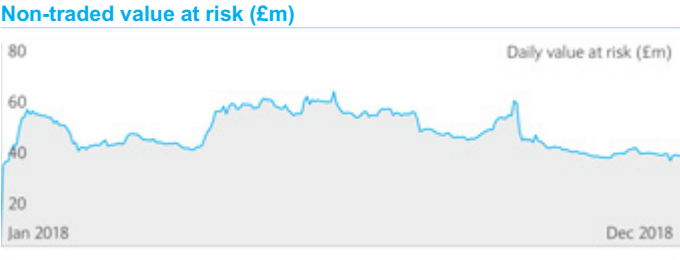
As discussed in relation to the net interest income sensitivity table on page 160, the increase in impact of a 25bps movement in rates as a result of maturity of hedging.

Movements in the FVOCI reserve would impact CET1 capital, however the movement in the cash flow hedge reserve would not impact CET1 capital.

**Volatility of the FVOCI portfolio in the liquidity pool**

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

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



|                                              | 2018          |            |           | 2017          |            |           |
|----------------------------------------------|---------------|------------|-----------|---------------|------------|-----------|
|                                              | Average<br>£m | High<br>£m | Low<br>£m | Average<br>£m | High<br>£m | Low<br>£m |
| For the year ended 31 December               |               |            |           |               |            |           |
| Non-traded market value at risk (daily, 95%) | 45            | 61         | 32        | 36            | 50         | 27        |

The volatility in the FVOCI portfolio is primarily driven by changes in interest rate risk exposure taken in the liquid asset buffer.

Risk review

# Risk performance

## Operational risk

### Operational risk

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

All disclosures in this section are unaudited unless otherwise stated.

### Key metrics

84%

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

61%

of events by number are due to External Fraud

### Overview

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

The operational risk principal risk comprises the following risks: data management and information, financial reporting, fraud, payments process, people, physical security, premises, prudential regulation, supplier, tax, technology and transaction operations.

For definitions of these risks see page 88. In order to provide complete coverage of the potential adverse impacts on Barclays Group arising from operational risk, the operational risk taxonomy extends beyond the risks listed above to cover operational risks associated with other principal risks too.

This section provides an analysis of Barclays Group's operational risk profile, including events above Barclays Group's reportable threshold, which have had a financial impact in 2018.

### Summary of performance in the period

During 2018, total operational risk losses decreased to £220m (2017: £291m) and the number of recorded events for 2018 decreased to 1,995 from 2,770 events recorded during the prior year. The total operational risk losses for the year were primarily driven by events falling within the Execution, Delivery and Process Management and External Fraud categories, which tend to be high volume but low impact events.

Operational risk profile

Within operational risk, a high proportion of risk events have a low financial impact whilst a very small proportion of operational risk events will have a material impact on the financial results of Barclays Group. In 2018, 84% of Barclays Group’s reportable operational risk events by volume had a value of less than £50,000 (2017: 86%), although this type of event accounted for only 14% (2017: 16%) of Barclays Group’s total net operational risk losses.

The analysis below presents Barclays Group’s operational risk events by Basel event category:

- Execution, Delivery and Process Management impacts decreased to £127m (2017: £216m) and accounted for 58% (2017: 74%) of total operational risk losses. The events in this category are typical of the banking industry as a whole where high volumes of transactions are processed on a daily basis. Whilst the overall frequency of events in this category increased in 2018 to 31% of total events by volume (2017: 24%), the decrease in total impacts was due to a lower number of events with high loss values compared to the prior year.
- External Fraud remains the category with the highest frequency of events at 61% of total events in 2018, although down from 72% in prior year. In this category, high volume, low value events are driven by transactional fraud often related to debit and credit card usage.
- Business Disruption and System Failures impacts decreased to £13m (2017: £20m), although count of events increased slightly year-on-year to 93 (73 for 2017) accounting for 4.7% of total events by volume in 2018 (2017: 2.6%). The decrease in total impacts was due to a lower number of events with high loss values compared to the prior year.
- Employment Practices and Workplace Safety impacts show a significant increase to £35m (2017: £0.3m) accounting for 16% of total operational risk losses in 2018. This resulted from a low number of events with significant impacts (three single legacy events relating to closed businesses accounted for 91% of these impacts) although the number of events in this category also increased to 48 for 2018 (11 for 2017).

Barclays Group’s operational risk profile is informed by bottom-up risk assessments undertaken by each business unit and top-down qualitative review by the Operational Risk specialists for each risk type. Fraud, Transaction Operations and Technology continue to be highlighted as key operational risk exposures. The operational risk profile is also informed by a number of risk themes: Cyber, Data, Execution and Resilience. These represent threats to Barclays Group that extend across multiple risk types, and therefore require an integrated risk management approach.

Investment continues to be made in improving the control environment across Barclays Group. Particular areas of focus include new and enhanced fraud prevention systems and tools to combat the increasing level of fraud attempts being made and to minimise any disruption to genuine transactions. Fraud remains an industry wide threat and Barclays Group continues to work closely with external partners on various prevention initiatives. Technology, resilience and cyber security risks evolve rapidly so Barclays Group maintains continued focus and investment in our control environment to manage these risks, and actively partners with peers and relevant organisations to understand and disrupt threats originating outside Barclays Group.

Cyber threats, which are evolving and increasing in sophistication and frequency, continue to be a threat across multiple industries globally. Barclays Group recognizes the potential impact of cyber security threats on all areas of its business. This extends to third party suppliers and service providers which also presents a potential source of cyber security threats, leading to the need for increased scrutiny of Barclays Group’s relationships with third parties. The potential impact of cyber security threats includes the potential for operational disruption, reputational harm, and costs associated with possible litigation, regulatory investigation, and remediation. The Regulators in Europe and the US have been increasingly focused on cyber security risk management and operational resilience for banking organisations given the complexity of the transactions they process, the number of jurisdictions in which they operate, and the quantities of sensitive data they hold and process. This has resulted in a number of proposed laws, regulations and other

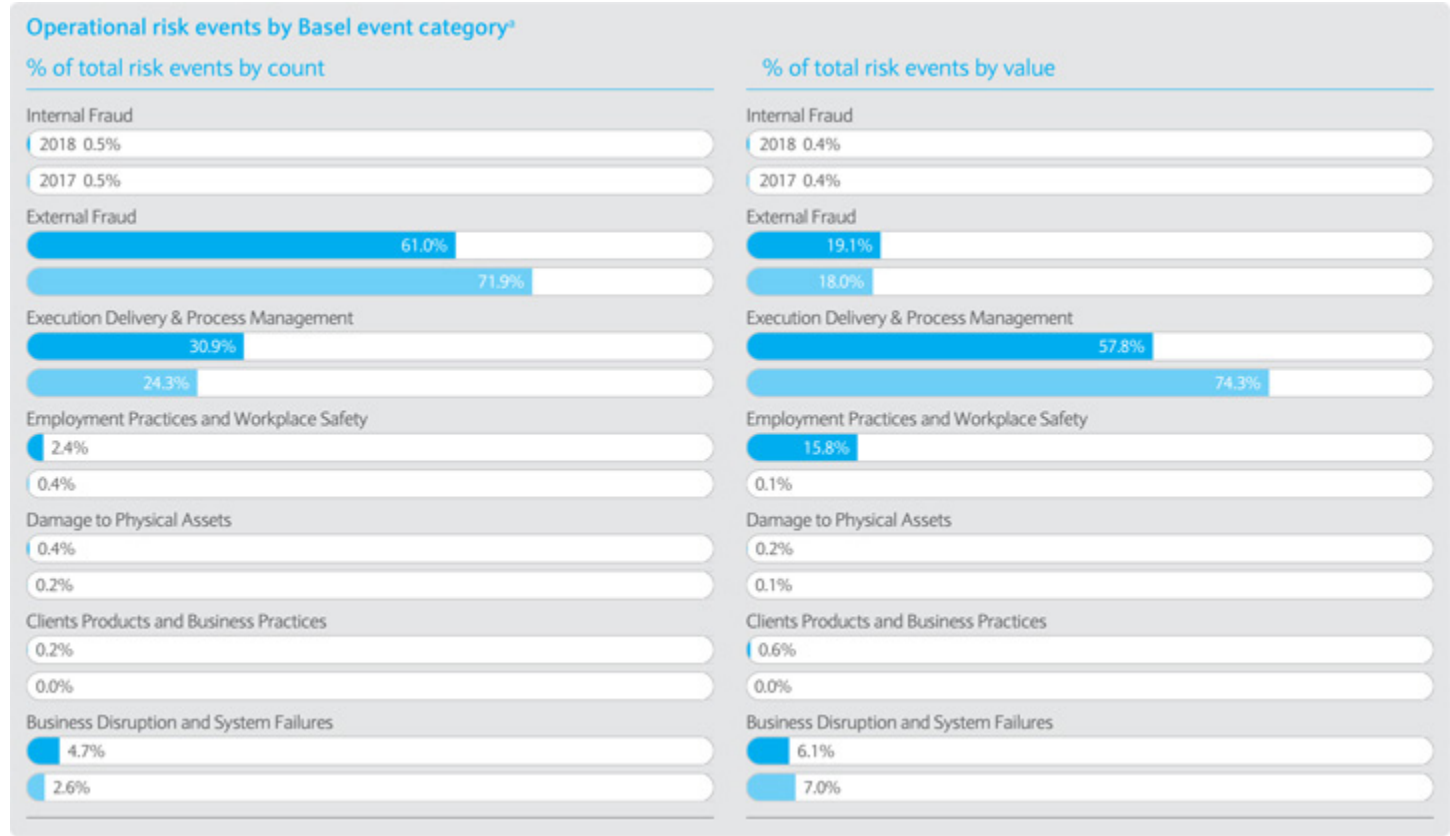
requirements that necessitate implementation of a variety of increased controls and enhancement activities for regulated Barclays Group entities. These include, among others, the adoption of cyber security policies and procedures meeting specified criteria, minimum required security measures, controls and procedures for enhanced reporting and public disclosures, compliance certification requirements, and other cyber and information risk governance measures. Further to this, Barclays Group continues to use an intelligence-driven defence approach, analysing external events for current and emerging cyber threats which allows the delivery of proactive counter measures; Barclays Group also completes cyber threat scenarios and incident playbooks to assess our security posture and business impacts and runs an internal adversarial capability which simulates hackers to proactively test controls and responses. The increased control environment has enhanced and will continue to enhance our security posture and our ability to better protect the organisation and our customers. Cyber-attacks however are increasingly sophisticated and there can be no assurance that the measures implemented will be fully effective to prevent or mitigate future attacks, the consequences of which could be significant to Barclays Group. Furthermore, such measures have resulted and will result in increased technology and other costs in connection with cyber security mitigation and compliance for Barclays Group. Barclays Group currently incurs an additional cost in mitigating its cyber risk via insurance.

For further information, refer to operational risk management section (page 97).

Risk review

Risk performance

Operational risk



Note

a The data disclosed includes operational risk losses for reportable events (excluding BAGL) having impact of > £10,000 and excludes events that are conduct or legal risk, aggregate and boundary events. A boundary event is an operational risk event that results in a credit risk impact. Due to the nature of risk events that keep evolving, prior year losses are updated.

Risk review

# Risk performance

## Model risk

### Model risk

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

All disclosures in this section are unaudited unless otherwise stated.

### Overview

Model risk is a focus area for management and the Barclays Group Board. It is an important component of regulators' assessment of Barclays' risk management capabilities. Models are used to support a broad range of business and risk management activities, including informing business decisions and strategies, measuring and limiting risks, valuing exposures, conducting stress testing, assessing capital adequacy, supporting new business acceptance and risk/reward evaluation, managing client assets, or meeting reporting requirements.

### Summary of performance in the period

The principal risk framework for model risk was established in 2016. In 2017, the framework was enhanced and governance and controls capabilities were established. In 2018 the framework was embedded further in the organisation and governance was improved by:

- strengthening of the Barclays Group-wide Model Risk Management (MRM) framework, policy and associated standards, validation templates and procedures;
- broadening governance of models to include qualitative estimation approaches called 'non-modelled methods', which cover material decision making and financial and regulatory reporting functions of Barclays Group, such as the primary stress testing programmes and impairment estimations;

- enhancement of Board oversight of model risk, through the reporting of the model risk tolerance framework and periodic updates to the Board on the progress of the MRM implementation;
- improved collection and attestation of Barclays Group's global inventory of models;
- reporting metrics on policy adherence and breaches;
- enhancement of model development and model identification processes, with the areas of model ownership throughout Barclays Group embedding and improving their own model control functions.

In addition to the governance outlined above, which details how new models are validated and existing models are internally controlled and assessed, models have been classified based on their materiality (the level of reliance placed on the model output for decision making or reporting), and their complexity. A strengthened programme of review and validation for such material models commenced during 2017 and has made significant progress in 2018. In 2019 through to 2020, model risk governance will continue with the programme of model documentation and reviews, targeting prioritised models across Barclays Group as well as focusing on performance monitoring of models already brought into governance to assess compliance with the framework.



Risk review

# Risk performance

## Conduct risk

### Conduct risk

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

All disclosures in this section are unaudited unless otherwise stated.

### Overview

Barclays strives to create and maintain mutually beneficial long-term relationships with its customers and clients. This means taking appropriate steps to understand their needs and providing them with products and services that meet those needs appropriately and help them manage their financial affairs.

As a transatlantic consumer, corporate and investment bank, Barclays also plays a critical role in promoting fair, open and transparent markets, as well as fostering shared growth for all.

### Summary of performance in the period

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

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

Businesses have continued to assess the potential customer, client and market impacts of strategic change and structural reform. As part of the 2018 Medium-Term Planning Process, material conduct risks associated with strategic and financial plans were assessed.

Throughout 2018, conduct risks were raised by businesses for consideration by the Board Reputation Committee. The Committee reviewed the risks raised and whether management’s proposed actions were appropriate to mitigate the risks effectively. The Board Reputation Committee received regular updates with regards to key risks and issues including those relating to structural reform and regulatory change.

Although certain legacy litigation and conduct issues have been resolved, the Barclays Group continued to incur costs in relation to litigation and conduct matters, refer to Note 27 Legal, competition and regulatory matters and Note 25 Provisions, for further details. Costs include customer redress and remediation, as well as fines and settlements. Resolution of these matters remains a necessary and important part of delivering Barclays Group’s strategy and an ongoing commitment to improve oversight of culture and conduct.

The Board Reputation Committee and Senior Management received Barclays Group Conduct Dashboards setting out key indicators in relation to conduct, financial crime, culture, citizenship and complaints. These continue to be evolved and enhanced to allow effective oversight and decision-making. Barclays has operated at the overall set tolerance for conduct risk throughout 2018. The tolerance is assessed by the business through Key Indicators which are aggregated and provide an overall rating which is reported to the Board Reputation Committee as part of the Conduct Dashboard.

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

Risk review

# Risk performance

## Reputation risk

The risk that an action, transaction, investment or event will reduce trust in the firm’s integrity and competence by clients, counterparties, investors, regulators, employees or the public.

All disclosures in this section are unaudited unless otherwise stated.

### Overview

Reputation risk may arise from any business decision or activity. It may also arise as a result of issues and incidents relevant to other principal risks, in particular other non-financial risks e.g. conduct or operational risk. Reputation risks and issues are identified via regular information gathering from within the business and from external stakeholders. Some risks and issues are specific to Barclays Group, while others are also relevant to the banking sector more generally.

Barclays has set tolerances for reputation risk, which take into account the risks arising from specific events or decisions and longer-term strategic themes. The primary responsibility for managing reputation risk lies with each business and function, where there are processes in place to identify, assess and manage reputation risks and issues.

There are circumstances, however, where it is necessary to escalate to Barclays Group level the evaluation of the reputation risk associated with particular decisions beyond an individual, business or function. The GRC is the most senior executive body responsible for reviewing and monitoring the effectiveness of Barclays’ management of reputation risk.

### Summary of performance in the period

Barclays is committed to identifying reputation risks and issues as early as possible and managing them appropriately. At a Barclays Group level throughout 2018, reputation risks and issues were overseen by the Board Reputation Committee (RepCo), which reviews the processes and policies by which Barclays identifies and manages reputation risk. Within Barclays Bank UK Group and Barclays Bank Group oversight of reputation risks and issues was overseen by the respective Risk and Board Risk committees. The top live and emerging reputation risks and issues within Barclays Bank UK Group and Barclays Bank Group are included within an over-arching quarterly report to RepCo.

RepCo reviewed risks escalated by the businesses and considered whether management’s proposed actions, for example attaching conditions to proposed client transactions or increased engagement with impacted stakeholders, were appropriate to mitigate the risks effectively. RepCo also received regular updates with regard to key reputation risks and issues, including: legacy conduct issues; Barclays’ association with sensitive sectors; cyber and data security; consumer and household debt; fraud and scams that could impact Barclays customers and the resilience of key Barclays systems and processes.

Barclays Group continued to incur significant costs in relation to litigation and conduct matters, refer to Note 27 Legal, competition and regulatory matters and Note 25 Provisions for further details. Costs include customer redress and remediation, as well as fines and settlements. Resolution of these matters remains a necessary and important part of delivering Barclays Group’s strategy and an ongoing commitment to improve oversight of culture and conduct and management of reputation.

In 2018, the central reputation management team received 486 referrals from across the businesses (581 referrals in 2017) for consideration. These referrals covered a variety of sectors including, but not limited to, defence, fossil fuels and mining.

As part of Barclays 2018 Medium Term Planning process, material reputation risks associated with strategic and financial plans were also assessed.

Risk review

# Risk performance

## Legal risk

Legal risk

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

All disclosures in this section are unaudited unless otherwise stated.

### Overview

Barclays conducts diverse activities in a highly regulated global market and therefore is exposed to the risk of loss or imposition of penalties, damages, fines and sanctions relating to a failure to meet its legal obligations in the conduct of its business. Legal risk encompasses the failure of Barclays to appropriately seek legal advice, escalate or manage contractual arrangements, litigation, intellectual property, competition/anti-trust issues, its use of law firms and its contact with regulators. Barclays has limited tolerance for legal risk, however the multitude of laws and regulations across the globe are highly dynamic and their application to particular circumstances is often unclear. A Legal Risk Management Framework (LRMF) includes Group-wide requirements covering how legal risks are identified, managed and measured to support effective management of legal risk.

### Summary of performance in the period

In 2018, Barclays remained focused on continuous improvements to manage legal risk effectively, with an emphasis on enhancing and establishing processes to help identify risks at earlier stages and escalate as appropriate.

This is supported by the LRMF, which was reviewed and enhanced to clarify Group-wide requirements relating to the identification, management and measurement of legal risk. The LRMF is supported by legal risk policies and associated standards covering areas of identified legal risk and mandatory minimum control requirements. An additional legal risk policy has been created and implemented in relation to the engagement of the Legal Function with respect to key business decisions. For further information on the legal risk policies, see legal risk management on page 102. Refreshed legal risk mandatory training was also implemented across Barclays, reinforced by ongoing engagement and education of Barclays businesses and functions.

The Legal Function organisation and coverage model aligns expertise to businesses, functions, products, activities and geographic locations. It continues to provide legal support, oversight, monitoring and challenge across the organisation, including advising on appropriate identification, management and escalation of legal risk. The Legal Executive Committee continues to oversee, monitor and challenge legal risk across Barclays.

Risk review

Supervision and regulation

Supervision of Barclays Group

Barclays Group’s operations, including its overseas branches, subsidiaries and associates, are subject to a large number of rules and regulations that are a condition for authorisations to conduct banking and financial services business in each of the jurisdictions in which Barclays Group operates. These apply to business operations, impact financial returns and include capital, leverage and liquidity requirements, authorisation, registration and reporting requirements, restrictions on certain activities, conduct of business regulations and many others. These requirements are set in legislation and by the relevant central banks and regulatory authorities that authorise, regulate and supervise Barclays Group in the jurisdictions in which it operates. Often, the requirements may reflect global standards developed by international bodies such as the G20, the Financial Stability Board (FSB), the Basel Committee on Banking Supervision (BCBS), and the International Organisation of Securities Commissions (IOSCO). Various bodies, such as central banks and self-regulatory organisations (SROs), also create voluntary Codes of Conduct which affect the way Barclays Group does business.

Regulatory developments impact Barclays Group globally. We focus particularly on EU, UK and US regulation due to the location of Barclays Group’s principal areas of business. Regulations elsewhere may also have a significant impact on Barclays Group due to the location of its branches, subsidiaries and, in some cases, clients. For more information on the risks related to the supervision and regulation of Barclays Group, including regulatory change, see the Risk Factor entitled ‘Regulatory Change agenda and impact on Business Model’ on page 86.

Supervision in the UK and EU

Financial regulation in the UK is to a significant degree shaped and influenced by EU legislation. This provides the structure of the European Single Market, an important feature of which is the framework for the regulation of authorised firms in the EU. This framework is designed to enable a credit institution or investment firm authorised in one EU member state to conduct banking or investment business in another member state through the establishment of branches or by the provision of services on a cross-border basis without the need for local authorisation. Barclays Group’s operations in Europe are authorised and regulated by a combination of both home and host regulators. The impact of the UK’s departure from the EU in this respect and, more broadly, its impact on the UK domestic regulatory framework, is yet to be finally determined. In the UK, the Bank of England (BoE) has responsibility for monitoring the UK financial system as a whole, including by way of conducting annual stress tests on UK banks. The day-to-day regulation and supervision of Barclays Group is divided between the Prudential Regulation Authority (PRA) (a division of the BoE) and the Financial Conduct Authority (FCA).

In addition, the Financial Policy Committee (FPC) of the BoE has influence on the prudential requirements that may be imposed on the banking system through its powers of direction and recommendation.

Barclays Bank PLC and Barclays Bank UK PLC are authorised and subject to prudential supervision by the PRA and subject to conduct regulation and supervision by the FCA. Barclays Group is also subject to prudential supervision by the PRA on a group consolidated basis. Barclays Services Limited is an appointed representative of Barclays Bank PLC and Clydesdale Financial Services Limited (the principals). This status enables Barclays Services Limited to undertake activities which would otherwise require authorisation, with the principals assuming regulatory responsibility for the conduct of Barclays Services Limited as their appointed representative.

Barclays Bank Ireland PLC is licensed as a credit institution by the Central Bank of Ireland and has recently been designated as a significant institution falling under direct supervision on a solo basis by the European Central Bank (ECB) from 1 January 2019. Barclays Bank Ireland PLC has recently acquired an extension of its current licence to support Barclays Group’s ability to provide services to EU clients after Brexit. Barclays Bank Ireland PLC’s German branch is supervised by the ECB as part of Barclays Bank Ireland PLC and is also subject to direct supervision for local conduct purposes by the German Federal Financial Supervisory Authority (BaFIN) in accordance with EU credit institution branch passporting rules. It is expected that all the remaining EU branches of Barclays Bank PLC will have been transferred to Barclays Bank Ireland PLC by the end of Q1 2019 and will, following such transfer, be supervised by the ECB as part of Barclays Bank Ireland PLC and also be subject to direct supervision for local conduct purposes in accordance with EU credit institution branch passporting rules, by national supervisory authorities in the jurisdiction where they are established. Barclays Group is also subject to regulatory initiatives undertaken by the UK Payment Systems Regulator (PSR), as a participant in payment systems regulated by the PSR.

In its role as supervisor, the PRA seeks to maintain the safety and soundness of financial institutions with the aim of strengthening, but not guaranteeing, the protection of customers and the financial system. The PRA’s continuing supervision of financial institutions is conducted through a variety of regulatory tools, including the collection of information by way of prudential returns, reports obtained from skilled persons, visits to firms and regular meetings with management and non-executive directors to discuss issues such as strategy, operational resilience, risk management, and recovery and resolution.

The regulation and supervision of market conduct matters is the responsibility of the FCA. The FCA’s regulation of the UK firms in Barclays Group is carried out through a

combination of proactive engagement, regular thematic work and project work based on the FCA’s sector assessments, which analyse the different areas of the market and the risks that may lie ahead.

Both the PRA and the FCA have continued to develop and apply a more pre-emptive approach to supervision and the application of existing standards. This may include the application of standards that either anticipate or go beyond requirements established by global or EU standards, whether in relation to capital, leverage and liquidity, resolvability and resolution or matters of conduct.

The FCA has retained an approach to enforcement based on credible deterrence that has seen significant growth in the size of regulatory fines. The approach appears to be trending towards a more US model of enforcement including vigorous enforcement of criminal and regulatory breaches, heightened fines and proposed measures related to increased corporate criminal liability.

The FCA has focused strongly on conduct risk and on customer outcomes and will continue to do so. This has included a focus on the design and operation of products, the behaviour of customers and the operation of markets. Recently, the FCA has increased its focus on fair pricing in financial services. The FCA is also reviewing whether vulnerable customers pay more for financial services products. These initiatives may affect both the incidence of conduct costs and increase the cost of remediation.

The FCA and the PRA have also increasingly focused on individual accountability within firms. This focus is reflected in the Senior Managers and Certification Regime (the SMCR) which came into force in 2016. The SMCR, which implements the recommendations in the final report of the Parliamentary Commission on Banking Standards relating to individual accountability in banks, imposes a regulatory approval, accountability and fitness and propriety framework in respect of senior or key individuals within relevant firms.

The UK Serious Fraud Office (SFO) has played an active role in recent years in investigating and prosecuting complex fraud, bribery and corruption. If, as a result of an investigation, the SFO determines that it has sufficient evidence to support a realistic prospect of conviction, and to prosecute would be in the public interest, the SFO may bring forward a prosecution. Alternatively, the SFO may consider using a Deferred Prosecution Agreement (DPA). DPAs, which were introduced in February 2014, are judicially supervised agreements between the SFO and organisations that could be prosecuted whereby the SFO suspends prosecution while the organisation in question complies with conditions imposed on it by the DPA, such as the payment of fines.



Risk review

Supervision and regulation

Supervision in the US

Barclays Group’s US activities and operations are subject to umbrella supervision by the Board of Governors of the Federal Reserve System (FRB), as well as additional supervision, requirements and restrictions imposed by other federal and state regulators and SROs. Barclays PLC, Barclays Bank PLC and their US branches and subsidiaries are subject to a comprehensive regulatory framework involving numerous statutes, rules and regulations, including the International Banking Act of 1978, the Bank Holding Company Act of 1956 (BHC Act), the USA PATRIOT Act of 2001, the Commodity Exchange Act, the federal securities laws, and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (DFA), which comprehensively amended the regulation of financial institutions in the US in response to the financial crisis, including by amending the other aforementioned statutes. In some cases, US requirements may impose restrictions on Barclays Group’s global activities in addition to its activities in the US.

Barclays PLC and Barclays Bank PLC, along with Barclays US LLC (BUSL), Barclays Group’s top-tier US holding company that holds substantially all of Barclays Group’s US subsidiaries (including Barclays Capital Inc. and Barclays Bank Delaware), are regulated as bank holding companies (BHCs) by the FRB. BUSL is subject to requirements that are similar to those applicable to large US domestic bank holding companies, including in respect of capital adequacy, capital planning and stress testing (including FRB non-objection to proposed capital distributions), risk management and governance, liquidity, leverage limits and financial regulatory reporting. Barclays Bank PLC’s US branches are also subject to enhanced prudential supervision requirements relating to, among others, liquidity and risk management.

Because the BHC Act generally restricts the activities of BHCs to banking and activities closely related to banking, Barclays PLC, Barclays Bank PLC and BUSL have elected to be treated as financial holding companies under the BHC Act. Financial holding company status allows these entities to engage in a variety of financial and related activities, directly or through subsidiaries, including underwriting, dealing and market making in securities. Failure to maintain financial holding company status could result in increasingly stringent penalties and ultimately, in the closure or cessation of certain operations in the US. To qualify as a financial holding company, Barclays PLC and Barclays Bank PLC, as foreign banking organisations and BHCs, and BUSL, as a BHC, must maintain certain regulatory capital ratios above minimum requirements and must be deemed to be ‘well managed’ for US bank regulatory purposes. In addition, any US depository institution subsidiaries of the foreign banking organisation or BHC must also maintain certain regulatory capital ratios above minimum requirements and be deemed

to be ‘well managed’ and must have at least a ‘satisfactory’ rating under the Community Reinvestment Act of 1977.

In addition to umbrella oversight by the FRB (and applicable Federal Reserve Banks), certain of Barclays Group’s branches and subsidiaries are regulated by additional authorities based on the location or activities of those entities. The New York and Florida branches of Barclays Bank PLC are subject to extensive supervision and regulation by, as applicable, the New York State Department of Financial Services (NYSDFS) and the Florida Office of Financial Regulation. Barclays Bank Delaware, a Delaware chartered commercial bank, is subject to supervision and regulation by the Delaware Office of the State Bank Commissioner. The deposits of Barclays Bank Delaware are insured by the Federal Deposit Insurance Corporation (FDIC) pursuant to the Federal Deposit Insurance Act, which also provides for FDIC supervisory authority over Barclays Bank Delaware and requires that Barclays PLC, Barclays Bank PLC and BUSL act as a source of strength for the insured bank. This could, among other things, require these entities to inject capital into Barclays Bank Delaware if it fails to meet applicable regulatory capital requirements.

Barclays Group’s US securities broker/dealer and investment banking operations, primarily conducted through Barclays Capital Inc., are also subject to ongoing supervision and regulation by the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA) and other government agencies and SROs as part of a comprehensive scheme of regulation of all aspects of the securities and commodities business under US federal and state securities laws.

Similarly, Barclays Group’s US commodity futures, commodity options and swaps-related and client clearing operations are subject to ongoing supervision and regulation by the Commodity Futures Trading Commission (CFTC), the National Futures Association and other SROs. Barclays Bank PLC is also prudentially regulated as a swaps dealer and is subject to the FRB swaps rules with respect to margin and capital requirements.

Barclays Group’s US retail and consumer activities, including the US credit card operations of Barclays Bank Delaware, are subject to direct supervision and regulation by the Consumer Financial Protection Bureau (CFPB). The CFPB has the authority to examine and take enforcement action related to compliance with federal laws and regulations regarding the provision of consumer financial services and the prohibition of ‘unfair, deceptive or abusive acts and practices’.

Supervision in Asia Pacific

Barclays Group’s operations in Asia Pacific are supervised and regulated by a broad range of national regulators including: the Japan Financial Services Agency, the Bank of Japan,

the Hong Kong Monetary Authority, the Securities and Futures Commission of Hong Kong, the Monetary Authority of Singapore, the Reserve Bank of India, the Securities and Exchange Board of India, the People’s Bank of China, the State Administration of Foreign Exchange of the People’s Republic of China and the China Banking and Insurance Regulatory Commission. Such supervision and regulation extends to activities conducted through branches of Barclays Bank PLC in the Asia Pacific region as well as subsidiaries of Barclays Group as applicable.

Global regulatory developments

Regulatory change continues to affect all large financial institutions. Such change emanates from global institutions such as the G20, FSB, BCBS and IOSCO, the EU regionally, and national regulators, especially in the UK and US. The level of regulatory and supervisory uncertainty faced by Barclays Group, and the financial markets more broadly, continues to remain elevated in our primary markets. In the EU, the legislative and regulatory bodies have been implementing, and continue to propose, multiple financial regulatory reforms.

There remains much uncertainty regarding the state of the future relationship between the UK and the EU and therefore the potential impact of the UK’s withdrawal from the EU on the financial regulatory framework in the UK. There are several possible outcomes.

First, the UK could leave the EU with no deal or arrangement covering financial services in place. At the time of writing, this will happen on 29 March 2019. Under such a scenario, with no ability to passport, and no third country “equivalence”-based recognition in place, Barclays Group entities in the UK would no longer be able to provide certain of their services from the UK into the EU27 in the way in which these services are currently provided. As a result of the onshoring of EU legislation in the UK, UK firms would (at least initially) be subject to substantially the same rules and regulations as before Brexit, albeit with EU entities, exposures and assets ceasing to enjoy preferential treatment under the UK’s financial regulatory framework (including for capital and liquidity purposes), given that the EU will become a third country for the purposes of such framework. The UK regulators have indicated that they will mitigate the impact of the removal of preferential treatment by providing transitional relief for a period of up to two years during which preferential treatment will continue to apply. The UK may seek to make changes to these rules going forward, particularly in the event of “no deal”, where they are not subject to any requirements to maintain particular rules or standards for equivalence purposes.

Secondly, the UK and EU could agree a deal. This could either take the form of a general withdrawal agreement (such as the draft Withdrawal Agreement that Parliament voted against on 15 January 2019) or could be a series of specific bilateral agreements or unilateral measures on financial services topics to facilitate continued provision of



services to and from the UK. In either case, such a deal would likely permit the provision of certain services between the UK and the EU. In this scenario, firms incorporated and authorised in the UK would be able to continue to provide services into the EU27, and firms incorporated and authorised in the EU27 would be able to continue to provide services into the UK in accordance with the terms of such agreement. UK firms would again be subject to substantially the same rules and regulations as before Brexit as a result of the onshoring of EU legislation in the UK. There would likely be less scope for regulatory change in the UK as continued access to the EU27 would depend on the UK maintaining equivalence with the EU (and vice versa) and other constraints as may be agreed in such an agreement.

Thirdly, the UK could decide to delay its withdrawal. This would require the unanimous consent of all other EU member states. In this scenario, UK firms would continue to be subject to EU27 law and services could continue to be provided between the UK and EU on the basis of the existing passporting arrangements until such time as the UK finally withdraws from the EU – in which case one of the two scenarios described above will apply – unless it revokes its intention to do so.

Finally, the UK could decide to revoke its intention to withdraw from the EU. This would likely only happen for the purposes of holding a second referendum, if a delay is not agreed to unanimously by the EU member states. In this scenario, the status quo in relation to the financial regulatory framework would prevail until the result of that referendum was known and action taken to implement such result.

In the US, the financial regulatory environment continues to evolve due to political developments and the ongoing implementation of regulations arising from the DFA and recent amendments to the DFA. Furthermore, the application of various regional rules on a cross-border basis increases regulatory complexity for global financial institutions. For more information, see the Risk Factor entitled 'Regulatory Change agenda and impact on Business Model' on page 86.

The programme of reform of the global regulatory framework previously agreed by the G20 Heads of Government in April 2009 has continued to be taken forward throughout 2018. The G20 continues to monitor emerging risks and vulnerabilities in the financial system and has stated that it will take action to address them if necessary.

The FSB has been designated by the G20 as the body responsible for co-ordinating the delivery of the global reform programme in relation to the financial services industry. It has focused particularly on the risks posed by systemically important financial institutions. In 2011, the G20 Heads of Government adopted FSB proposals to reform the regulation of global systemically important financial institutions (G-SIFIs), including global systemically important banks (G-SIBs), such

as Barclays Group. In December 2017, the BCBS finalised 'Basel III' (the BCBS international regulatory framework for banks), with the majority of the December 2017 changes expected to be implemented by 1 January 2022, including by regulators in many jurisdictions where Barclays Group operates. Various other measures have been agreed at FSB and BCBS level on capital, including those relating to recovery and resolution planning of CCPs, the identification and management of step-in risk, and TLAC (discussed in detail below).

In December 2018, the Council of the EU and the European Parliament announced they had reached a provisional political agreement on the proposed Risk Reduction Measures package, which includes the CRD V Directive and CRR II Regulation and will transpose many of the Basel III measures into EU law.

Financial regulatory framework

Financial services regulation can broadly be categorised as follows: (a) prudential regulation, which aims to promote safety and soundness of financial institutions and reduce risk in the financial system; (b) recovery and resolution, a key aspect of which is to ensure that G-SIFIs are capable of being resolved without recourse to taxpayer support and minimising market disruption; (c) structural reform and the Volcker rule, aimed at structurally separating certain wholesale activities (such as proprietary trading) from retail-focused activities (such as taking retail deposits); (d) market infrastructure regulation, aimed at enhancing client protection, financial stability and market integrity; and (e) conduct, culture and other regulation, which includes regulatory initiatives designed to pursue any other aims not falling within the previous categories (such as improving standards of conduct within financial services firms, ensuring the right culture in firms, and protecting personal data).

(a) Prudential regulation

Certain Basel III standards were implemented in EU law through the Capital Requirements Directive IV (CRD IV), which came into effect in 2014 and included new or enhanced requirements for the quality and quantity of capital, liquidity and leverage. Beyond the minimum standards required by CRD IV, the PRA has expected Barclays Group, in common with other major UK banks and building societies, to meet a 7% Common Equity Tier 1 (CET1) ratio at the level of the consolidated group since 1 January 2016.

G-SIBs are subject to a number of additional prudential requirements, including the requirement to hold additional loss-absorbing capacity and additional capital buffers above the level required by Basel III standards. The level of the G-SIB buffer is set by the FSB according to a bank's systemic importance and can range from 1% to 3.5% of risk-weighted assets. The G-SIB buffer must be met with common equity.

In November 2018, the FSB published an update to its list of G-SIBs, maintaining the 1.5% G-SIB buffer that applies to Barclays

Group. The additional G-SIB buffer was subject to phase-in arrangements, with 50% of the buffer requirement applying in 2017, 75% in 2018 and 100% in January 2019. Barclays Group is also subject to, among other buffers, a countercyclical capital buffer (CCyB) based on rates determined by the regulatory authorities in each jurisdiction in which Barclays Group maintains exposures. These rates may vary in either direction. On 27 June 2017, the FPC raised the UK CCyB rate from 0% to 0.5% with binding effect from 27 June 2018. In November 2017, the FPC raised the UK CCyB rate from 0.5% to 1% with binding effect from 28 November 2018.

The FPC has a framework for determining a systemic risk buffer at rates between 0% and 3% of risk-weighted assets for ring-fenced bodies and large building societies (SRB firms). The systemic risk buffer is a firm-specific buffer, that is designed to increase the capacity of SRB firms to absorb stress, and which must be met solely with CET1. The framework has applied from 1 January 2019. In the UK, the PRA has implemented the systemic risk buffer framework and requires ring-fenced banks whose groups are already required to meet the requirements under the leverage ratio framework on a consolidated basis, such as Barclays Bank UK PLC, to also meet the requirements on a sub-consolidated basis. The PRA has also recently announced that the systemic risk buffer will be incorporated in the calculation of banks' stress test hurdle rates, which are the target capital ratios set by the regulator, with a view to capturing domestic systemic importance as well as global systemic importance.

Final BCBS standards on securitisation have been implemented under EU law from 1 January 2019, with a one-year grandfathering period for existing transactions. Final BCBS standards on counterparty credit risk, leverage, large exposures and a Net Stable Funding Ratio (NSFR) are being implemented under EU law via the Risk Reduction Measures package. The Risk Reduction Measures package also requires certain credit institutions or investment firms established in the EU with a common parent undertaking established outside the EU to establish an intermediate parent undertaking, authorised and established in, and subject to the supervision of, an EU member state.

The BCBS's finalisation of Basel III, noted above, among other things, eliminated model-based approaches for certain categories of risk-weighted assets (RWAs), (for example, operational risk RWAs, CVA volatility and credit risk RWAs for equity exposures), revised the standardised approach's risk weights for a variety of exposure categories, replaced the four current approaches for operational risk (including the advanced measurement approach) with a single standardised measurement approach, established 72.5% of standardised approach RWAs for exposure categories as a floor for RWAs calculated under advanced approaches (referred to as the 'output floor'), and for

Risk review

Supervision and regulation

G-SIBs introduced a leverage ratio buffer in an amount equal to 50% of the applicable G-SIB buffer used for RWA purposes (meaning, for Barclays Group, a leverage ratio buffer of 0.75%). The majority of the final Basel III changes are expected to be implemented commencing 1 January 2022, with a five-year phase-in period for the output floor. The new market risk framework, including rules made as a result of the ‘fundamental review of the trading book’, is also expected to be implemented from 1 January 2022 (with a potential transitional period until 1 January 2023), following a recalibration of the requirements agreed in January 2019. Precise implementation details will be confirmed once the finalised Basel III requirements are transposed into national and EU law in the jurisdictions where Barclays Group operates.

IFRS 9 (an accounting standard that covers accounting for financial instruments) came into force under EU law on 1 January 2018. A separate EU regulation has provided transitional arrangements for mitigating the impact of the introduction of IFRS 9, largely in relation to CET1 capital arising from the expected credit loss accounting measures set out in IFRS 9. The BCBS is continuing to assess whether permanent changes to the recognition of expected credit loss provisions in regulatory capital are necessary, as well as any corresponding changes to the risk-weighting framework.

In the US, BUSL and Barclays Bank PLC’s US branches are subject to enhanced prudential supervision requirements as required by the DFA and described above in ‘Supervision in the US’.

In addition to prudential regulations already promulgated under the DFA, the FRB has issued proposed regulations for NSFR implementation. The NSFR, as originally proposed by the FRB and other US regulatory agencies, would have applied to US bank holding companies with more than \$250bn in total assets or \$10bn or more in on-balance sheet foreign exposures, including BUSL, and consolidated depository institution subsidiaries of such banking organisations with more than \$10bn in assets, including Barclays Bank Delaware. Under the proposed rule, such entities would be required to maintain a minimum level of available stable funding that equals or exceeds the amount of required stable funding over a one-year period. In October 2018, the FRB and other US regulatory agencies released proposals to tailor the applicability of prudential requirements, including the proposed NSFR, for large domestic US banking organisations. The FRB has stated that it is working to develop a separate proposal relating to the application of prudential requirements to foreign banks, including Barclays Group. Although the NSFR proposal provided for an effective date of 1 January 2018, the FRB has not finalised its NSFR proposal and the schedule for finalisation is uncertain.

In June 2018, the FRB finalised rules regarding single counterparty credit limit (SCCL). The SCCL applies single counterparty credit limits to the largest US bank holding companies (BHCs) and foreign banks’ (including Barclays Group) US operations. The SCCL creates two separate limits for foreign banks, the first on combined US operations (CUSO) and the second on the US intermediate holding company (BUSL). The SCCL requires that no counterparty of BUSL can exceed 25% of BUSL’s total regulatory capital plus the balance of its allowance for loan and lease losses not included in tier 2 capital. With respect to the CUSO, the SCCL rule allows foreign banks to comply with the rule by certifying to the Federal Reserve that they comply with comparable home country regulation.

**Stress testing**  
Barclays Group and certain of its members are subject to supervisory stress testing exercises in a number of jurisdictions. These exercises currently include the annual stress testing programmes of the BoE and the FRB and the biennial stress testing programme of the EBA. These exercises are designed to assess the resilience of banks to adverse economic or financial developments and ensure that they have robust, forward-looking capital planning processes that account for the risks associated with their business profile. Assessment by regulators is on both a quantitative and qualitative basis, the latter focusing on Barclays Group’s data provision, stress testing capability including model risk management and internal management processes and controls. Failure to meet requirements of regulatory stress tests, or the failure by regulators to approve the stress test results and capital plans of Barclays Group or its members subject to these exercises, could result in Barclays Group or certain of its members being required to enhance its capital position or limit capital distributions, to any external holders of its equity or capital or within Barclays Group.

In the US, BUSL participates in the FRB’s Comprehensive Capital Analysis and Review (CCAR) process. In June 2018, the FRB issued its first public CCAR assessment of BUSL. The 2018 results indicated BUSL’s capital ratios would remain above all regulatory minimum required levels and the FRB did not object to BUSL’s capital plan on either a quantitative or qualitative basis.

In April 2018, the FRB proposed to amend its CCAR process to combine the CCAR quantitative assessment and the buffer requirements in the FRB’s capital adequacy rules to create a single integrated capital requirement.

**(b) Recovery and Resolution**  
**Stabilisation and resolution framework**  
An important component of the EU legislative framework is the 2014 Bank Recovery and Resolution Directive (BRRD) which establishes a framework for the recovery and resolution of EU credit institutions and investment firms. The UK implemented the BRRD through the

Bank Recovery and Resolution Order 2014, which amended the Banking Act 2009 (the Banking Act) and the Financial Services and Markets Act 2000 (FSMA), and the Banks and Building Societies (Depositor Preference and Priorities) Order 2014, which amended the Insolvency Act 1986 (among other insolvency legislation).

In November 2016, the European Commission proposed a package of amendments to the BRRD, including the introduction of two new moratorium tools. Political agreement on this package was reached in December 2018. On 28 December 2017, an EU directive came into force harmonising the priority ranking of unsecured debt instruments under national insolvency laws. All member states were required to transpose the directive by 29 December 2018 and it has been transposed into national law in the UK under the Banks and Building Societies (Priorities on Insolvency) Order 2018.

Under the Banking Act, UK resolution authorities are empowered to intervene in and resolve a UK financial institution that is no longer viable. Pursuant to these laws, the BoE (in consultation with the PRA and HM Treasury as appropriate) has several stabilisation options where a banking institution is failing or likely to fail: (i) transfer some or all of the securities or business of the bank to a commercial purchaser; (ii) transfer some or all of the property, rights and liabilities of the bank to a ‘bridge bank’ wholly owned by the BoE or to a commercial purchaser; (iii) transfer the impaired or problem assets to an asset management vehicle to allow them to be managed over time; (iv) cancel or reduce certain liabilities of the institution or convert liabilities to equity to absorb losses and recapitalise the institution; and (v) transfer the banking institution into temporary public ownership. In addition, the BoE may apply for a court insolvency order in order to wind up or liquidate the institution or to put the institution into special administration. When exercising any of its stabilisation powers, the BoE must generally provide that shareholders bear first losses, followed by creditors in accordance with the priority of their claims under normal insolvency proceedings.

In order to enable the exercise of its stabilisation powers, the BoE may impose a temporary stay on the rights of creditors to terminate, accelerate or close out contracts, and in some cases to override events of default or termination rights that might otherwise be invoked as a result of a resolution action. In addition, the Banking Act gives the BoE the power to override, vary, or impose conditions or contractual obligations between a UK bank, its holding company and its group undertakings, in order to enable any transferee or successor bank to operate effectively after any of the resolution tools have been applied. There is also power for HM Treasury to amend the law (excluding provisions made by or under the Banking Act) for the purpose of enabling it to use its powers under this regime effectively, potentially with



retrospective effect. The Banking Act powers apply regardless of any contractual restrictions and compensation that may be payable.

The BoE's preferred approach for the resolution of Barclays Group is a bail-in strategy with a single point of entry at Barclays PLC. Under such a strategy, Barclays PLC's subsidiaries would remain operational while Barclays PLC's eligible liabilities would be written down or converted to equity in order to recapitalise Barclays Group and allow for the continued provision of services and operations throughout the resolution.

In July 2016, the PRA issued final rules on ensuring operational continuity in resolution. The rules apply from 1 January 2019 and require banks to ensure that their operational structures facilitate effective recovery and resolution planning and the continued provision of functions critical to the economy in a resolution scenario.

In June 2018 the BoE finalised its policy on Minimum Requirement for own funds and Eligible Liabilities (MREL) for UK banks and published indicative MREL levels for UK G-SIBs and D-SIBs, including Barclays Group, to be reached in 2019, 2020 and 2022 (see section on TLAC/ MREL below).

Additionally, the BoE finalised its policy on Valuations in Resolution in June 2018 with an expected compliance timeline of 1 January 2021.

The PRA has made rules that require authorised firms to draw up recovery plans and resolution packs, as required by the BRRD. Recovery plans are designed to outline credible actions that authorised firms could implement in the event of severe stress in order to restore their business to a stable and sustainable condition.

The resolution pack contains detailed information on the group, and its significant legal entities which will be used to develop resolution strategies for that firm, assess its current level of resolvability against the strategy, and to inform work on identifying barriers to the implementation of operational resolution plans. In the UK, recovery and resolution planning (RRP) work is considered part of continuing supervision. Removal of potential impediments to an orderly resolution of Barclays Group or one or more of its subsidiaries is considered as part of the BoE's and PRA's supervisory strategy for each firm, and the PRA can require firms to make significant changes in order to enhance resolvability. Barclays Group currently provides the PRA with a recovery plan annually and with a resolution pack as requested.

In December 2018, the BoE and PRA released a package of consultations setting out how they propose to increase transparency and accountability and clarify the responsibilities on firms with regards to resolution. The package comprises three main components: (i) a BoE Consultation Paper (CP) which proposes how the BoE, as resolution authority, intends to assess individual banks'

resolvability; (ii) a PRA CP which contains proposed requirements for banks to assess their preparations for resolution, identifying any risks to implementation and their plans to address these; (iii) proposals for future public disclosures.

The final policy will apply to Barclays Group when published.

While regulators in many jurisdictions have indicated a preference for single point of entry resolution, additional resolution or bankruptcy provisions may apply to certain of Barclays Bank PLC's subsidiaries or branches. In the US, Title II of the DFA established the Orderly Liquidation Authority, a regime for the orderly liquidation of systemically important financial institutions, which could apply to BUSL. Specifically, when a systemically important financial institution is in default or in danger of default, the FDIC may be appointed as receiver under the Orderly Liquidation Authority instead of the institution being resolved through a voluntary or involuntary proceeding under the US Bankruptcy Code. In certain circumstances, including insolvency, violations of law and unsafe business practices, the licensing authorities of each US branch of Barclays Bank PLC and of Barclays Bank Delaware have the authority to take possession of the business and property of the applicable Barclays Group entity they license or to revoke or suspend such licence. Specific resolution regimes may apply to certain Barclays Group entities or branches in other jurisdictions in which Barclays Group does business.

In the US, Title I of the DFA and the implementing regulations issued by the FRB and the FDIC require each bank holding company with assets of \$50bn or more, including those within Barclays Group, to prepare and submit a plan for the orderly resolution of subsidiaries and operations in the event of future material financial distress or failure. Barclays Group submitted its US Resolution Plan in respect of its US operations on 1 July 2018. Barclays Group's next submission of the US Resolution Plan in respect of its US operations will be due on 1 July 2020.

Barclays Group's 2018 US Resolution Plan in respect of its US operations included two strategies. The first is the global preferred resolution strategy, which is the BoE's preferred resolution strategy of single point of entry with bail-in at Barclays PLC. The 2018 US Resolution Plan also included a US-specific resolution strategy, which would involve a single-point-of-entry resolution of Barclays Group's US operations with only BUSL entering bankruptcy or insolvency proceedings. The US-specific resolution strategy is intended as an additional option in case the global preferred resolution strategy is not successful.

In Ireland, as a result of the transfer of Barclays Group's European businesses to Barclays Bank Ireland PLC, that entity has been designated by the ECB as a significant institution coming under the direct supervision of the ECB for

prudential supervisory purposes. As a significant institution, Barclays Bank Ireland PLC now faces the Single Resolution Board (SRB) as the Eurozone resolution authority. The ECB has required Barclays Bank Ireland PLC to submit a standalone BRRD compliant recovery plan on an annual basis. The SRB has the power to require data submissions specific to Barclays Bank Ireland PLC under powers conferred upon it by the BRRD and the Single Resolution Mechanism Regulation (SRMR). The SRB will exercise these powers to determine the optimal resolution strategy for Barclays Bank Ireland PLC in the context of the BoE's preferred resolution strategy of single point of entry with bail-in at Barclays PLC. The SRB also has the power under the BRRD and the SRMR to develop a resolution plan for Barclays Bank Ireland PLC.

TLAC and MREL

The BRRD requires competent authorities to impose a Minimum Requirement for own funds and Eligible Liabilities (MREL) on financial institutions to facilitate their orderly resolution without broader financial disruption or recourse to public funds. In November 2015, the FSB finalised its proposals to enhance the loss-absorbing capacity of G-SIBs to ensure that there is sufficient loss-absorbing and recapitalisation capacity available in resolution to implement an orderly resolution which minimises the impact on financial stability, ensures the continuity of critical functions and avoids exposing taxpayers to losses. To this end, the FSB has set a new minimum requirement for 'total loss-absorbing capacity' (TLAC). As the TLAC standard requires a certain amount of those loss-absorbing resources to be committed to subsidiaries or sub-groups that are located in host jurisdictions and deemed material for the resolution of the G-SIB as a whole, the FSB published guiding principles on internal TLAC on 6 July 2017. These provide guidance on the size and composition of the internal TLAC requirement, cooperation and co-ordination between home and host authorities and the trigger mechanism for internal TLAC.

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

The MREL requirements are being phased in as from 1 January 2019 and will be fully implemented by 1 January 2022, at which time G-SIBs with resolution entities incorporated in the UK, including Barclays Group, will be required to meet an MREL equivalent to the higher of: (i) two times the sum of its Pillar 1

Risk review

Supervision and regulation

and Pillar 2A requirements; or (ii) the higher of two times its leverage ratio or 6.75% of leverage exposures. However, the PRA plans to review the MREL calibration by the end of 2020, including assessing the proposal for Pillar 2A recapitalisation which may drive a different 1 January 2022 MREL requirement than currently proposed. In June 2018, the BoE published indicative MREL levels for UK G-SIBs, including Barclays Group, to be reached in 2020 and 2022.

Barclays Bank Ireland PLC is subject to the SRB's MREL policy, as issued in January 2019, in respect of the internal MREL that it will be required to issue to Barclays Bank Group. The SRB's MREL policy will be revised in the near future to reflect the implementation of the Risk Reduction Measures package in the EU. The SRB's current calibration of MREL is two times the sum of: (i) the firm's Pillar 1 requirement; (ii) its Pillar 2 requirement; and (iii) its combined buffer requirement, minus 125 basis points. The SRB's policy does not envisage the application of any scalar in respect of the internal MREL requirement.

In October 2016, the BCBS published its final standard on the prudential treatment of banks' investments in TLAC instruments issued by other institutions, confirming that internationally active banks (both G-SIBs and non-G-SIBs) must deduct their holdings of TLAC instruments that do not otherwise qualify as regulatory capital from their own Tier 2 capital. Where the investing bank owns less than 10% of the issuing bank's common shares, TLAC holdings are to be deducted from Tier 2 capital only to the extent that they exceed 10% of the investing bank's common equity (or 5% for non-regulatory capital TLAC holdings). Below this threshold, holdings would instead be subjected to risk-weighting. G-SIBs may only apply risk-weighting to non-regulatory capital TLAC holdings by the 5% threshold where those holdings are in the trading book and are sold within 30 business days. The EU's Risk Reduction Measures package requires firms to deduct external MREL holdings from equivalent MREL capital of the firm.

In December 2016, the FRB issued final regulations for TLAC, which apply to BUSL commencing 1 January 2019. The FRB's final TLAC rule, while generally following the FSB term sheet, contains a number of provisions that are more restrictive. For example, the FRB's TLAC rule includes provisions that require BUSL (the Barclays IHC) to have: (i) a specified outstanding amount of eligible long-term debt; (ii) a specified outstanding amount of TLAC (consisting of common and preferred equity regulatory capital plus eligible long-term debt); and (iii) a specified common equity buffer. In addition, the FRB's TLAC rule would prohibit BUSL, for so long as Barclays Group's overall resolution plan treats BUSL as a non-resolution entity, from issuing TLAC to entities other than Barclays Group and its non-US subsidiaries.

**Bank Levy and FSCS**

The BRRD requires EU member states to establish a pre-funded resolution financing arrangement with funding equal to 1% of covered deposits by 31 December 2024 to cover the costs of bank resolutions. Where the amount of such pre-funding is insufficient, the BRRD requires that EU member states raise subsequent contributions. The UK government raises both pre-funded and subsequent contributions that would be required were the pre-funded contributions not to cover costs or other expenses incurred by use of the resolution funds by way of a tax on the balance sheets of banks known as the 'Bank Levy'.

In addition, the UK has a statutory compensation fund called the Financial Services Compensation Scheme (FSCS), which is funded by way of annual levies on most financial services firms authorised under FSMA. The levies consist of a management expenses levy (which funds the costs of running the FSCS) and a compensation costs levy (which funds the costs incurred by the FSCS in paying compensation).

Similar requirements, which include powers for competent authorities to adopt resolution measures, are in force or expected to come into force imminently in various other jurisdictions. These requirements will affect Barclays Group to the extent it has operations in a relevant jurisdiction.

**(c) Structural reform**

Recent developments in banking law and regulation in the UK have included legislation designed to ring-fence the retail and smaller deposit-taking businesses of large banks. The Financial Services (Banking Reform) Act 2013 put in place a framework for this ring-fencing and secondary legislation passed in 2014 elaborated on the operation and application of the ring-fence. Ring-fencing requires, among other things, the separation of the retail and smaller deposit-taking business activities of UK banks in the UK and branches of UK banks in the European Economic Area (EEA) into a legally distinct, operationally separate and economically independent entity, which is not permitted to undertake a range of activities. Ring-fencing rules have been published by the PRA, further determining how ring-fenced banks will be permitted to operate. Further rules published by the FCA set out the disclosures that non-ring-fenced banks are required to make to prospective account holders of non-ring-fenced banks who are individuals.

In the EU, following the publishing of the Liikanen Report in October 2012, the European Commission adopted a legislative proposal for a regulation on structural measures to improve the resilience of EU banks in January 2014. The reforms included ring-fencing of retail activities from risky trading activities and a ban on proprietary trading for certain banks. However, the legislative proposal was formally withdrawn in July 2018 as a result of the European Parliament and the Council of the EU failing to

reach a political agreement.

US regulation places further substantive limits on the activities that may be conducted by banks and holding companies, including foreign banking organisations such as Barclays Group. The 'Volcker Rule', which was part of the DFA and which came into effect in the US in 2015, prohibits banking entities from undertaking certain proprietary trading activities and limits such entities' ability to sponsor or invest in certain private equity funds and hedge funds (in each case broadly defined). As required by the rule, Barclays Group has developed and implemented an extensive compliance and monitoring programme addressing proprietary trading and covered fund activities (both inside and outside of the US). Proposed amendments to the Volcker Rule were published in the Federal Register in July 2018. The existing Volcker framework and implemented processes will remain unchanged until amendments to the regulations become effective. We do not expect any changes to the Volcker rule to be effective prior to Q4 2019.

**(d) Market infrastructure regulation**

In recent years, regulators as well as global-standard setting bodies such as IOSCO have focused on improving transparency and reducing risk in markets, particularly risks related to over-the-counter (OTC) transactions. This focus has resulted in a variety of new regulations across the G20 countries and beyond that require or encourage on-venue trading, clearing, posting of margin and disclosure of information related to many derivatives transactions. Some of the most significant developments are described below.

The European Market Infrastructure Regulation (EMIR) has introduced requirements designed to improve transparency and reduce the risks associated with the derivatives market, some of which are still to be fully implemented. EMIR requires that certain entities that enter into derivative contracts: report such transactions; clear certain over the counter (OTC) transactions where mandated to do so; and implement risk mitigation standards in respect of uncleared OTC trades. The obligation to clear derivatives only applies to certain counterparties and specified types of derivatives. In October 2016, the European Commission adopted a delegated regulation relating to the exchange of collateral, one of the risk mitigation techniques under EMIR. Provisions relating to initial margin have entered into force, subject to a phase-in until 1 September 2020. Provisions relating to variation margin have already entered into force. EMIR has potential operational and financial impacts on Barclays Group, including by imposing collateral requirements.

The European Commission has recently proposed two sets of changes to EMIR, one containing technical changes to EMIR, and another measure which could result in certain central counterparties (CCPs) used by Barclays Group being forced to relocate to an EU

jurisdiction in order to continue clearing for EU members. The changes proposed may have additional operational and financial impacts on Barclays Group's derivatives business.

CRD IV aims to complement EMIR by applying higher capital requirements for bilateral, uncleared OTC derivative trades. Lower capital requirements for cleared derivative trades are only available if the CCP through which the trade is cleared is recognised as a 'qualifying central counterparty' (QCCP) which has been authorised or recognised under EMIR. Higher capital requirements may apply to Barclays Group following the UK's departure from the EU if UK CCPs are then no longer regarded as QCCPs and vice versa.

The Markets in Financial Instruments Directive and Markets in Financial Instruments Regulation (collectively referred to as MiFID II) have largely been applicable since 3 January 2018. MiFID II affects many of the investment markets in which Barclays Group operates, the instruments in which it trades and the way it transacts with market counterparties and other customers. Changes introduced by MiFID II include: the introduction of a new type of trading venue (the organised trading facility), capturing non-equity trading that falls outside the MiFID I regime; the strengthening of conduct of business requirements, including in relation to conflicts of interest; the expansion of the concept of, and requirements applicable to, firms which systematically trade against proprietary capital (systematic internalisers); and increased obligations on firms to secure best execution for their clients. Additionally, MiFID II mandates a trading obligation for certain types of cleared derivatives.

MiFID II strengthens investor protections, imposes new curbs on high frequency and commodity trading, increases pre- and post-trade transparency reporting and introduces a new regime for third country (non-EU) firms. MiFID II also includes new requirements relating to non-discriminatory access to trading venues, CCPs and benchmarks, research unbundling and harmonised supervisory powers and sanctions across the EU.

US regulators have imposed similar rules as the EU with respect to the mandatory on-venue trading and clearing of certain derivatives, and post-trade transparency, as well as in relation to the margining of OTC derivatives.

US regulators have addressed the applicability of certain of their regulations to cross-border transactions, and are continuing to review and consider their rules with respect to their application on a cross-border basis, including with respect to their registration requirements in relation to non-US swap dealers and security-based swap dealers. The regulators may adopt further rules, or provide further guidance, regarding the cross-border applicability of such rules. In December 2017, the CFTC and the European Commission recognised the trading venues of each other's

jurisdiction to allow market participants to comply with mandatory on-venue trading requirements while trading on certain venues recognised by the other jurisdiction.

The EU Benchmarks Regulation came into force in June 2016. Although some provisions have applied since 2016, the majority of provisions have applied since 3 January 2018, subject to transitional provisions. This regulation applies to the administration, contribution of data to and use of benchmarks within the EU. Financial institutions within the EU will be prohibited from using benchmarks unless their administrators are authorised, registered or otherwise recognised in the EU. This may impact the ability of Barclays Group to use certain benchmarks in the future. For example, EURIBOR will, as currently stands, no longer be compliant with the Benchmarks Regulation on 1 January 2020, and the FCA has stated that it does not intend to support LIBOR after the end of 2021. International initiatives are therefore underway to develop alternative benchmarks and backstop arrangements. However, adapting processes and systems to transition to these new benchmarks is likely to be a very time-consuming and costly task on an industry-wide basis.

In 2015, the European Commission launched work on establishing a Capital Markets Union (CMU) within the EU. The CMU aims to increase the availability of non-bank financing in the EU, deepen the EU single market for financial services and promote growth and financial stability. The CMU work programme is now being considered in light of Brexit. Recent proposals have therefore included considerably broadened central supervisory powers for the European Supervisory Authorities (ESAs) (including in relation to outsourcing, and delegation and risk transfer by entities authorised in the EU to entities or branches in third countries) and an increased focus by the ESAs on ongoing equivalence assessments in the context of third country regimes in various EU regulations and directives.

Certain participants in US swap markets are required to register with the CFTC as 'swap dealers' or 'major swap participants' and/or, following the compliance date for relevant SEC rules, with the SEC as 'security-based swap dealers' or 'major security-based swap participants'. Such registrants are subject to CFTC, and would be subject to SEC, regulation and oversight. Entities required to register as swap dealers are subject to business conduct, recordkeeping and reporting requirements under CFTC rules and will be subject to capital and margin requirements in connection with transactions with certain US and non-US counterparties. Barclays Bank PLC has provisionally registered with the CFTC as a swap dealer and is subject to CFTC rules on business conduct, record-keeping and reporting. With respect to margin and capital, Barclays Group is subject to the rules of the FRB in connection with its swap dealer business.

The CFTC has approved certain comparability determinations that permit substituted compliance with non-US regulatory regimes for certain swap regulations related to business conduct and other requirements, while other determinations remain pending. Substituted compliance is permitted, where applicable, only with respect to transactions between a non-US swap dealer and a non-US counterparty. In addition, the CFTC has issued proposed rules that would require a non-US swap dealer to comply with certain CFTC rules in connection with transactions that are "arranged, negotiated or executed" from the US. It is unclear whether the proposed rules will be adopted in the form proposed. Most recently, in October 2017, the CFTC issued an order permitting substituted compliance with EU margin rules for certain uncleared derivatives. However, as Barclays Group is subject to the margin rules of the FRB, it will not benefit from the CFTC's action unless the FRB takes a similar approach.

It is unclear whether further changes will be made to the CFTC's proposed rules or when they will become effective. In addition, it is uncertain whether and to what degree other US regulators, such as the FRB, will take an approach similar to the CFTC's regarding substituted compliance.

The SEC finalised the rules governing security based swap dealer registration in 2015 but clarified that registration timing is contingent upon the finalisation of certain additional rules under Title VII of DFA, several of which are still pending. In particular, the SEC has stated that registration will be required at the later of the SEC's adoption of final rules on capital and margin, or the compliance dates for the SEC's rules on recordkeeping and reporting, business conduct or employment of statutorily disqualified persons.

Therefore, there is currently no specific timetable for the effectiveness of the security-based swap dealer registration requirement. However, the SEC has recently proposed additional rules, and republished prior proposed rules, regarding security-based swap dealers, and has indicated that it may take the actions that will trigger the registration requirement in the near future.

When security-based swap dealer registration is required, it is anticipated that Barclays Bank PLC and/or one or more of its affiliates will be required to register in that capacity and thus will be required to comply with the SEC's rules for security-based swap dealers. These rules may impose costs and other requirements or restrictions that could impact our business. In addition, the SEC has provided some limited guidance regarding certain aspects of the cross-border applicability of its security-based swaps rules, including a final rule addressing transactions of a non-US person arranged, negotiated, or executed by personnel located in a US branch or office. However, it remains unclear as to how or when substituted compliance may be available, and which of the SEC's rules will be eligible.



Risk review

Supervision and regulation

(e) Conduct, culture and other regulation

Conduct and culture

On 7 March 2016, the PRA and FCA introduced measures to increase the individual accountability of senior managers and other covered individuals in the banking sector. The new regime comprises: the ‘Senior Managers Regime’, which applies to a limited number of individuals with senior management responsibilities within a firm; the ‘Certification Regime’, which is intended to assess and monitor the fitness and propriety of a wider range of employees who could pose a risk of significant harm to the firm or its customers; and conduct rules that individuals subject to either regime must comply with. From March 2017, the conduct rules have applied more widely to other staff of firms within the scope of the regime. The regime will be expanded to apply to all firms authorised under FSMA from 9 December 2019. The Financial Services Act 2010, among other things, requires the UK regulators to make rules about remuneration and to require regulated firms to have a remuneration policy that is consistent with effective risk management.

The Banking Act also amended FSMA to allow the FCA to make rules requiring firms to operate a collective consumer redress scheme to deal with cases of widespread failure by regulated firms to meet regulatory requirements that may have created consumer detriment.

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

*Strategic review of retail banking business models*

The FCA conducted a strategic review of retail banking business models throughout 2017 and 2018 and published its final report in December 2018. The FCA has used the analysis to inform its view of emerging scenarios in retail banking and their impact on business models and consumers. It concluded that increased competition has the scope to improve outcomes for many consumers but it takes time. As a result of this review the FCA will initiate work in payment services, SME banking and monitoring of retail banking business models which could impact Barclays Group over time.

*Data protection and PSD2*

Most countries in which Barclays Group has a presence already have privacy laws governing the collection, use and disclosure of personal data, or are considering their introduction. The harmonisation of the European privacy regime through the introduction of the General Data Protection Regulation (GDPR) was a major focus in 2018. However, new laws have also recently been introduced in California, the Cayman Islands, and Brazil, and existing laws in Japan, Guernsey, Jersey and the Isle of Man have been updated. The global nature of our business and IT infrastructure means personal information

may be made available or stored in countries other than where it was originally collected. The proper handling and protection of personal data is very important to our clients, employees and to regulators, and there can be considerable regulatory fines for breaches (for example, up to 4% of global turnover under GDPR).

A number of recent developments have indicated a clear political and regulatory desire to make customer account information and transactional services more easily accessible to customers and parties providing services to them, such as the revised Payment Services Directive (PSD2) and the Open Banking initiative. PSD2 replaced the previous Payment Services Directive and, with respect to certain requirements, has a wider scope, applying transparency and information requirements to payment transactions in all currencies where the provider of at least one leg of the payment service is located in the EU. PSD2 also requires banks which provide accounts to enable access to those accounts through dedicated technology to allow third parties to provide account information and payment initiation services. The requirements relating to this technology will come into effect in September 2019.

*Cyber security and operational resilience*

Regulators in Europe and the US have been increasingly focused on cyber security risk management and operational resilience for banking organisations. This has resulted in a number of proposed laws, regulations and other requirements that necessitate the implementation of a variety of increased controls and enhancement activities for regulated Barclays Group entities. These include, among others, the adoption of cyber security policies and procedures meeting specified criteria, minimum required security measures, controls and procedures for enhanced reporting and public disclosures, compliance certification requirements, and other cyber and information risk governance measures. These increased controls will enhance our security posture and increase our ability to protect the organisation and our customers. Such measures may result in increased technology and compliance costs for Barclays Group.

*Sanctions and financial crime*

The UK Bribery Act 2010 introduced a new form of corporate criminal liability focused broadly on a company’s failure to prevent bribery on its behalf. The legislation has broad application and in certain circumstances may have extra-territorial impact on entities, persons or activities located outside the UK, including Barclays PLC and its subsidiaries. In practice, the legislation requires Barclays Group to have adequate procedures to prevent bribery which, due to the extra-territorial nature of the status, makes this both complex and costly.

On 30 September 2017, the Criminal Finances Act 2017 introduced new corporate criminal offences of failing to prevent the facilitation of UK and overseas tax evasion. The legislation

has very broad extra-territorial application and may impact entities, persons or activities located outside the UK, including Barclays PLC and its subsidiaries. It also requires Barclays Group to have reasonable prevention procedures in place to prevent the criminal facilitation of tax evasion by persons acting for, or on behalf of, Barclays Group.

In the US, the Bank Secrecy Act, the USA PATRIOT Act 2001 and regulations thereunder contain numerous anti-money laundering and anti-terrorist financing requirements for financial institutions. In addition, Barclays Group is subject to the US Foreign Corrupt Practices Act, which prohibits certain payments to foreign officials, as well as rules and regulations relating to economic sanctions and embargo programs administered by the US Office of Foreign Assets Control which restrict certain business activities with certain individuals, entities, groups, countries and territories.

Two significant new regulatory rules came into force in the US in 2018: the New York Department of Financial Services (DFS) Rule 504 and the US Department of Treasury’s Financial Crime Enforcement Network (FinCEN) Customer Due Diligence (CDD) Rule. Rule 504 enumerates detailed transaction filtering and screening requirements for potential Bank Secrecy Act and anti-money laundering violations and transactions with sanctioned entities, applicable to institutions regulated by the DFS (including Barclays Bank PLC, New York branch) and requires a senior bank official to certify compliance. The CDD Rule requires Barclays Group US entities to identify natural beneficial owners above a certain threshold for clients that are legal entities.

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

Financial review

A review of the performance of Barclays, including the key performance indicators, and the contribution of each of our businesses to the overall performance of the Barclays Group.

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Financial review

Key performance indicators

In assessing the financial performance of the Group, management uses a range of KPIs which focus on the Group's financial strength, the delivery of sustainable returns and cost management. Barclays is on track in the execution of its strategy and continues to target RoTE of greater than 9% in 2019 and greater than 10% in 2020, excluding litigation and conduct, based on a CET1 ratio of c.13%, and operating expenses guidance in the range of £13.6–13.9bn in 2019, excluding litigation and conduct.

Non-IFRS performance measures

Barclays' management believes that the non-IFRS performance measures included in this document provide valuable information to the readers of the financial statements as they enable the reader to identify a more consistent basis for comparing the businesses' performance between financial periods, and provide more detail concerning the elements

of performance which the managers of these businesses are most directly able to influence or are relevant for an assessment of the Barclays Group. They also reflect an important aspect of the way in which operating targets are defined and performance is monitored by Barclays' management. However, any non-IFRS performance measures in this document are not a substitute for IFRS

measures and readers should consider the IFRS measures as well. Refer to pages 195 to 200 for further information and calculations of non-IFRS performance measures included throughout this section, and the most directly comparable IFRS measures.

| Definition                                                                                                                                                                                                                                                                                                                                                                       | Why is it important and how the Group performed                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|
| <p><b>Common equity tier 1 (CET1) ratio</b></p> <p>Capital requirements are part of the regulatory framework governing how banks and depository institutions are supervised. Capital ratios express a bank's capital as a percentage of its RWAs as defined by the PRA.</p> <p>CET1 ratio is a measure of capital that is predominantly common equity as defined by the CRR.</p> | <p>The Barclays Group's capital management objective is to maximise shareholder value by prudently managing the level and mix of its capital to: ensure the Barclays Group and all of its subsidiaries are appropriately capitalised relative to their regulatory minimum and stressed capital requirements, support the Barclays Group's risk appetite, growth and strategic options, while seeking to maintain a robust credit proposition for Barclays Group and its subsidiaries.</p> <p>The Barclays Group's CET1 ratio continued to be at the end-state target of c.13%. The ratio decreased to 13.2% (2017: 13.3%), as CET1 capital decreased to £41.1bn and RWAs remained broadly stable at £311.9bn, as underlying profit generation of £4.2bn, was more than offset by £2.1bn of litigation and conduct charges, as Barclays Group resolved legacy matters, £1.7bn for ordinary dividends and AT1 coupons paid and foreseen, £1.0bn from the redemption of capital instruments.</p> <p>Barclays Group target: CET1 ratio of c.13%.</p> | <p><b>CET1 ratio</b></p> <p><b>13.2%</b></p> <p>2017: 13.3%</p> <p>2016: 12.4%</p>             |
| <p><b>Average UK leverage ratio</b></p> <p>The ratio is calculated as the average transitional Tier 1 capital divided by average UK leverage exposure. The average exposure measure excludes qualifying central bank claims.</p>                                                                                                                                                 | <p>The leverage ratio is non-risk based and is intended to act as a supplementary measure to the risk-based capital metrics such as the CET1 ratio.</p> <p>The average UK leverage ratio decreased to 4.5% (2017: 4.9%) driven by an increase in average UK leverage exposure to £1,110bn (2017: £1,045bn) and a decrease in average Tier 1 capital to £50.5bn (2017: £51.2bn).</p> <p>The average UK leverage exposure increased including securities financing transactions due to the efficient use of leverage balance sheet within high returning financing businesses, Tier 1 capital reduced for the same reasons as CET1 capital.</p> <p>Barclays Group target: maintaining the UK leverage ratio above the expected end point minimum requirement.</p>                                                                                                                                                                                                                                                                                  | <p><b>Average UK leverage ratio</b></p> <p><b>4.5%</b></p> <p>2017: 4.9%</p> <p>2016: 4.5%</p> |

| Definition                                                                                                                                                                                                                                                                                                                                                                                                                     | Why is it important and how the Group performed                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                          |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Return on average shareholders' equity</b><br>RoE is calculated as profit after tax attributable to ordinary shareholders, including an adjustment for the tax credit recorded in reserves in respect of other equity instruments, as a proportion of average shareholders' equity excluding non-controlling interests and other equity instruments.                                                                        | This measure indicates the return generated by the management of the business based on shareholders' equity. RoE for the Barclays Group was positive 3.1% (2017: negative 3.1%) reflecting an attributable profit of £1,394m (2017: loss of £1,922m) which included charges for litigation and conduct of £2.1bn, relating to RMBS settlement and PPI provisions.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | <b>Barclays Group RoE</b><br><b>3.1%</b><br>2017: (3.1%)<br>2016: 3.0%                                                                                                                   |
| <b>Return on average tangible shareholders' equity</b><br>RoTE is calculated as profit after tax attributable to ordinary shareholders, including an adjustment for the tax credit recorded in reserves in respect of other equity instruments, as a proportion of average shareholders' equity excluding non-controlling interests and other equity instruments adjusted for the deduction of intangible assets and goodwill. | <p>This measure indicates the return generated by the management of the business based on shareholders' tangible equity. Achieving a target RoTE demonstrates the organisation's ability to execute its strategy and align management's interests with the shareholders'. RoTE lies at the heart of the Barclays Group's capital allocation and performance management process.</p> <p>RoTE for the Barclays Group excluding litigation and conduct, was 8.5%. Based on a CET1 ratio of 13% this would have been 8.3%.</p> <p>RoTE for the Barclays Group was positive 3.6% (2017: negative 3.6%) reflecting an attributable profit of £1,394m (2017: loss of £1,922m) which included charges for litigation and conduct of £2.1bn, relating to RMBS settlement and PPI provisions.</p> <p>Barclays Group target: Barclays Group RoTE, excluding litigation and conduct, of greater than 9% in 2019 and greater than 10% in 2020, based on a CET1 ratio of c.13%.</p>           | <b>Barclays Group RoTE excluding litigation and conduct</b><br><b>8.5%</b><br>2017: (1.2%)<br>2016: 6.2%<br><br><b>Barclays Group RoTE</b><br><b>3.6%</b><br>2017: (3.6%)<br>2016: 3.6%  |
| <b>Operating expenses<sup>a</sup></b><br>Operating expenses excluding litigation and conduct.                                                                                                                                                                                                                                                                                                                                  | <p>Barclays views operating expenses as a key strategic area for banks; those who actively manage costs and control them effectively will gain a strong competitive advantage.</p> <p>Barclays Group operating expenses were £13.9bn, in line with 2018 guidance, after excluding a charge for GMP while total operating expenses were £16.2bn (2017: £15.5bn).</p> <p>Barclays Group target: operating expenses, excluding litigation and conduct, of £13.6 to 13.9bn in 2019.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <b>Statutory operating expenses</b><br><b>£16.2bn</b><br>2017: £15.5bn<br>2016: £16.3bn<br><br><b>Operating expenses<sup>a</sup></b><br><b>£13.9bn</b><br>2017: £14.2bn<br>2016: £15.0bn |
| <b>Cost: income ratio</b><br>Total operating expenses divided by total income.                                                                                                                                                                                                                                                                                                                                                 | <p>This is a measure management uses to assess the productivity of the business operations. Managing the cost base is a key execution priority for management and includes a review of all categories of discretionary spending and an analysis of how we can run the business to ensure that costs increase at a slower rate than income.</p> <p>The Barclays Group cost: income ratio including litigation and conduct increased to 77% (2017: 73%) due to stable income and a 5% increase in total operating expenses, which included charges for RMBS settlement and PPI provisions.</p> <p>Excluding litigation and conduct the Barclays Group cost: income ratio decreased to 66% (2017: 68%) as continued investment to grow the business and improve future operating efficiency was more than offset by elimination of legacy costs, productivity savings and a lower bank levy charge.</p> <p>Barclays Group target: a cost: income ratio of below 60% over time.</p> | <b>Cost: income ratio</b><br><b>77%</b><br>2017: 73%<br>2016: 76%<br><br><b>Cost: income ratio excluding litigation and conduct</b><br><b>66%</b><br>2017: 68%<br>2016: 70%              |

Note  
a Group operating expenses, excluding litigation and conduct, and a GMP charge of £140m.



## Consolidated summary income statement

Notes

a The profit after tax attributable to other equity instrument holders of £752m (2017: £639m) is offset by a tax credit recorded in reserves of £203m (2017: £174m). The net amount of £549m (2017: £465m), along with non-controlling interests, is deducted from profit after tax in order to calculate earnings per share and return on average tangible shareholders' equity

b Refer to pages 197 to 200 for further information and calculations of performance measures excluding litigation and conduct.

The financial information above is extracted from the published accounts. This information should be read together with the information included in the accompanying consolidated financial statements.



Financial review

Income statement commentary

2018 compared to 2017

Profit before tax was £3,494m (2017: £3,541m). Excluding litigation and conduct charges, profit before tax increased 20% to £5,701m driven by an improvement in credit impairment charges and a reduction in operating expenses. The 3% depreciation of average USD against GBP adversely impacted profits.

Total income was £21,136m (2017: £21,076m). Barclays UK income was stable as lower interest margins were offset by strong balance sheet growth. Barclays International income growth in Markets, which increased 9%, was offset by lower Banking income, primarily from a 20% decrease in Corporate lending income reflecting the strategy of redeploying RWAs to higher returning businesses. Consumer, Cards and Payments income growth was offset by the non-recurrence of prior year one-offs, from a US asset card sale and a valuation gain on Barclays' preference shares in Visa Inc. Head Office income was a net expense of £273m (2017: £159m), and the Group benefited from the non-recurrence of negative income associated with the former Non-Core division, which was closed on 1 July 2017.

Credit impairment charges decreased 37% to £1,468m primarily driven by single name recoveries, updates to consensus-based macroeconomic forecasts in the UK and US during the year, the non-recurrence of single name charges in 2017, portfolio adjustments as IFRS 9 has continued to embed and the prudent management of credit risk, including the impact of repositioning the US cards portfolio towards a lower risk mix. This decrease was partially offset by a Q4 2018 £150m specific charge for the impact of the anticipated economic uncertainty in the UK. The Barclays Group loan loss rate was 44bps (2017: 57bps).

Operating expenses of £13,896m (2017: £14,249m) reduced 2% as continued investment to grow the business and improve future operating efficiency was more than offset by elimination of legacy costs, productivity savings and a lower bank levy charge due to a reduction in the levy rate and the impact of prior year adjustments. The cost: income ratio, excluding litigation and conduct, reduced to 66% (2017: 68%).

Total operating expenses of £16,243m (2017: £15,456m) included litigation and conduct charges of £2,207m (2017: £1,207m) and a £140m charge for GMP in relation to the equalisation of obligations for members of the Barclays Bank UK Retirement Fund (UKRF). There was no capital impact of the GMP charge as, at 31 December 2018, the UKRF remained in accounting surplus.

Other net income declined to £69m (2017: £257m) primarily reflecting the non-recurrence of gains on the sales of Barclays' share in VocaLink and a joint venture in Japan in Q2 2017.

The Group's effective tax rate reduced to 32.1% (2017: 63.3%). This rate included a one-off net charge due to the re-measurement of DTAs as a result of the reduction in the US federal corporate income tax rate. The underlying effective tax rate was 20.9% (2017: 29.4%), due to the lower US federal corporate income tax rate and the beneficial impact of adjustments to prior periods recognised in 2018.

The Group's underlying effective tax rate for future periods, is expected to be in the low-to mid-20 percents, excluding the impact of the future accounting change that will require tax relief on payments in relation to AT1 instruments to be recognised in the income statement, as opposed to retained earnings.

Attributable profit was £1,394m (2017: loss of £1,922m). This reflected the non-recurrence of a £2.5bn loss related to the sell down of BAGL and a tax charge of £1,122m compared to a 2017 charge of £2,240m which included a one-off net charge of £0.9bn due to the re-measurement of US DTAs.

RoE was 3.1% (2017: negative 3.1%). RoTE was 8.5% (2017: negative 1.2%) and earnings per share was 21.9p (2017: loss per share of 3.5p), excluding litigation and conduct. Statutory RoTE was 3.6% (2017: negative 3.6%) and basic earnings per share was 9.4p (2017: loss per share 10.3p).

2017 compared to 2016

Profit before tax increased 10% to £3,541m driven by a 5% reduction in operating expenses, partially offset by a 2% reduction in income and lower other net income. Results were impacted by the appreciation of average USD and EUR against GBP of 5% and 7% respectively, compared to 2016, which positively impacted income and adversely affected impairment and operating expenses.

Following the closure of Barclays Non-Core on 1 July 2017, Group results for 2017 included a Barclays Non-Core loss before tax for the six months ended 30 June 2017 of £647m, compared to a loss before tax of £2,786m for the full year in 2016. From 1 July 2017, residual Barclays Non-Core assets and liabilities were reintegrated into, and associated financial performance subsequently reported in, Barclays UK, Barclays International and Head Office.

Total income decreased to £21,076m (2016: £21,451m) reflecting a £613m decrease in Barclays International and a £262m reduction in Head Office, partially offset by a reduction in losses related to Non-Core.

Credit impairment charges were broadly stable at £2,336m (2016: £2,373m) and reflected a charge of £168m in 2017 relating to deferred consideration from an asset sale in US Cards, and the non-recurrence of a £320m charge in 2016 following the management review of the UK and US cards portfolio impairment modelling. Impairment increased in Barclays International driven by an increase in underlying delinquency trends and business growth in US Cards. The Group loan loss rate increased 4bps to 57bps.

Operating expenses reduced 5% to £15,456m driven primarily by lower Non-Core related operating expenses. Excluding litigation and conduct charges, Group operating expenses were £14.2bn, in line with 2017 guidance.

Other net income of £257m (2016: £490m) primarily reflected a gain of £109m on the sale of Barclays' share in VocaLink to MasterCard and a gain of £76m on the sale of a joint venture in Japan.

The effective tax rate on profit before tax increased to 63.3% (2016: 30.7%) principally due to a one-off tax charge of £1,177m due to the remeasurement of US DTAs as a result of the US Tax Cuts and Jobs Act, partially offset by an unrelated £276m increase in US DTAs due to a remeasurement of Barclays Bank PLC's US branch DTAs.

Loss after tax in respect of the Africa Banking discontinued operation of £2,195m included a £1,090m impairment of Barclays' holding in BAGL and a £1,435m loss on the sale of 33.7% of BAGL's issued share capital, primarily due to recycling of currency translation reserve losses to the income statement on accounting deconsolidation.

RoE was negative 3.1% (2016: positive 3.0%). RoTE was negative 3.6% (2016: positive 3.6%) and basic loss per share was 10.3p (2016: earnings per share of 10.4p). Excluding litigation and conduct, losses related to the sell down of BAGL and the one-off net charge due to the remeasurement of US DTAs, RoTE was 5.6% and earnings per share was 16.2p.

Financial review

Consolidated summary balance sheet

| As at 31 December                                                   | 2018<br>£m                 | 2017 <sup>a</sup><br>£m    | 2016 <sup>a</sup><br>£m    | 2015 <sup>a</sup><br>£m    | 2014 <sup>a</sup><br>£m    |
|---------------------------------------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| <strong>Assets</strong>                                             |                            |                            |                            |                            |                            |
| Cash and balances at central banks                                  | 177,069                    | 171,082                    | 102,353                    | 49,711                     | 39,695                     |
| Cash collateral and settlement balances                             | 77,222                     | 77,168                     | 90,135                     | 82,980                     | 103,403                    |
| Loans and advances at amortised cost                                | 326,406                    | 324,048                    | 345,900                    | 357,586                    | 366,475                    |
| Reverse repurchase agreements and other similar secured lending     | 2,308                      | 12,546                     | 13,454                     | 28,187                     | 131,753                    |
| Trading portfolio assets                                            | 104,187                    | 113,760                    | 80,240                     | 77,348                     | 114,717                    |
| Financial assets at fair value through the income statement         | 149,648                    | 116,281                    | 78,608                     | 76,830                     | 38,300                     |
| Derivative financial instruments                                    | 222,538                    | 237,669                    | 346,626                    | 327,709                    | 439,909                    |
| Financial investments                                               | —                          | 58,915                     | 63,317                     | 90,267                     | 86,066                     |
| Financial assets at fair value through other comprehensive income   | 52,816                     | —                          | —                          | —                          | —                          |
| Assets included in disposal groups classified as held for sale      | —                          | 1,193                      | 71,454                     | 7,364                      | —                          |
| Other assets                                                        | 21,089                     | 20,586                     | 21,039                     | 22,030                     | 37,588                     |
| <strong>Total assets</strong>                                       | <strong>1,133,283</strong> | <strong>1,133,248</strong> | <strong>1,213,126</strong> | <strong>1,120,012</strong> | <strong>1,357,906</strong> |
| <strong>Liabilities</strong>                                        |                            |                            |                            |                            |                            |
| Deposits at amortised cost                                          | 394,838                    | 398,701                    | 390,744                    | 390,307                    | 384,105                    |
| Cash collateral and settlement balances                             | 67,522                     | 68,143                     | 80,648                     | 75,015                     | 101,989                    |
| Repurchase agreements and other similar secured borrowings          | 18,578                     | 40,338                     | 19,760                     | 25,035                     | 124,479                    |
| Debt securities in issue <sup>b</sup>                               | 82,286                     | 73,314                     | 75,932                     | 69,150                     | 86,099                     |
| Subordinated liabilities                                            | 20,559                     | 23,826                     | 23,383                     | 21,467                     | 21,153                     |
| Trading portfolio liabilities                                       | 37,882                     | 37,351                     | 34,687                     | 33,967                     | 45,124                     |
| Financial liabilities designated at fair value                      | 216,834                    | 173,718                    | 96,031                     | 91,745                     | 56,972                     |
| Derivative financial instruments                                    | 219,643                    | 238,345                    | 340,487                    | 324,252                    | 439,320                    |
| Liabilities included in disposal groups classified as held for sale | —                          | —                          | 65,292                     | 5,997                      | —                          |
| Other liabilities                                                   | 11,362                     | 13,496                     | 14,797                     | 17,213                     | 32,707                     |
| <strong>Total liabilities</strong>                                  | <strong>1,069,504</strong> | <strong>1,067,232</strong> | <strong>1,141,761</strong> | <strong>1,054,148</strong> | <strong>1,291,948</strong> |
| <strong>Equity</strong>                                             |                            |                            |                            |                            |                            |
| Called up share capital and share premium                           | 4,311                      | 22,045                     | 21,842                     | 21,586                     | 20,809                     |
| Other equity instruments                                            | 9,632                      | 8,941                      | 6,449                      | 5,305                      | 4,322                      |
| Other reserves                                                      | 5,153                      | 5,383                      | 6,051                      | 1,898                      | 2,724                      |
| Retained earnings                                                   | 43,460                     | 27,536                     | 30,531                     | 31,021                     | 31,712                     |
| <strong>Total equity excluding non-controlling interests</strong>   | <strong>62,556</strong>    | <strong>63,905</strong>    | <strong>64,873</strong>    | <strong>59,810</strong>    | <strong>59,567</strong>    |
| Non-controlling interests                                           | 1,223                      | 2,111                      | 6,492                      | 6,054                      | 6,391                      |
| <strong>Total equity</strong>                                       | <strong>63,779</strong>    | <strong>66,016</strong>    | <strong>71,365</strong>    | <strong>65,864</strong>    | <strong>65,958</strong>    |
| <strong>Total liabilities and equity</strong>                       | <strong>1,133,283</strong> | <strong>1,133,248</strong> | <strong>1,213,126</strong> | <strong>1,120,012</strong> | <strong>1,357,906</strong> |
| Net asset value per ordinary share                                  | 309p                       | 322p                       | 344p                       | 324p                       | 335p                       |
| Tangible net asset value per share                                  | 262p                       | 276p                       | 290p                       | 275p                       | 285p                       |
| Number of ordinary shares of Barclays PLC (in millions)             | 17,133                     | 17,060                     | 16,963                     | 16,805                     | 16,498                     |
| Year-end USD exchange rate                                          | 1.28                       | 1.35                       | 1.23                       | 1.48                       | 1.56                       |
| Year-end EUR exchange rate                                          | 1.12                       | 1.13                       | 1.17                       | 1.36                       | 1.28                       |

Notes

a Barclays introduced changes to the balance sheet presentation as at 31 December 2017 as a result of the adoption of new accounting policies on 1 January 2018. The comparatives for the prior years have been updated to reflect this presentation change. Further detail on the adoption of new accounting policies can be found in Note 1 on page 216 to 218, Note 42 on page 297 to 304 and the Credit risk disclosures on pages 103 to 129.

b Debt securities in issue include covered bonds of £8.5bn (2017: £12.4bn).

Financial review

Balance sheet commentary

Total assets

Total assets remained flat at £1,133bn.

Cash and balances at central banks increased £6bn to £177bn, as cash contributed more to the Group liquidity pool. Cash collateral and settlement balances remained flat at £77bn.

Loans and advances at amortised cost increased £2bn to £326bn as £10bn of new lending, principally in mortgages and corporate lending, and the reclassification £5bn of held to maturity securities from financial investments was offset by the effects of the transition to IFRS 9.

Reverse repurchase agreements and other similar secured lending decreased £10bn to £2bn reflecting the reclassification to financial assets at fair value through the income statement on transition to IFRS 9.

Trading portfolio assets decreased £10bn to £104bn. Financial assets at fair value through the income statement increased £34bn to £150bn primarily due to the impact arising from the transition to IFRS 9 and increased reverse repurchase agreements activity.

Derivative financial instrument assets decreased from £238bn to £223bn which is consistent with the movement in derivative financial instrument liabilities. The decrease in both was as a result of an increase in major interest rate forward curves and the adoption of daily settlement under the London Clearing House (LCH), partially offset by increased foreign exchange and equity derivative volumes.

Financial investments have been reclassified to financial assets at fair value through other comprehensive income following the implementation of IFRS 9. As part of the reclassification £5bn of held to maturity securities were classified as loans and advances at amortised cost.

Total liabilities

Total liabilities increased £3bn to £1,070bn.

Deposits at amortised cost decreased £4bn to £395bn as the effects of transition to IFRS 9 more than offset substantial and targeted increases in Barclays International deposits and strong deposit growth in Barclays UK.

Cash collateral and settlement balances remained flat at £68bn.

Repurchase agreements and other similar secured borrowing decreased £21bn to £19bn reflecting the reclassification to financial liabilities at fair value on transition to IFRS 9.

Debt securities in issue increased from £73bn to £82bn due to net issuances of bonds, medium term notes and commercial paper used to manage the Group liquidity pool. Subordinated liabilities decreased by £3bn to £21bn as a result of various redemptions during the year.

Trading portfolio liabilities increased £1bn to £38bn. Financial liabilities designated at fair value increased £43bn to £217bn primarily as a result of the effects of transition to IFRS 9 and additional client margin deposits from the growth of the Equities business.

Derivative financial instruments decreased from £238bn to £220bn in line with the decrease in derivative financial instrument assets.

Total shareholders' equity

Total shareholders' equity decreased £1bn to £63bn.

Share capital and share premium decreased £17.7bn to £4.3bn. In September 2018, the High Court of Justice in England and Wales confirmed the cancellation of the share premium account of Barclays PLC, with the balance of £17.9bn credited to retained earnings.

Other equity instruments increased £0.7bn to £9.6bn primarily due the issuance of one USD AT1 security with a principal amount of \$2.5bn partially offset by a redemption of one USD AT1 security with a principal amount of \$2.0bn.

The fair value through other comprehensive income reserve represents the unrealised change in the fair value through other comprehensive income investments since initial recognition. Following the adoption of IFRS 9, accumulated fair value changes of £228m previously recognised in the available for sale reserve are now recorded in fair value through other comprehensive income.

The decrease in the year of £0.6bn was primarily driven by changes in the fair value of bonds held and a decrease in the Absa Group Limited share price.

The cash flow hedging reserve has decreased £0.5bn to £0.7bn as a result of the fair value movements of interest rate swaps held for hedging purposes as interest rate forward curves increased whilst gains transferred to net profit.

The currency translation reserve increased £0.8bn reflecting the increase in value of period end USD against GBP.

Excluding the impact on transition to IFRS 9 of £2bn, retained earnings increased £18bn as a result of the cancellation of the Group's share premium account and profits for the year.

Net asset value per share decreased to 309p (2017: 322p).

Tangible net asset value per share decreased to 262p (2017: 276p) as profit before tax was more than offset by the impact of implementing IFRS 9, the redemption of preference shares and dividends paid in the year.

Financial review

Analysis of results by business

Barclays UK

|                                                                    | 2018<br>£m | 2017<br>£m | 2016<br>£m |
|--------------------------------------------------------------------|------------|------------|------------|
| Income statement information                                       |            |            |            |
| Net interest income                                                | 6,028      | 6,086      | 6,048      |
| Net fee, commission and other income                               | 1,355      | 1,297      | 1,469      |
| Total income                                                       | 7,383      | 7,383      | 7,517      |
| Credit impairment charges and other provisions                     | (826)      | (783)      | (896)      |
| Net operating income                                               | 6,557      | 6,600      | 6,621      |
| Operating costs                                                    | (4,075)    | (4,030)    | (3,792)    |
| UK bank levy                                                       | (46)       | (59)       | (48)       |
| Litigation and conduct                                             | (483)      | (759)      | (1,042)    |
| Total operating expenses                                           | (4,604)    | (4,848)    | (4,882)    |
| Other net income/(expenses)                                        | 3          | (5)        | (1)        |
| Profit before tax                                                  | 1,956      | 1,747      | 1,738      |
| Attributable profit                                                | 1,158      | 853        | 828        |
| Balance sheet information                                          |            |            |            |
| Loans and advances to customers at amortised cost                  | £187.6bn   | £183.8bn   | £166.4bn   |
| Total assets                                                       | £249.7bn   | £237.4bn   | £209.6bn   |
| Customer deposits at amortised cost                                | £197.3bn   | £193.4bn   | £189.0bn   |
| Loan: deposit ratio                                                | 96%        | 95%        | 89%        |
| Risk weighted assets                                               | £75.2bn    | £70.9bn    | £67.5bn    |
| Key facts                                                          |            |            |            |
| Average LTV of mortgage portfolio                                  | 48%        | 48%        | 48%        |
| Average LTV of new mortgage lending                                | 65%        | 64%        | 63%        |
| Number of branches                                                 | 1,058      | 1,208      | 1,305      |
| Mobile banking active customers                                    | 7.3m       | 6.4m       | 5.4m       |
| 30 day arrears rate - Barclaycard Consumer UK                      | 1.8%       | 1.8%       | 1.9%       |
| Number of employees (full time equivalent) <sup>a</sup>            | 22,600     | 22,800     | 36,000     |
| Performance measures                                               |            |            |            |
| Return on average allocated equity                                 | 8.8%       | 6.6%       | 6.4%       |
| Average allocated equity                                           | £13.6bn    | £13.6bn    | £13.4bn    |
| Return on average allocated tangible equity                        | 11.9%      | 9.8%       | 9.6%       |
| Average allocated tangible equity                                  | £10.0bn    | £9.1bn     | £8.9bn     |
| Cost: income ratio                                                 | 62%        | 66%        | 65%        |
| Loan loss rate (bps) <sup>b</sup>                                  | 43         | 42         | 52         |
| Net interest margin                                                | 3.23%      | 3.49%      | 3.62%      |
| Performance measures excluding litigation and conduct <sup>c</sup> |            |            |            |
| Profit before tax                                                  | 2,439      | 2,506      | 2,780      |
| Attributable profit                                                | 1,630      | 1,586      | 1,862      |
| Return on average allocated tangible equity                        | 16.7%      | 17.8%      | 21.3%      |
| Cost: income ratio                                                 | 56%        | 55%        | 51%        |

Notes

a As a result of the establishment of Barclays Execution Services in September 2017, employees who are now employed by Barclays Execution Services and who were previously allocated to, or were within, Barclays UK and Barclays International are now reported in Head Office.

b Comparatives calculated based on gross loans and advances at amortised cost prior to the balance sheet presentation change and IAS 39 impairment charge.

c Refer to pages 197 to 200 for further information and calculations of performance measures excluding litigation and conduct.

Analysis of Barclays UK

|                                                               | 2018<br>£m | 2017<br>£m | 2016<br>£m |
|---------------------------------------------------------------|------------|------------|------------|
| Analysis of total income                                      |            |            |            |
| Personal Banking <sup>a</sup>                                 | 4,006      | 4,214      | 4,334      |
| Barclaycard Consumer UK                                       | 2,104      | 1,977      | 2,022      |
| Business Banking <sup>a</sup>                                 | 1,273      | 1,192      | 1,161      |
| Total income                                                  | 7,383      | 7,383      | 7,517      |
| Analysis of credit impairment charges and other provisions    |            |            |            |
| Personal Banking <sup>a</sup>                                 | (173)      | (221)      | (200)      |
| Barclaycard Consumer UK                                       | (590)      | (541)      | (683)      |
| Business Banking <sup>a</sup>                                 | (63)       | (21)       | (13)       |
| Total credit impairment charges and other provisions          | (826)      | (783)      | (896)      |
| Analysis of loans and advances to customers at amortised cost |            |            |            |
| Personal Banking <sup>a</sup>                                 | £146.0bn   | £141.3bn   | £138.5bn   |
| Barclaycard Consumer UK                                       | £15.3bn    | £16.4bn    | £16.5bn    |
| Business Banking <sup>a</sup>                                 | £26.3bn    | £26.1bn    | £11.4bn    |
| Total loans and advances to customers at amortised cost       | £187.6bn   | £183.8bn   | £166.4bn   |
| Analysis of customer deposits at amortised cost               |            |            |            |
| Personal Banking <sup>a</sup>                                 | £154.0bn   | £153.1bn   | £156.3bn   |
| Barclaycard Consumer UK                                       | —          | —          | —          |
| Business Banking <sup>a</sup>                                 | £43.3bn    | £40.3bn    | £32.7bn    |
| Total customer deposits at amortised cost                     | £197.3bn   | £193.4bn   | £189.0bn   |

Note  
a In Q218, Wealth was reclassified from Wealth, Entrepreneurs & Business Banking (now named Business banking) to Personal Banking. Comparatives have been restated.



Financial review

Analysis of results by business

2018 compared to 2017

RoE was 8.8% (2017: 6.6%). RoTE excluding litigation and conduct was 16.7% (2017: 17.8%) reflecting the continuing strength of Barclays UK business. Including litigation and conduct charges of £483m (2017: £759m), RoTE increased to 11.9% (2017: 9.8%).

Total income was stable at £7,383m (2017: £7,383m) as lower interest margins were offset by strong balance sheet growth in secured lending and customer deposits.

Personal Banking income decreased 5% to £4,006m as continued momentum in mortgage lending and growth in customer deposits was more than offset by the non-recurrence of an update to effective interest rate modelling in Q4 2017, a valuation gain on Barclays' preference shares in Visa Inc. in Q1 2017, and the realignment of clients from Barclays UK to Barclays International as part of structural reform. Barclaycard Consumer UK income increased 6% to £2,104m reflecting a focus on sustainable growth and the non-recurrence of remediation provisioning in H2 2017. Business Banking income increased 7% to £1,273m driven by strong deposit growth and the realignment of clients from Barclays International to Barclays UK as part of structural reform.

Net interest margin decreased 26bps to 3.23% reflecting growth in secured lending at lower margins and the integration of the ESHLA portfolio.

Credit impairment charges increased 5% to £826m primarily due to a Q4 2018 £100m specific charge for the impact of the anticipated economic uncertainty in the UK. This was partially offset by improved consensus-based macroeconomic forecasts during the year and the continued prudent management of credit risk reflected in the broadly stable 30 and 90 day arrears rates in UK cards of 1.8% (2017: 1.8%) and 0.9% (2017: 0.8%) respectively.

Operating expenses excluding litigation and conduct increased 1% to £4,121m as continued investment to grow the business including digitisation of the bank and improvements to future operating efficiency, were partially offset by cost efficiencies and lower costs of setting up the ring-fenced bank. The cost: income ratio excluding litigation and conduct was 56% (2017: 55%).

Loans and advances to customers at amortised cost increased 2% to £187.6bn reflecting £4.6bn of mortgage growth.

Total assets increased 5% to £249.7bn reflecting increases in the liquidity pool including the transfer of treasury assets from Head Office and loans and advances to customers.

Customer deposits at amortised cost increased 2% to £197.3bn as strong deposit growth was partially offset by the net realignment of clients between Barclays UK and Barclays International as part of structural reform.

RWAs increased to £75.2bn (December 2017: £70.9bn) primarily due to growth in mortgages and UK cards and regulatory methodology changes for the ESHLA portfolio.

2017 compared to 2016

Profit before tax increased 1% to £1,747m as lower PPI charges of £700m (2016: £1,000m) and a reduction in credit impairment charges were partially offset by the non-recurrence of the gain on disposal of Barclays' share of Visa Europe Limited in 2016, higher costs of setting up the ring-fenced bank and increased investment, primarily in cyber resilience, digital and technology.

Total income decreased 2% to £7,383m, of which £151m reflected the non-recurrence of the gain on disposal of Barclays' share of Visa Europe Limited in 2016.

Personal Banking income decreased 3% to £4,214m driven by the non-recurrence of the Visa gain and the impact of the UK base rate reduction in 2016, partially offset by deposit pricing initiatives, growth in balances and an update to effective interest rate modelling. Barclaycard Consumer UK income decreased 2% to £1,977m reflecting a provision for remediation in H2 2017. Business Banking income increased 3% to £1,192m driven by the non-recurrence of the Visa gain, partially offset by growth in balances.

Net interest income increased 1% to £6,086m due to deposit pricing initiatives and growth in loans and advances to customers and deposits, partially offset by the impact of the UK base rate reduction in 2016. Net interest margin decreased 13bps to 3.49% reflecting the integration of the Education, Social Housing and Local Authority (ESHLA) portfolio from Non-Core on 1 July 2017. Net fee, commission and other income decreased 12% to £1,297m driven by the non-recurrence of the Visa gain.

Credit impairment charges decreased 13% to £783m principally reflecting the non-recurrence of a £200m charge in 2016 following the management review of the cards portfolio impairment modelling, partially offset by higher charges in Barclaycard Consumer UK and Personal Banking.

Operating expenses decreased 1% to £4,848m due to lower charges for PPI of £700m (2016: £1,000m), partially offset by the costs of setting up the ring-fenced bank and increased investment, primarily in cyber resilience, digital and technology. The cost: income ratio was 66% (2016: 65%).

Loans and advances to customers at amortised cost increased 10% to £183.8bn and total assets increased 13% to £237.4bn reflecting the integration of the ESHLA portfolio from Non-Core into Business Banking on 1 July 2017 and mortgage growth in Personal Banking in H2 2017.

Customer deposits at amortised cost increased 2% to £193.4bn due to deposit growth, partially offset by the realignment of clients between Barclays UK and Barclays International in preparation for structural reform.

RWAs increased to £70.9bn (December 2016: £67.5bn) reflecting the integration of the ESHLA portfolio.

Barclays International

|                                                                    | 2018<br>£m | 2017<br>£m | 2016<br>£m |
|--------------------------------------------------------------------|------------|------------|------------|
| Income statement information                                       |            |            |            |
| Net interest income                                                | 3,815      | 4,307      | 4,512      |
| Net trading income                                                 | 4,450      | 3,971      | 4,580      |
| Net fee, commission and other income                               | 5,761      | 6,104      | 5,903      |
| Total income                                                       | 14,026     | 14,382     | 14,995     |
| Credit impairment charges and other provisions                     | (658)      | (1,506)    | (1,355)    |
| Net operating income                                               | 13,368     | 12,876     | 13,640     |
| Operating costs                                                    | (9,324)    | (9,321)    | (9,129)    |
| UK bank levy                                                       | (210)      | (265)      | (284)      |
| Litigation and conduct                                             | (127)      | (269)      | (48)       |
| Total operating expenses                                           | (9,661)    | (9,855)    | (9,461)    |
| Other net income                                                   | 68         | 254        | 32         |
| Profit before tax                                                  | 3,775      | 3,275      | 4,211      |
| Attributable profit                                                | 2,441      | 847        | 2,412      |
| Balance sheet information                                          |            |            |            |
| Loans and advances at amortised cost                               | £127.2bn   | £126.8bn   | £153.7bn   |
| Trading portfolio assets                                           | £104.0bn   | £113.0bn   | £ 73.2bn   |
| Derivative financial instrument assets                             | £222.1bn   | £236.2bn   | £156.2bn   |
| Derivative financial instrument liabilities                        | £219.6bn   | £237.8bn   | £160.6bn   |
| Financial assets at fair value through the income statement        | £144.7bn   | £104.1bn   | £ 62.3bn   |
| Total assets                                                       | £862.1bn   | £856.1bn   | £648.5bn   |
| Deposits at amortised cost                                         | £197.2bn   | £187.3bn   | £184.7bn   |
| Loan: deposit ratio                                                | 65%        | 68%        | 83%        |
| Risk weighted assets                                               | £210.7bn   | £210.3bn   | £212.7bn   |
| Key facts                                                          |            |            |            |
| Number of employees (full time equivalent) <sup>a</sup>            | 12,400     | 11,500     | 36,900     |
| Performance measures                                               |            |            |            |
| Return on average allocated equity                                 | 8.1%       | 3.2%       | 8.8%       |
| Average allocated equity                                           | £32.3bn    | £30.5bn    | £28.2bn    |
| Return on average allocated tangible equity                        | 8.4%       | 3.4%       | 9.8%       |
| Average allocated tangible equity                                  | £31.0bn    | £28.1bn    | £25.5bn    |
| Cost: income ratio                                                 | 69%        | 69%        | 63%        |
| Loan loss rate (bps) <sup>b</sup>                                  | 50         | 75         | 63         |
| Net interest margin                                                | 4.11%      | 4.16%      | 3.98%      |
| Performance measures excluding litigation and conduct <sup>c</sup> |            |            |            |
| Profit before tax                                                  | 3,902      | 3,544      | 4,259      |
| Attributable profit                                                | 2,547      | 1,107      | 2,457      |
| Return on average allocated tangible equity                        | 8.7%       | 4.4%       | 9.9%       |
| Cost: income ratio                                                 | 68%        | 67%        | 63%        |

Notes

a As a result of the establishment of Barclays Execution Services in September 2017, employees who are now employed by Barclays Execution Services and who were previously allocated to, or were within, Barclays UK and Barclays International are now reported in Head Office.

b Comparatives calculated based on gross loans and advances at amortised cost prior to the balance sheet presentation change and IAS 39 impairment charge.

c Refer to pages 197 to 200 for further information and calculations of performance measures excluding litigation and conduct.

Financial review

Analysis of results by business

Analysis of Barclays International

|                                                                    | 2018     | 2017     | 2016     |
|--------------------------------------------------------------------|----------|----------|----------|
|                                                                    | £m       | £m       | £m       |
| Corporate and Investment Bank                                      |          |          |          |
| Income statement information                                       |          |          |          |
| FICC <sup>a</sup>                                                  | 2,863    | 2,875    | 3,489    |
| Equities                                                           | 2,037    | 1,629    | 1,790    |
| Markets                                                            | 4,900    | 4,504    | 5,279    |
| Banking fees                                                       | 2,531    | 2,612    | 2,397    |
| Corporate lending                                                  | 878      | 1,093    | 1,195    |
| Transaction banking                                                | 1,627    | 1,629    | 1,657    |
| Banking                                                            | 5,036    | 5,334    | 5,249    |
| Other                                                              | (171)    | 40       | 5        |
| Total income                                                       | 9,765    | 9,878    | 10,533   |
| Credit impairment releases/(charges) and other provisions          | 150      | (213)    | (260)    |
| Net operating income                                               | 9,915    | 9,665    | 10,273   |
| Operating expenses                                                 | (7,281)  | (7,475)  | (7,579)  |
| Litigation and conduct                                             | (68)     | (267)    | (45)     |
| Total operating expenses                                           | (7,349)  | (7,742)  | (7,624)  |
| Other net income                                                   | 27       | 133      | 1        |
| Profit before tax                                                  | 2,593    | 2,056    | 2,650    |
| Balance sheet information                                          |          |          |          |
| Loans and advances at amortised cost                               | £86.4bn  | £88.2bn  | £114.0bn |
| Deposits at amortised cost                                         | £136.3bn | £128.0bn | £134.0bn |
| Risk weighted assets                                               | £170.9bn | £176.2bn | £178.6bn |
| Performance measures                                               |          |          |          |
| Return on average allocated equity                                 | 6.8%     | 1.1%     | 5.8%     |
| Average allocated equity                                           | £26.2bn  | £24.9bn  | £23.2bn  |
| Return on average allocated tangible equity                        | 6.9%     | 1.1%     | 6.1%     |
| Average allocated tangible equity                                  | £26.0bn  | £24.0bn  | £21.9bn  |
| Performance measures excluding litigation and conduct <sup>b</sup> |          |          |          |
| Profit before tax                                                  | 2,661    | 2,323    | 2,695    |
| Return on average allocated tangible equity                        | 7.1%     | 2.2%     | 6.3%     |
| Consumer, Cards and Payments                                       |          |          |          |
| Income statement information                                       |          |          |          |
| Total income                                                       | 4,261    | 4,504    | 4,462    |
| Credit impairment charges and other provisions                     | (808)    | (1,293)  | (1,095)  |
| Net operating income                                               | 3,453    | 3,211    | 3,367    |
| Operating expenses                                                 | (2,253)  | (2,111)  | (1,834)  |
| Litigation and conduct                                             | (59)     | (2)      | (3)      |
| Total operating expenses                                           | (2,312)  | (2,113)  | (1,837)  |
| Other net income                                                   | 41       | 121      | 31       |
| Profit before tax                                                  | 1,182    | 1,219    | 1,561    |
| Balance sheet information                                          |          |          |          |
| Loans and advances at amortised cost                               | £40.8bn  | £38.6bn  | £39.7bn  |
| Deposits at amortised cost                                         | £60.9bn  | £59.3bn  | £50.7bn  |
| Risk weighted assets                                               | £39.8bn  | £34.1bn  | £34.1bn  |
| Key facts                                                          |          |          |          |
| 30 day arrears rates - Barclaycard US                              | 2.7%     | 2.6%     | 2.6%     |
| Total number of Barclaycard business clients                       | 374,000  | 366,000  | 355,000  |
| Value of payments processed                                        | £344bn   | £322bn   | £296bn   |
| Performance measures                                               |          |          |          |
| Return on average allocated equity                                 | 13.5%    | 12.5%    | 23.1%    |
| Average allocated equity                                           | £6.1bn   | £5.6bn   | £5.0bn   |
| Return on average allocated tangible equity                        | 16.5%    | 16.7%    | 31.4%    |
| Average allocated tangible equity                                  | £5.0bn   | £4.2bn   | £3.6bn   |
| Performance measures excluding litigation and conduct <sup>b</sup> |          |          |          |
| Profit before tax                                                  | 1,241    | 1,221    | 1,564    |
| Return on average allocated tangible equity                        | 17.3%    | 16.8%    | 31.5%    |

Notes

a Fixed income, currencies and commodities (FICC) is composed of Credit and Macro income.

b Refer to pages 197 to 200 for more information and calculations of performance measures excluding litigation and conduct.





## Financial review



Head Office

|                                                                                    | 2018<br>£m               | 2017<br>£m             | 2016<br>£m             |
|------------------------------------------------------------------------------------|--------------------------|------------------------|------------------------|
| <strong>Income statement information</strong>                                      |                          |                        |                        |
| Net interest income                                                                | (781)                    | (435)                  | (183)                  |
| Net fee, commission and other income                                               | 508                      | 276                    | 286                    |
| <strong>Total income</strong>                                                      | <strong>(273)</strong>   | <strong>(159)</strong> | <strong>103</strong>   |
| Credit impairment charges and other provisions                                     | 16                       | (17)                   | –                      |
| <strong>Net operating (expenses)/income</strong>                                   | <strong>(257)</strong>   | <strong>(176)</strong> | <strong>103</strong>   |
| Operating costs                                                                    | (228)                    | (277)                  | (135)                  |
| UK bank levy                                                                       | (13)                     | (41)                   | (2)                    |
| GMP charge                                                                         | (140)                    | –                      | –                      |
| Litigation and conduct                                                             | (1,597)                  | (151)                  | (27)                   |
| <strong>Total operating expenses</strong>                                          | <strong>(1,978)</strong> | <strong>(469)</strong> | <strong>(164)</strong> |
| Other net (expenses)/income                                                        | (2)                      | (189)                  | 128                    |
| <strong>(Loss)/profit before tax</strong>                                          | <strong>(2,237)</strong> | <strong>(834)</strong> | <strong>67</strong>    |
| Attributable (loss)/profit                                                         | (2,205)                  | (868)                  | 110                    |
| <strong>Balance sheet information</strong>                                         |                          |                        |                        |
| Total assets                                                                       | £21.5bn                  | £39.7bn                | £75.2bn                |
| Risk weighted assets                                                               | £26.0bn                  | £31.8bn                | £53.3bn                |
| <strong>Key facts</strong>                                                         |                          |                        |                        |
| Number of employees (full time equivalent) <sup>a</sup>                            | 48,500                   | 45,600                 | 100                    |
| <strong>Performance measures</strong>                                              |                          |                        |                        |
| Average allocated equity                                                           | £6.2bn                   | £10.6bn                | £8.0bn                 |
| Average allocated tangible equity                                                  | £3.1bn                   | £9.3bn                 | £6.5bn                 |
| <strong>Performance measures excluding litigation and conduct<sup>b</sup></strong> |                          |                        |                        |
| Profit before tax                                                                  | (640)                    | (683)                  | 94                     |
| Attributable profit                                                                | (647)                    | (731)                  | 133                    |

Notes

a As a result of the establishment of Barclays Execution Services in September 2017, employees who are now employed by Barclays Execution Services and who were previously allocated to, or were within, Barclays UK and Barclays International are now reported in Head Office.

b Refer to pages 197 to 200 for more information and calculations of performance measures excluding litigation and conduct.

2018 compared to 2017

Loss before tax excluding litigation and conduct was £640m (2017: £683m). Including litigation and conduct charges of £1,597m (2017: £151m) primarily related to the £1,420m settlement with the US DoJ relating to RMBS, loss before tax was £2,237m (2017: £834m).

Total income was an expense of £273m (2017: £159m) reflecting legacy capital instrument funding costs of £351m and hedge accounting expenses. This was partially offset by a one-off gain of £155m from the settlement of receivables relating to the Lehman Brothers acquisition in Q2 2018, lower net expenses from treasury operations, higher Absa Group Limited dividend income and mark-to-market gains on legacy investments.

Operating expenses excluding litigation and conduct and a GMP charge, reduced to £241m (2017: £318m) driven by lower costs associated with legacy Non-Core assets and businesses, and reduced bank levy. Total operating expenses of £1,978m (2017: £469m) included litigation and conduct charges of £1,597m (2017: £151m) and a £140m charge for GMP in relation to the

equalisation of obligations for members of the Barclays Bank UKRF.

Other net expenses were £2m (2017: £189m) due to non-recurrence of a £180m expense in Q2 2017 on the recycling of the currency translation reserve to the income statement on the sale of Barclays Bank Egypt.

Total assets decreased to £21.5bn (December 2017: £39.7bn) reflecting the transfer of treasury assets to Barclays UK and Barclays International as part of structural reform.

RWAs decreased to £26.0bn (December 2017: £31.8bn) reflecting the net reduction due to BAGL regulatory deconsolidation.

2017 compared to 2016

Loss before tax was £834m (2016: profit of £67m).

Total income reduced to an expense of £159m (2016: income of £103m) primarily due to lower net income from treasury operations.

Operating expenses increased to £469m (2016: £164m) due to costs associated with Non-Core assets and businesses, which were integrated on 1 July 2017, and increased

litigation and conduct costs, including a settlement to resolve the civil action brought by the US Federal Energy Regulatory Commission's Office of Enforcement and provisions for other legacy redress.

Other net expenses were £189m (2016: income of £128m) driven by an expense of £180m on the recycling of the currency translation reserve to the income statement on the sale of Barclays Bank Egypt. 2016 included a gain due to recycling of the currency translation reserve on disposal of the Southern European cards business.

Total assets decreased to £39.7bn (December 2016: £75.2bn) primarily due to the accounting deconsolidation of BAGL, which accounted for £65bn of total assets on deconsolidation from the Barclays Group. This was partially offset by the integration of Non-Core assets on 1 July 2017, of which c.£9bn related to Italian mortgages.

RWAs decreased to £31.8bn (December 2016: £53.3bn) reflecting a £31.1bn reduction as a result of the proportional consolidation of BAGL, partially offset by the integration of Non-Core assets.

Financial review

Analysis of results by business

Barclays Non-Core

|                                                             | 2018<br>£m | 2017 <sup>a</sup><br>£m | 2016<br>£m |
|-------------------------------------------------------------|------------|-------------------------|------------|
| <b>Income statement information</b>                         |            |                         |            |
| Net interest income                                         | –          | (112)                   | 160        |
| Net trading income                                          | –          | (488)                   | (1,703)    |
| Net fee, commission and other income                        | –          | 70                      | 379        |
| <b>Total income</b>                                         | –          | (530)                   | (1,164)    |
| Credit impairment charges and other provisions              | –          | (30)                    | (122)      |
| <b>Net operating expenses</b>                               | –          | (560)                   | (1,286)    |
| Operating costs                                             | –          | (256)                   | (1,509)    |
| UK bank levy                                                | –          | –                       | (76)       |
| Litigation and conduct                                      | –          | (28)                    | (246)      |
| <b>Total operating expenses</b>                             | –          | (284)                   | (1,831)    |
| Other net income                                            | –          | 197                     | 331        |
| <b>Loss before tax</b>                                      | –          | (647)                   | (2,786)    |
| Attributable loss                                           | –          | (419)                   | (1,916)    |
| <b>Balance sheet information</b>                            |            |                         |            |
| Loans and advances to banks and customers at amortised cost | –          | –                       | £ 51.1bn   |
| Derivative financial instrument assets                      | –          | –                       | £188.7bn   |
| Derivative financial instrument liabilities                 | –          | –                       | £178.6bn   |
| Financial assets designated at fair value                   | –          | –                       | £ 14.5bn   |
| Total assets                                                | –          | –                       | £279.7bn   |
| Customer deposits                                           | –          | –                       | £ 12.5bn   |
| Risk weighted assets                                        | –          | –                       | £ 32.1bn   |
| <b>Key facts</b>                                            |            |                         |            |
| Number of employees (full time equivalent)                  | –          | –                       | 5,500      |

Note  
a Represents financial results for the six months ended 30 June 2017.

The Barclays Non-Core segment was closed on 1 July 2017 with the residual assets and liabilities reintegrated into, and associated financial performance subsequently reported in, Barclays UK, Barclays International and Head Office. Financial results up until 30 June 2017 are reflected in the Non-Core segment within the Barclays Group's results for the year ended 31 December 2017.



## Discontinued Operation: Africa Banking

Note  
a The Africa Banking income statement represents five months of results as a discontinued operation to 31 May 2017.

The PRA agreed to Barclays fully deconsolidating BAGL for regulatory reporting purposes effective 30 June 2018. Barclays had been applying proportional consolidation for regulatory purposes since Q2 2017. Barclays' shareholding in Absa Group Limited of 14.9% is now treated as a 250% risk weighted asset.

Financial review

## Margins and balances

### Margins analysis

Net interest margin decreased 21bps to 3.53% primarily reflecting the full year impact of the integration of Education, Social Housing and Local Authority (ESHLA) portfolio on 1 July 2017, the mix shift given growth in secured lending and the recategorisation of certain treasury income following ring-fencing (from net interest income to non-interest income). Barclays Group net interest income decreased 8% to £9.1bn including gross structural hedge contributions of £1.7bn (2017: £1.7bn).

|                                              | 2018                      |                               |                          | 2017                      |                               |                          |
|----------------------------------------------|---------------------------|-------------------------------|--------------------------|---------------------------|-------------------------------|--------------------------|
|                                              | Net interest income<br>£m | Average customer assets<br>£m | Net interest margin<br>% | Net interest income<br>£m | Average customer assets<br>£m | Net interest margin<br>% |
| For the year ended 31 December               |                           |                               |                          |                           |                               |                          |
| Barclays UK                                  | 6,028                     | 186,881                       | 3.23                     | 6,086                     | 174,484                       | 3.49                     |
| Barclays International <sup>a</sup>          | 3,966                     | 96,434                        | 4.11                     | 4,326                     | 104,039                       | 4.16                     |
| Total Barclays UK and Barclays International | 9,994                     | 283,315                       | 3.53                     | 10,412                    | 278,523                       | 3.74                     |
| Other <sup>b</sup>                           | (932)                     |                               |                          | (567)                     |                               |                          |
| Total net interest income                    | 9,062                     |                               |                          | 9,845                     |                               |                          |

Notes  
a Barclays International margins include interest earning lending balances within the investment banking business.  
b Other includes Head Office and non-interest earning lending balances within the investment banking business. Barclays Non-Core is included in the first six months of the comparative period.

Financial review

Non-IFRS performance measures

Barclays' management believes that the non-IFRS performance measures included in this document provide valuable information to the readers of the financial statements as they enable the reader to identify a more consistent basis for comparing the businesses' performance between financial periods, and provide more detail concerning the elements of performance which the managers of these businesses are most directly able to influence

or are relevant for an assessment of the Barclays Group. They also reflect an important aspect of the way in which operating targets are defined and performance is monitored by Barclays' management.

However, any non-IFRS performance measures in this document are not a substitute for IFRS measures and readers should consider the IFRS measures as well.

Non-IFRS performance measures glossary

| Measure                                               | Definition                                                                                                                                                                                                                                                                                                                                                                                                                        |
|-------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Loan: deposit ratio                                   | Loans and advances at amortised cost divided by deposits at amortised cost. The components of the calculation have been included on page 140.                                                                                                                                                                                                                                                                                     |
| Period end allocated tangible equity                  | Allocated tangible equity is calculated as 13.0% (2017: 12.0%) of RWAs for each business, adjusted for capital deductions, excluding goodwill and intangible assets, reflecting the assumptions the Barclays Group uses for capital planning purposes. Head Office allocated tangible equity represents the difference between the Barclays Group's tangible shareholders' equity and the amounts allocated to businesses.        |
| Average tangible shareholders' equity                 | Calculated as the average of the previous month's period end tangible equity and the current month's period end tangible equity. The average tangible shareholders' equity for the period is the average of the monthly averages within that period.                                                                                                                                                                              |
| Average allocated tangible equity                     | Calculated as the average of the previous month's period end allocated tangible equity and the current month's period end allocated tangible equity. The average allocated tangible equity for the period is the average of the monthly averages within that period.                                                                                                                                                              |
| Return on average tangible shareholders' equity       | Statutory profit after tax attributable to ordinary equity holders of the parent, including an adjustment for the tax credit in reserves in respect of other equity instruments, as a proportion of average shareholders' equity excluding non-controlling interests and other equity instruments adjusted for the deduction of intangible assets and goodwill. The components of the calculation have been included on page 196. |
| Return on average allocated tangible equity           | Statutory profit after tax attributable to ordinary equity holders of the parent, including an adjustment for the tax credit in reserves in respect of other equity instruments, as a proportion of average allocated tangible equity. The components of the calculation have been included on pages 196.                                                                                                                         |
| Cost: income ratio                                    | Total operating expenses divided by total income.                                                                                                                                                                                                                                                                                                                                                                                 |
| Loan loss rate                                        | Quoted in basis points and represents total impairment charges divided by gross loans and advances held at amortised cost at the balance sheet date. The components of the calculation have been included on page 107.                                                                                                                                                                                                            |
| Net interest margin                                   | Net interest income divided by the sum of average customer assets. The components of the calculation have been included on page 194.                                                                                                                                                                                                                                                                                              |
| Tangible net asset value per share                    | Calculated by dividing shareholders' equity, excluding non-controlling interests and other equity instruments, less goodwill and intangible assets, by the number of issued ordinary shares. The components of the calculation have been included on page 199.                                                                                                                                                                    |
| Performance measures excluding litigation and conduct | Calculated by excluding litigation and conduct charges from performance measures. The components of the calculations have been included on pages 197 to 200.                                                                                                                                                                                                                                                                      |



Financial review

Non-IFRS performance measures

Returns

Return on average tangible equity is calculated as profit for the period attributable to ordinary equity holders of the parent (adjusted for the tax credit recorded in reserves in respect of interest payments on other equity instruments) divided by average tangible equity for the period, excluding non-controlling and other equity interests for businesses.

Allocated tangible equity has been calculated as 13.0% (2017: 12.0%) of RWAs for each business, adjusted for capital deductions, excluding goodwill and intangible assets, reflecting the assumptions the Barclays Group uses for capital planning purposes. Head Office average allocated tangible equity represents the difference between the Barclays Group's average tangible shareholders' equity and the amounts allocated to businesses.

|                                                    | Attributable<br>profit/(loss)<br>£m | Tax credit<br>in respect<br>of interest<br>payments on<br>other equity<br>instruments<br>£m | Profit/(loss)<br>attributable<br>to ordinary<br>equity<br>holders of<br>the parent<br>£m | Average<br>tangible<br>equity<br>£bn | Return on<br>average<br>tangible<br>equity<br>% |
|----------------------------------------------------|-------------------------------------|---------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------------------|
| For the year ended 31 December 2018                |                                     |                                                                                             |                                                                                          |                                      |                                                 |
| Barclays UK                                        | 1,158                               | 40                                                                                          | 1,198                                                                                    | 10.0                                 | 11.9                                            |
| Corporate and Investment Bank                      | 1,641                               | 140                                                                                         | 1,781                                                                                    | 26.0                                 | 6.9                                             |
| Consumer, Cards and Payments                       | 800                                 | 18                                                                                          | 818                                                                                      | 5.0                                  | 16.5                                            |
| Barclays International                             | 2,441                               | 158                                                                                         | 2,599                                                                                    | 31.0                                 | 8.4                                             |
| Head Office                                        | (2,205)                             | 5                                                                                           | (2,200)                                                                                  | 3.1                                  | n/m                                             |
| Barclays Group                                     | 1,394                               | 203                                                                                         | 1,597                                                                                    | 44.1                                 | 3.6                                             |
| For the year ended 31 December 2017                |                                     |                                                                                             |                                                                                          |                                      |                                                 |
| Barclays UK                                        | 853                                 | 40                                                                                          | 893                                                                                      | 9.1                                  | 9.8                                             |
| Corporate and Investment Bank                      | 167                                 | 102                                                                                         | 269                                                                                      | 24.0                                 | 1.1                                             |
| Consumer, Cards and Payments                       | 680                                 | 18                                                                                          | 698                                                                                      | 4.2                                  | 16.7                                            |
| Barclays International                             | 847                                 | 120                                                                                         | 967                                                                                      | 28.1                                 | 3.4                                             |
| Head Office <sup>a</sup>                           | (868)                               | 4                                                                                           | (864)                                                                                    | 9.3                                  | n/m                                             |
| Barclays Non-Core                                  | (419)                               | 10                                                                                          | (409)                                                                                    | 2.4                                  | n/m                                             |
| Africa Banking discontinued operation <sup>a</sup> | (2,335)                             | –                                                                                           | (2,335)                                                                                  | n/m                                  | n/m                                             |
| Barclays Group                                     | (1,922)                             | 174                                                                                         | (1,748)                                                                                  | 48.9                                 | (3.6)                                           |
| For the year ended 31 December 2016                |                                     |                                                                                             |                                                                                          |                                      |                                                 |
| Barclays UK                                        | 828                                 | 29                                                                                          | 857                                                                                      | 8.9                                  | 9.6                                             |
| Corporate and Investment Bank                      | 1,270                               | 72                                                                                          | 1,342                                                                                    | 21.9                                 | 6.1                                             |
| Consumer, Cards and Payments                       | 1,142                               | 11                                                                                          | 1,153                                                                                    | 3.6                                  | 31.4                                            |
| Barclays International                             | 2,412                               | 83                                                                                          | 2,495                                                                                    | 25.5                                 | 9.8                                             |
| Head Office <sup>a</sup>                           | 110                                 | (1)                                                                                         | 109                                                                                      | 6.5                                  | n/m                                             |
| Barclays Non-Core                                  | (1,916)                             | 17                                                                                          | (1,899)                                                                                  | 7.8                                  | n/m                                             |
| Africa Banking discontinued operation <sup>a</sup> | 189                                 | –                                                                                           | 189                                                                                      | n/m                                  | n/m                                             |
| Barclays Group                                     | 1,623                               | 128                                                                                         | 1,751                                                                                    | 48.7                                 | 3.6                                             |

Note  
a Average allocated tangible equity for Africa Banking is included within Head Office.

Performance measures excluding litigation and conduct

|                                                                                                                              | For the year ended 31 December 2018 |                                              |                                          |                                 |                   |                         |
|------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|----------------------------------------------|------------------------------------------|---------------------------------|-------------------|-------------------------|
|                                                                                                                              | Barclays UK<br>£m                   | Corporate<br>and<br>Investment<br>Bank<br>£m | Consumer,<br>Cards and<br>Payments<br>£m | Barclays<br>International<br>£m | Head Office<br>£m | Barclays<br>Group<br>£m |
| Cost: income ratio                                                                                                           |                                     |                                              |                                          |                                 |                   |                         |
| Total operating expenses                                                                                                     | (4,604)                             | (7,349)                                      | (2,312)                                  | (9,661)                         | (1,978)           | (16,243)                |
| Impact of litigation and conduct                                                                                             | 483                                 | 68                                           | 59                                       | 127                             | 1,597             | 2,207                   |
| Operating expenses                                                                                                           | (4,121)                             | (7,281)                                      | (2,253)                                  | (9,534)                         | (381)             | (14,036)                |
| Total income                                                                                                                 | 7,383                               | 9,765                                        | 4,261                                    | 14,026                          | (273)             | 21,136                  |
| Cost: income ratio excluding litigation and conduct                                                                          | 56%                                 | 75%                                          | 53%                                      | 68%                             | n/m               | 66%                     |
| Profit before tax                                                                                                            |                                     |                                              |                                          |                                 |                   |                         |
| Profit/(loss) before tax                                                                                                     | 1,956                               | 2,593                                        | 1,182                                    | 3,775                           | (2,237)           | 3,494                   |
| Impact of litigation and conduct                                                                                             | 483                                 | 68                                           | 59                                       | 127                             | 1,597             | 2,207                   |
| Profit/(loss) before tax excluding litigation and conduct                                                                    | 2,439                               | 2,661                                        | 1,241                                    | 3,902                           | (640)             | 5,701                   |
| Profit attributable to ordinary equity holders of the parent                                                                 |                                     |                                              |                                          |                                 |                   |                         |
| Attributable profit/(loss)                                                                                                   | 1,158                               | 1,641                                        | 800                                      | 2,441                           | (2,205)           | 1,394                   |
| Post-tax impact of litigation and conduct                                                                                    | 472                                 | 62                                           | 44                                       | 106                             | 1,558             | 2,136                   |
| Attributable profit/(loss) excluding litigation and conduct                                                                  | 1,630                               | 1,703                                        | 844                                      | 2,547                           | (647)             | 3,530                   |
| Tax credit in respect of interest payments on other equity instruments                                                       | 40                                  | 140                                          | 18                                       | 158                             | 5                 | 203                     |
| Profit/(loss) attributable to ordinary equity holders of the parent excluding litigation and conduct                         | 1,670                               | 1,843                                        | 862                                      | 2,705                           | (642)             | 3,733                   |
| Return on average tangible shareholders' equity                                                                              |                                     |                                              |                                          |                                 |                   |                         |
| Average shareholders' equity                                                                                                 | £13.6bn                             | £26.2bn                                      | £6.1bn                                   | £32.3bn                         | £6.2bn            | £52.1bn                 |
| Goodwill and intangibles                                                                                                     | (£3.6bn)                            | (£0.2bn)                                     | (£1.1bn)                                 | (£1.3bn)                        | (£3.1bn)          | (£8.0bn)                |
| Average tangible shareholders' equity                                                                                        | £10.0bn                             | £26.0bn                                      | £5.0bn                                   | £31.0bn                         | £3.1bn            | £44.1bn                 |
| Return on average tangible shareholders' equity excluding litigation and conduct                                             | 16.7%                               | 7.1%                                         | 17.3%                                    | 8.7%                            | n/m               | 8.5%                    |
| Barclays Group average tangible shareholders' equity based on a CET1 ratio of 13%                                            |                                     |                                              |                                          |                                 |                   | £45.0bn                 |
| Barclays Group return on average tangible shareholders' equity excluding litigation and conduct based on a CET1 ratio of 13% |                                     |                                              |                                          |                                 |                   | 8.3%                    |
| Basic earnings per ordinary share                                                                                            |                                     |                                              |                                          |                                 |                   |                         |
| Basic weighted average number of shares                                                                                      |                                     |                                              |                                          |                                 |                   | 17,075m                 |
| Basic earnings per ordinary share excluding litigation and conduct                                                           |                                     |                                              |                                          |                                 |                   | 21.9p                   |

Financial review

Non-IFRS performance measures

|                                                                                                             | For the year ended 31 December 2017 |                                              |                                          |                                 |                                |                                      |
|-------------------------------------------------------------------------------------------------------------|-------------------------------------|----------------------------------------------|------------------------------------------|---------------------------------|--------------------------------|--------------------------------------|
|                                                                                                             | Barclays UK<br>£m                   | Corporate<br>and<br>Investment<br>Bank<br>£m | Consumer,<br>Cards and<br>Payments<br>£m | Barclays<br>International<br>£m | Head Office <sup>a</sup><br>£m | Barclays<br>Group <sup>b</sup><br>£m |
| <b>Cost: income ratio</b>                                                                                   |                                     |                                              |                                          |                                 |                                |                                      |
| Total operating expenses                                                                                    | (4,848)                             | (7,742)                                      | (2,113)                                  | (9,855)                         | (469)                          | (15,456)                             |
| Impact of litigation and conduct                                                                            | 759                                 | 267                                          | 2                                        | 269                             | 151                            | 1,207                                |
| <b>Operating expenses</b>                                                                                   | <b>(4,089)</b>                      | <b>(7,475)</b>                               | <b>(2,111)</b>                           | <b>(9,586)</b>                  | <b>(318)</b>                   | <b>(14,249)</b>                      |
|                                                                                                             |                                     |                                              |                                          |                                 |                                |                                      |
| Total income                                                                                                | 7,383                               | 9,878                                        | 4,504                                    | 14,382                          | (159)                          | 21,076                               |
|                                                                                                             |                                     |                                              |                                          |                                 |                                |                                      |
| <b>Cost: income ratio excluding litigation and conduct</b>                                                  | <b>55%</b>                          | <b>76%</b>                                   | <b>47%</b>                               | <b>67%</b>                      | <b>n/m</b>                     | <b>68%</b>                           |
|                                                                                                             |                                     |                                              |                                          |                                 |                                |                                      |
| <b>Profit before tax</b>                                                                                    |                                     |                                              |                                          |                                 |                                |                                      |
| Profit/(loss) before tax                                                                                    | 1,747                               | 2,056                                        | 1,219                                    | 3,275                           | (834)                          | 3,541                                |
| Impact of litigation and conduct                                                                            | 759                                 | 267                                          | 2                                        | 269                             | 151                            | 1,207                                |
| <b>Profit/(loss) before tax excluding litigation and conduct</b>                                            | <b>2,506</b>                        | <b>2,323</b>                                 | <b>1,221</b>                             | <b>3,544</b>                    | <b>(683)</b>                   | <b>4,748</b>                         |
|                                                                                                             |                                     |                                              |                                          |                                 |                                |                                      |
| <b>Profit attributable to ordinary equity holders of the parent</b>                                         |                                     |                                              |                                          |                                 |                                |                                      |
| Attributable profit/(loss)                                                                                  | 853                                 | 167                                          | 680                                      | 847                             | (868)                          | (1,922)                              |
| Post-tax impact of litigation and conduct                                                                   | 733                                 | 259                                          | 1                                        | 260                             | 137                            | 1,150                                |
| Attributable profit/(loss) excluding litigation and conduct                                                 | 1,586                               | 426                                          | 681                                      | 1,107                           | (731)                          | (772)                                |
| Tax credit in respect of interest payments on other equity instruments                                      | 40                                  | 102                                          | 18                                       | 120                             | 4                              | 174                                  |
| <b>Profit/(loss) attributable to ordinary equity holders of the parent excluding litigation and conduct</b> | <b>1,626</b>                        | <b>528</b>                                   | <b>699</b>                               | <b>1,227</b>                    | <b>(727)</b>                   | <b>(598)</b>                         |
|                                                                                                             |                                     |                                              |                                          |                                 |                                |                                      |
| <b>Return on average tangible shareholders' equity</b>                                                      |                                     |                                              |                                          |                                 |                                |                                      |
| Average shareholders' equity                                                                                | £13.6bn                             | £24.9bn                                      | £5.6bn                                   | £30.5bn                         | £10.6bn                        | £57.1bn                              |
| Goodwill and intangibles                                                                                    | (£4.4bn)                            | (£1.0bn)                                     | (£1.4bn)                                 | (£2.4bn)                        | (£1.4bn)                       | (£8.2bn)                             |
| <b>Average tangible shareholders' equity</b>                                                                | <b>£9.1bn</b>                       | <b>£24.0bn</b>                               | <b>£4.2bn</b>                            | <b>£28.1bn</b>                  | <b>£9.3bn</b>                  | <b>£48.9bn</b>                       |
|                                                                                                             |                                     |                                              |                                          |                                 |                                |                                      |
| <b>Return on average tangible shareholders' equity excluding litigation and conduct</b>                     | <b>17.8%</b>                        | <b>2.2%</b>                                  | <b>16.8%</b>                             | <b>4.4%</b>                     | <b>n/m</b>                     | <b>(1.2%)</b>                        |
|                                                                                                             |                                     |                                              |                                          |                                 |                                |                                      |
| <b>Basic earnings per ordinary share</b>                                                                    |                                     |                                              |                                          |                                 |                                |                                      |
| Basic weighted average number of shares                                                                     |                                     |                                              |                                          |                                 |                                | 16,996m                              |
|                                                                                                             |                                     |                                              |                                          |                                 |                                |                                      |
| <b>Basic loss per ordinary share excluding litigation and conduct</b>                                       |                                     |                                              |                                          |                                 |                                | <b>(3.5p)</b>                        |

Notes

a Average tangible shareholders' equity for Africa is included within Head Office.

b Barclays Group results also included Barclays Non-Core and the Africa Banking discontinued operation.

|                                                                                                      | For the year ended 31 December 2016 |                                              |                                          |                                 |                                |                                      |
|------------------------------------------------------------------------------------------------------|-------------------------------------|----------------------------------------------|------------------------------------------|---------------------------------|--------------------------------|--------------------------------------|
|                                                                                                      | Barclays UK<br>£m                   | Corporate<br>and<br>Investment<br>Bank<br>£m | Consumer,<br>Cards and<br>Payments<br>£m | Barclays<br>International<br>£m | Head Office <sup>a</sup><br>£m | Barclays<br>Group <sup>b</sup><br>£m |
| <b>Cost: income ratio</b>                                                                            |                                     |                                              |                                          |                                 |                                |                                      |
| Total operating expenses                                                                             | (4,882)                             | (7,624)                                      | (1,837)                                  | (9,461)                         | (164)                          | (16,338)                             |
| Impact of litigation and conduct                                                                     | 1,042                               | 45                                           | 3                                        | 48                              | 27                             | 1,363                                |
| <b>Operating expenses</b>                                                                            | <b>(3,840)</b>                      | <b>(7,579)</b>                               | <b>(1,834)</b>                           | <b>(9,413)</b>                  | <b>(137)</b>                   | <b>(14,975)</b>                      |
| Total income                                                                                         | 7,517                               | 10,533                                       | 4,462                                    | 14,995                          | 103                            | 21,451                               |
| <b>Cost: income ratio excluding litigation and conduct</b>                                           | <b>51%</b>                          | <b>72%</b>                                   | <b>41%</b>                               | <b>63%</b>                      | <b>n/m</b>                     | <b>70%</b>                           |
| <b>Profit before tax</b>                                                                             |                                     |                                              |                                          |                                 |                                |                                      |
| Profit before tax                                                                                    | 1,738                               | 2,650                                        | 1,561                                    | 4,211                           | 67                             | 3,230                                |
| Impact of litigation and conduct                                                                     | 1,042                               | 45                                           | 3                                        | 48                              | 27                             | 1,363                                |
| <b>Profit before tax excluding litigation and conduct</b>                                            | <b>2,780</b>                        | <b>2,695</b>                                 | <b>1,564</b>                             | <b>4,259</b>                    | <b>94</b>                      | <b>4,593</b>                         |
| <b>Profit attributable to ordinary equity holders of the parent</b>                                  |                                     |                                              |                                          |                                 |                                |                                      |
| Attributable profit                                                                                  | 828                                 | 1,270                                        | 1,142                                    | 2,412                           | 110                            | 1,623                                |
| Post-tax impact of litigation and conduct                                                            | 1,034                               | 44                                           | 1                                        | 45                              | 23                             | 1,285                                |
| <b>Attributable profit excluding litigation and conduct</b>                                          | <b>1,862</b>                        | <b>1,314</b>                                 | <b>1,143</b>                             | <b>2,457</b>                    | <b>133</b>                     | <b>2,908</b>                         |
| Tax credit in respect of interest payments on other equity instruments                               | 29                                  | 72                                           | 11                                       | 83                              | (1)                            | 128                                  |
| <b>Profit attributable to ordinary equity holders of the parent excluding litigation and conduct</b> | <b>1,891</b>                        | <b>1,386</b>                                 | <b>1,154</b>                             | <b>2,540</b>                    | <b>132</b>                     | <b>3,036</b>                         |
| <b>Return on average tangible shareholders' equity</b>                                               |                                     |                                              |                                          |                                 |                                |                                      |
| Average shareholders' equity                                                                         | £13.4bn                             | £23.2bn                                      | £5.0bn                                   | £28.2bn                         | £8.0bn                         | £57.4bn                              |
| Goodwill and intangibles                                                                             | (£4.5bn)                            | (£1.4bn)                                     | (£1.3bn)                                 | (£2.7bn)                        | (£1.4bn)                       | (£8.7bn)                             |
| <b>Average tangible shareholders' equity</b>                                                         | <b>£8.9bn</b>                       | <b>£21.9bn</b>                               | <b>£3.6bn</b>                            | <b>£25.5bn</b>                  | <b>£6.5bn</b>                  | <b>£48.7bn</b>                       |
| <b>Return on average tangible shareholders' equity excluding litigation and conduct</b>              | <b>21.3%</b>                        | <b>6.3%</b>                                  | <b>31.5%</b>                             | <b>9.9%</b>                     | <b>n/m</b>                     | <b>6.2%</b>                          |
| <b>Basic earnings per ordinary share</b>                                                             |                                     |                                              |                                          |                                 |                                |                                      |
| Basic weighted average number of shares                                                              |                                     |                                              |                                          |                                 |                                | 16,860m                              |
| <b>Basic earnings per ordinary share excluding litigation and conduct</b>                            |                                     |                                              |                                          |                                 |                                | 18.0p                                |

Notes

a Average tangible shareholders' equity for Africa is included within Head Office.

b Barclays Group results also included Barclays Non-Core and the Africa Banking discontinued operation.

Tangible net asset value

|                                                                                                              | 2018<br>£m    | 2017<br>£m    | 2016<br>£m    |
|--------------------------------------------------------------------------------------------------------------|---------------|---------------|---------------|
| Total equity excluding non-controlling interests                                                             | 62,556        | 63,905        | 64,873        |
| Other equity instruments                                                                                     | (9,632)       | (8,941)       | (6,449)       |
| Shareholder's equity excluding non-controlling interests attributable to ordinary shareholders of the parent | 52,924        | 54,964        | 58,424        |
| Goodwill and intangibles <sup>a</sup>                                                                        | (7,973)       | (7,849)       | (9,245)       |
| <b>Tangible shareholders' equity attributable to ordinary shareholders of the parent</b>                     | <b>44,951</b> | <b>47,115</b> | <b>49,179</b> |
| Shares in issue                                                                                              | 17,133m       | 17,060m       | 16,963m       |
| Net asset value per share                                                                                    | 309p          | 322p          | 334p          |
| <b>Tangible net asset value per share</b>                                                                    | <b>262p</b>   | <b>276p</b>   | <b>290p</b>   |

Note

a Comparative figures for 2016 include goodwill and intangibles in relation to Africa Banking.





# Presentation of information

## Barclays approach to disclosures

Barclays aims to continually enhance its disclosures and their usefulness to the readers of the financial statements in the light of developing market practice and areas of focus. Consequently Barclays' disclosures go beyond the minimum standards required by accounting standards and other regulatory requirements.

Barclays continues to support the recommendations and guidance made by the Financial Stability Board and its various taskforces which continue to promote a broadening of disclosures by global banks in a number of areas, including liquidity and funding, credit risk and market risk. Barclays has adopted the recommendations across the Annual Report and Pillar 3 Report.

In line with the Financial Reporting Council's guidance on Clear and Concise reporting, Barclays has focused reporting on material items and sought to present information in order to aid users' understanding such as including detail on relevant accounting policies within each note.

## British Bankers' Association (BBA) Code for Financial Reporting Disclosure as adopted by UK Finance in 2017

Barclays has adopted the BBA Code for Financial Reporting Disclosure and has prepared the 2018 Annual Report and Accounts in compliance with the Code.

It is Barclays' view that best in class disclosures will continue to evolve in light of ongoing market and stakeholder engagement within the banking sector. Barclays is committed to continuously reflect the objectives of reporting set out in the BBA Code for Financial Reporting Disclosure. This code sets out five disclosure principles together with supporting guidance which states that UK banks will:

- provide high quality, meaningful and decision-useful disclosures
- review and enhance their financial instrument disclosures for key areas of interest
- assess the applicability and relevance of good practice recommendations to their disclosures acknowledging the importance of such guidance
- seek to enhance the comparability of financial statement disclosures across the UK banking sector and
- clearly differentiate in their annual reports between information that is audited and information that is unaudited.

## Statutory accounts

The consolidated accounts of Barclays PLC and its subsidiaries (set out on pages 205 to 211 along with the accounts of Barclays PLC itself on pages 212 to 213) have been prepared in accordance with the IFRSs as adopted by the European Union. The accounting policies on pages 214 to 217 and the notes commencing on page 218 apply equally to both sets of accounts unless otherwise stated.

## Capital Requirements Country-by Country Reporting

The Capital Requirements (Country-by-Country Reporting) Regulations 2013 require Barclays PLC to publish additional information in respect of the year ended 31 December 2018. This information is available on the Barclays website: [barclays.com/citizenship/our-reporting-and-policy-positions/country-snapshot](https://www.barclays.com/citizenship/our-reporting-and-policy-positions/country-snapshot)



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## Financial statements

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

### Consolidated financial statements

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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors Barclays PLC:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheets of Barclays PLC and subsidiaries (the Group) as of December 31, 2018 and 2017, the related consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity, and consolidated cash flow statements for each of the years in the two year period ended December 31, 2018, and the related notes and specific disclosures described in Note 1 of the financial statements as being part of the consolidated financial statements (collectively, the consolidated financial statements). We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Group as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the two year period ended December 31, 2018, in conformity with International Financial Reporting Standards, as issued by the International Accounting Standards Board. Also, in our opinion, the Group maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018 based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Group has changed its method of accounting for financial instruments in 2018 due to the adoption of International Financial Reporting Standard 9 Financial Instruments.

Basis for Opinions

The Group's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Group in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

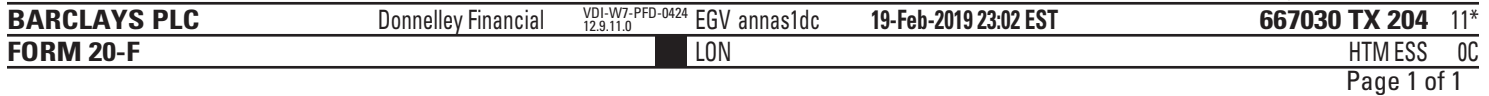
A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

We have served as the Group's auditor since 2017.

London, United Kingdom  
February 20, 2019



To the Board of Directors and Shareholders of Barclays PLC

In our opinion, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year ended December 31, 2016, present fairly, in all material respects, the results of operations and cash flows of Barclays PLC (the “Company”) and its subsidiaries for the year ended December 31, 2016, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP  
London, United Kingdom  
February 22, 2017

Note that the report set out above is included for the purposes of Barclays PLC's Annual Report on Form 20-F for 2018 only and does not form part of Barclays PLC's Annual Report and Accounts for 2018.

Consolidated financial statements

Consolidated income statement

| For the year ended 31 December                                                  | Notes | 2018<br>£m | 2017<br>£m | 2016<br>£m |
|---------------------------------------------------------------------------------|-------|------------|------------|------------|
| Continuing operations                                                           |       |            |            |            |
| Interest income                                                                 | 3     | 14,541     | 13,631     | 14,541     |
| Interest expense                                                                | 3     | (5,479)    | (3,786)    | (4,004)    |
| Net interest income                                                             |       | 9,062      | 9,845      | 10,537     |
| Fee and commission income                                                       | 4     | 8,893      | 8,751      | 8,570      |
| Fee and commission expense                                                      | 4     | (2,084)    | (1,937)    | (1,802)    |
| Net fee and commission income                                                   |       | 6,809      | 6,814      | 6,768      |
| Net trading income                                                              | 5     | 4,566      | 3,500      | 2,768      |
| Net investment income                                                           | 6     | 585        | 861        | 1,324      |
| Other income                                                                    |       | 114        | 56         | 54         |
| Total income                                                                    |       | 21,136     | 21,076     | 21,451     |
| Credit impairment charges and other provisions                                  | 7     | (1,468)    | (2,336)    | (2,373)    |
| Net operating income                                                            |       | 19,668     | 18,740     | 19,078     |
| Staff costs                                                                     | 8     | (8,629)    | (8,560)    | (9,423)    |
| Infrastructure costs                                                            | 8     | (2,950)    | (2,949)    | (2,998)    |
| Administration and general expenses <sup>a</sup>                                | 8     | (2,457)    | (2,740)    | (2,554)    |
| Provisions for litigation and conduct <sup>a</sup>                              | 8     | (2,207)    | (1,207)    | (1,363)    |
| Operating expenses                                                              | 8     | (16,243)   | (15,456)   | (16,338)   |
| Share of post-tax results of associates and joint ventures                      |       | 69         | 70         | 70         |
| Profit on disposal of subsidiaries, associates and joint ventures               |       | –          | 187        | 420        |
| Profit before tax                                                               |       | 3,494      | 3,541      | 3,230      |
| Taxation                                                                        | 9     | (1,122)    | (2,240)    | (993)      |
| Profit after tax in respect of continuing operations                            |       | 2,372      | 1,301      | 2,237      |
| (Loss)/profit after tax in respect of discontinued operation                    |       | –          | (2,195)    | 591        |
| Profit/(loss) after tax                                                         |       | 2,372      | (894)      | 2,828      |
| Attributable to:                                                                |       |            |            |            |
| Equity holders of the parent                                                    |       | 1,394      | (1,922)    | 1,623      |
| Other equity instrument holders                                                 |       | 752        | 639        | 457        |
| Total equity holders of the parent                                              |       | 2,146      | (1,283)    | 2,080      |
| Non-controlling interests in respect of continuing operations                   | 31    | 226        | 249        | 346        |
| Non-controlling interests in respect of discontinued operation                  | 31    | –          | 140        | 402        |
| Profit/(loss) after tax                                                         |       | 2,372      | (894)      | 2,828      |
| Earnings per share                                                              |       |            |            |            |
| Basic earnings/(loss) per ordinary share                                        | 10    | 9.4        | (10.3)     | 10.4       |
| Basic earnings per ordinary share in respect of continuing operations           | 10    | 9.4        | 3.5        | 9.3        |
| Basic (loss)/earnings per ordinary share in respect of discontinued operation   | 10    | –          | (13.8)     | 1.1        |
| Diluted earnings/(loss) per share                                               | 10    | 9.2        | (10.1)     | 10.3       |
| Diluted earnings per ordinary share in respect of continuing operations         | 10    | 9.2        | 3.4        | 9.2        |
| Diluted (loss)/earnings per ordinary share in respect of discontinued operation | 10    | –          | (13.5)     | 1.1        |

Note

a The presentation of administration and general expenses has been amended to include provisions for litigation and conduct as a separate line item. The prior year comparatives within administration and general expenses categories have been adjusted accordingly.



Consolidated financial statements

Consolidated statement of comprehensive income

|                                                                                                      | 2018  | 2017    | 2016    |
|------------------------------------------------------------------------------------------------------|-------|---------|---------|
|                                                                                                      | £m    | £m      | £m      |
| For the year ended 31 December                                                                       |       |         |         |
| Profit/(loss) after tax                                                                              | 2,372 | (894)   | 2,828   |
| Profit after tax in respect of continuing operations                                                 | 2,372 | 1,301   | 2,237   |
| (Loss)/profit after tax in respect of discontinued operation                                         | –     | (2,195) | 591     |
| Other comprehensive income/(loss) that may be recycled to profit or loss from continuing operations: |       |         |         |
| Currency translation reserve                                                                         |       |         |         |
| Currency translation differences <sup>a</sup>                                                        | 834   | (1,337) | 3,024   |
| Available for sale reserve <sup>b</sup>                                                              |       |         |         |
| Net gains from changes in fair value                                                                 | –     | 473     | 2,147   |
| Net gains transferred to net profit on disposal                                                      | –     | (294)   | (912)   |
| Net losses transferred to net profit due to impairment                                               | –     | 3       | 20      |
| Net losses/(gains) transferred to net profit due to fair value hedging                               | –     | 283     | (1,677) |
| Changes in insurance liabilities and other movements                                                 | –     | 11      | 53      |
| Tax                                                                                                  | –     | (27)    | (18)    |
| Fair value through other comprehensive income reserve <sup>b</sup>                                   |       |         |         |
| Net losses from changes in fair value                                                                | (553) | –       | –       |
| Net losses transferred to net profit on disposal                                                     | 48    | –       | –       |
| Net losses transferred to net profit due to impairment                                               | 4     | –       | –       |
| Net losses transferred to net profit due to fair value hedging                                       | 236   | –       | –       |
| Other movements                                                                                      | (26)  | –       | –       |
| Tax                                                                                                  | 65    | –       | –       |
| Cash flow hedging reserve                                                                            |       |         |         |
| Net (losses)/gains from changes in fair value                                                        | (344) | (626)   | 1,455   |
| Net gains transferred to net profit                                                                  | (332) | (643)   | (365)   |
| Tax                                                                                                  | 175   | 321     | (292)   |
| Other                                                                                                | 30    | (5)     | 13      |
| Other comprehensive income/(loss) that may be recycled to profit or loss from continuing operations  | 137   | (1,841) | 3,448   |
| Other comprehensive income/(loss) not recycled to profit or loss from continuing operations:         |       |         |         |
| Retirement benefit remeasurements                                                                    | 412   | 115     | (1,309) |
| Fair value through other comprehensive income reserve                                                | (260) | –       | –       |
| Own credit                                                                                           | 77    | (7)     | –       |
| Tax                                                                                                  | (118) | (66)    | 329     |
| Other comprehensive income/(loss) not recycled to profit or loss from continuing operations          | 111   | 42      | (980)   |
| Other comprehensive income/(loss) for the year from continuing operations                            | 248   | (1,799) | 2,468   |
| Other comprehensive income for the year from discontinued operation                                  | –     | 1,301   | 1,520   |
| Total comprehensive income/(loss) for the year                                                       |       |         |         |
| Total comprehensive income/(loss) for the year, net of tax from continuing operations                | 2,620 | (498)   | 4,705   |
| Total comprehensive (loss)/income for the year, net of tax from discontinued operation               | –     | (894)   | 2,111   |
| Total comprehensive income/(loss) for the year                                                       | 2,620 | (1,392) | 6,816   |
| Attributable to:                                                                                     |       |         |         |
| Equity holders of the parent                                                                         | 2,394 | (1,749) | 5,233   |
| Non-controlling interests                                                                            | 226   | 357     | 1,583   |
| Total comprehensive income/(loss) for the year                                                       | 2,620 | (1,392) | 6,816   |

Notes

a Includes £41m loss (2017: £189m loss; 2016: £101m gain) on recycling of currency translation differences.

b Following the adoption of IFRS 9, Financial Instruments on 1 January 2018, the fair value through other comprehensive income reserve was introduced replacing the available for sale reserve.

Consolidated financial statements

Consolidated balance sheet

| As at 31 December                                                   | Notes | 2018<br>£m                 | 2017 <sup>a</sup><br>£m | 2016 <sup>a</sup><br>£m |
|---------------------------------------------------------------------|-------|----------------------------|-------------------------|-------------------------|
| <strong>Assets</strong>                                             |       |                            |                         |                         |
| Cash and balances at central banks                                  |       | 177,069                    | 171,082                 | 102,353                 |
| Cash collateral and settlement balances                             |       | 77,222                     | 77,168                  | 90,135                  |
| Loans and advances at amortised cost                                | 19    | 326,406                    | 324,048                 | 345,900                 |
| Reverse repurchase agreements and other similar secured lending     |       | 2,308                      | 12,546                  | 13,454                  |
| Trading portfolio assets                                            | 12    | 104,187                    | 113,760                 | 80,240                  |
| Financial assets at fair value through the income statement         | 13    | 149,648                    | 116,281                 | 78,608                  |
| Derivative financial instruments                                    | 14    | 222,538                    | 237,669                 | 346,626                 |
| Financial investments                                               |       | —                          | 58,915                  | 63,317                  |
| Financial assets at fair value through other comprehensive income   | 15    | 52,816                     | —                       | —                       |
| Investments in associates and joint ventures                        | 36    | 762                        | 718                     | 684                     |
| Goodwill and intangible assets                                      | 22    | 7,973                      | 7,849                   | 7,726                   |
| Property, plant and equipment                                       | 21    | 2,535                      | 2,572                   | 2,825                   |
| Current tax assets                                                  | 9     | 798                        | 482                     | 561                     |
| Deferred tax assets                                                 | 9     | 3,828                      | 3,457                   | 4,869                   |
| Retirement benefit assets                                           | 33    | 1,768                      | 966                     | 14                      |
| Other assets                                                        |       | 3,425                      | 4,542                   | 4,360                   |
| Assets included in disposal groups classified as held for sale      | 41    | —                          | 1,193                   | 71,454                  |
| <strong>Total assets</strong>                                       |       | <strong>1,133,283</strong> | 1,133,248               | 1,213,126               |
| <strong>Liabilities</strong>                                        |       |                            |                         |                         |
| Deposits at amortised cost                                          |       | 394,838                    | 398,701                 | 390,744                 |
| Cash collateral and settlement balances                             |       | 67,522                     | 68,143                  | 80,648                  |
| Repurchase agreements and other similar secured borrowing           |       | 18,578                     | 40,338                  | 19,760                  |
| Debt securities in issue                                            |       | 82,286                     | 73,314                  | 75,932                  |
| Subordinated liabilities                                            | 28    | 20,559                     | 23,826                  | 23,383                  |
| Trading portfolio liabilities                                       | 12    | 37,882                     | 37,351                  | 34,687                  |
| Financial liabilities designated at fair value                      | 16    | 216,834                    | 173,718                 | 96,031                  |
| Derivative financial instruments                                    | 14    | 219,643                    | 238,345                 | 340,487                 |
| Current tax liabilities                                             | 9     | 628                        | 586                     | 737                     |
| Deferred tax liabilities                                            | 9     | 51                         | 44                      | 29                      |
| Retirement benefit liabilities                                      | 33    | 315                        | 312                     | 390                     |
| Other liabilities                                                   | 24    | 7,716                      | 9,011                   | 9,507                   |
| Provisions                                                          | 25    | 2,652                      | 3,543                   | 4,134                   |
| Liabilities included in disposal groups classified as held for sale | 41    | —                          | —                       | 65,292                  |
| <strong>Total liabilities</strong>                                  |       | <strong>1,069,504</strong> | 1,067,232               | 1,141,761               |
| <strong>Equity</strong>                                             |       |                            |                         |                         |
| Called up share capital and share premium                           | 29    | 4,311                      | 22,045                  | 21,842                  |
| Other equity instruments                                            | 29    | 9,632                      | 8,941                   | 6,449                   |
| Other reserves                                                      | 30    | 5,153                      | 5,383                   | 6,051                   |
| Retained earnings                                                   |       | 43,460                     | 27,536                  | 30,531                  |
| Total equity excluding non-controlling interests                    |       | 62,556                     | 63,905                  | 64,873                  |
| Non-controlling interests                                           | 31    | 1,223                      | 2,111                   | 6,492                   |
| <strong>Total equity</strong>                                       |       | <strong>63,779</strong>    | 66,016                  | 71,365                  |
| <strong>Total liabilities and equity</strong>                       |       | <strong>1,133,283</strong> | 1,133,248               | 1,213,126               |

Note

a Barclays introduced changes to the balance sheet presentation as at 31 December 2017 as a result of the adoption of new accounting policies on 1 January 2018. The comparatives as at 31 December 2016 have been updated to reflect this presentation change. Further detail on the adoption of new accounting policies can be found in Note 1 on pages 216 to 218, Note 42 on pages 297 to 304, and the Credit risk disclosures on pages 103 to 129.

The Board of Directors approved the financial statements on pages 205 to 385, on 20 February 2019.

John McFarlane  
Group Chairman

James E Staley  
Group Chief Executive

Tushar Morzaria  
Group Finance Director

Consolidated financial statements

Consolidated statement of changes in equity

|                                                             | Called up<br>share<br>capital<br>and share<br>premium <sup>a</sup><br>£m | Other<br>equity<br>instru-<br>ments <sup>a</sup><br>£m | Available<br>for sale<br>reserve <sup>b</sup><br>£m | Fair value<br>through<br>other<br>compre-<br>hensive<br>income<br>reserve <sup>b</sup><br>£m | Cash<br>flow<br>hedging<br>reserve <sup>b</sup><br>£m | Currency<br>translation<br>reserve <sup>b</sup><br>£m | Own<br>credit<br>reserve <sup>b</sup><br>£m | Other<br>reserves<br>and<br>treasury<br>shares <sup>b</sup><br>£m | Retained<br>earnings<br>£m | Total<br>equity<br>excluding<br>non-<br>controlling<br>interests<br>£m | Non-<br>controlling<br>interests<br>£m | Total<br>equity<br>£m |
|-------------------------------------------------------------|--------------------------------------------------------------------------|--------------------------------------------------------|-----------------------------------------------------|----------------------------------------------------------------------------------------------|-------------------------------------------------------|-------------------------------------------------------|---------------------------------------------|-------------------------------------------------------------------|----------------------------|------------------------------------------------------------------------|----------------------------------------|-----------------------|
| Balance as at<br>31 December 2017                           | 22,045                                                                   | 8,941                                                  | 364                                                 | –                                                                                            | 1,161                                                 | 3,054                                                 | (179)                                       | 983                                                               | 27,536                     | 63,905                                                                 | 2,111                                  | 66,016                |
| Effects of changes in<br>accounting policies <sup>c</sup>   | –                                                                        | –                                                      | (364)                                               | 228                                                                                          | –                                                     | –                                                     | –                                           | –                                                                 | (2,014)                    | (2,150)                                                                | –                                      | (2,150)               |
| Balance as at 1 January<br>2018                             | 22,045                                                                   | 8,941                                                  | –                                                   | 228                                                                                          | 1,161                                                 | 3,054                                                 | (179)                                       | 983                                                               | 25,522                     | 61,755                                                                 | 2,111                                  | 63,866                |
| Profit after tax                                            | –                                                                        | 752                                                    | –                                                   | –                                                                                            | –                                                     | –                                                     | –                                           | –                                                                 | 1,394                      | 2,146                                                                  | 226                                    | 2,372                 |
| Currency translation<br>movements                           | –                                                                        | –                                                      | –                                                   | –                                                                                            | –                                                     | 834                                                   | –                                           | –                                                                 | –                          | 834                                                                    | –                                      | 834                   |
| Fair value through other<br>comprehensive income<br>reserve | –                                                                        | –                                                      | –                                                   | (486)                                                                                        | –                                                     | –                                                     | –                                           | –                                                                 | –                          | (486)                                                                  | –                                      | (486)                 |
| Cash flow hedges                                            | –                                                                        | –                                                      | –                                                   | –                                                                                            | (501)                                                 | –                                                     | –                                           | –                                                                 | –                          | (501)                                                                  | –                                      | (501)                 |
| Retirement benefit<br>remeasurements                        | –                                                                        | –                                                      | –                                                   | –                                                                                            | –                                                     | –                                                     | –                                           | –                                                                 | 313                        | 313                                                                    | –                                      | 313                   |
| Own credit reserve                                          | –                                                                        | –                                                      | –                                                   | –                                                                                            | –                                                     | –                                                     | 58                                          | –                                                                 | –                          | 58                                                                     | –                                      | 58                    |
| Other                                                       | –                                                                        | –                                                      | –                                                   | –                                                                                            | –                                                     | –                                                     | –                                           | –                                                                 | 30                         | 30                                                                     | –                                      | 30                    |
| Total comprehensive<br>income for the year                  | –                                                                        | 752                                                    | –                                                   | (486)                                                                                        | (501)                                                 | 834                                                   | 58                                          | –                                                                 | 1,737                      | 2,394                                                                  | 226                                    | 2,620                 |
| Issue of new ordinary<br>shares                             | 88                                                                       | –                                                      | –                                                   | –                                                                                            | –                                                     | –                                                     | –                                           | –                                                                 | –                          | 88                                                                     | –                                      | 88                    |
| Issue of shares under<br>employee share schemes             | 51                                                                       | –                                                      | –                                                   | –                                                                                            | –                                                     | –                                                     | –                                           | –                                                                 | 449                        | 500                                                                    | –                                      | 500                   |
| Capital reorganisation                                      | (17,873)                                                                 | –                                                      | –                                                   | –                                                                                            | –                                                     | –                                                     | –                                           | –                                                                 | 17,873                     | –                                                                      | –                                      | –                     |
| Issue and exchange of<br>other equity instruments           | –                                                                        | 692                                                    | –                                                   | –                                                                                            | –                                                     | –                                                     | –                                           | –                                                                 | (308)                      | 384                                                                    | –                                      | 384                   |
| Other equity instruments<br>coupons paid                    | –                                                                        | (752)                                                  | –                                                   | –                                                                                            | –                                                     | –                                                     | –                                           | –                                                                 | 203                        | (549)                                                                  | –                                      | (549)                 |
| Redemption of preference<br>shares                          | –                                                                        | –                                                      | –                                                   | –                                                                                            | –                                                     | –                                                     | –                                           | –                                                                 | (732)                      | (732)                                                                  | (1,309)                                | (2,041)               |
| Debt to equity<br>reclassification <sup>d</sup>             | –                                                                        | –                                                      | –                                                   | –                                                                                            | –                                                     | –                                                     | –                                           | –                                                                 | –                          | –                                                                      | 419                                    | 419                   |
| Increase in treasury shares                                 | –                                                                        | –                                                      | –                                                   | –                                                                                            | –                                                     | –                                                     | –                                           | (267)                                                             | –                          | (267)                                                                  | –                                      | (267)                 |
| Vesting of shares under<br>employee share schemes           | –                                                                        | –                                                      | –                                                   | –                                                                                            | –                                                     | –                                                     | –                                           | 268                                                               | (499)                      | (231)                                                                  | –                                      | (231)                 |
| Dividends paid                                              | –                                                                        | –                                                      | –                                                   | –                                                                                            | –                                                     | –                                                     | –                                           | –                                                                 | (768)                      | (768)                                                                  | (226)                                  | (994)                 |
| Other reserve movements                                     | –                                                                        | (1)                                                    | –                                                   | –                                                                                            | –                                                     | –                                                     | –                                           | –                                                                 | (17)                       | (18)                                                                   | 2                                      | (16)                  |
| Balance as at<br>31 December 2018                           | 4,311                                                                    | 9,632                                                  | –                                                   | (258)                                                                                        | 660                                                   | 3,888                                                 | (121)                                       | 984                                                               | 43,460                     | 62,556                                                                 | 1,223                                  | 63,779                |

Notes

a For further details refer to Note 29.

b For further details refer to Note 30.

c Following the adoption of IFRS 9, Financial Instruments on 1 January 2018, the fair value through other comprehensive income reserve was introduced replacing the available for sale reserve. From the opening balance of the available for sale reserve of £364m, £228m has been reclassified to the fair value through other comprehensive income reserve, £139m has been reclassified to retained earnings and an impairment charge of £3m has been recognised through to retained earnings.

d Following a review of subordinated liabilities issued by Barclays Bank PLC, certain instruments deemed to have characteristics that qualify them as equity have been reclassified.



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Consolidated financial statements

Consolidated statement of changes in equity

|                                                                   | Called up<br>share<br>capital<br>and share<br>premium <sup>a</sup><br>£m | Other<br>equity<br>instru-<br>ments <sup>a</sup><br>£m | Available<br>for sale<br>reserve <sup>b</sup><br>£m | Cash<br>flow<br>hedging<br>reserve <sup>b</sup><br>£m | Currency<br>translation<br>reserve <sup>b</sup><br>£m | Own<br>credit<br>reserve <sup>b</sup><br>£m | Other<br>reserves<br>and<br>treasury<br>shares <sup>b</sup><br>£m | Retained<br>earnings<br>£m | Total<br>equity<br>excluding<br>non-<br>controlling<br>interests<br>£m | Non-<br>controlling<br>interests<br>£m | Total<br>equity<br>£m |
|-------------------------------------------------------------------|--------------------------------------------------------------------------|--------------------------------------------------------|-----------------------------------------------------|-------------------------------------------------------|-------------------------------------------------------|---------------------------------------------|-------------------------------------------------------------------|----------------------------|------------------------------------------------------------------------|----------------------------------------|-----------------------|
| Balance as at 31 December 2016                                    | 21,842                                                                   | 6,449                                                  | (74)                                                | 2,105                                                 | 3,051                                                 | —                                           | 969                                                               | 30,531                     | 64,873                                                                 | 6,492                                  | 71,365                |
| Effects of changes in accounting policies <sup>c</sup>            | —                                                                        | —                                                      | —                                                   | —                                                     | —                                                     | (175)                                       | —                                                                 | 175                        | —                                                                      | —                                      | —                     |
| Balance as at 1 January 2017                                      | 21,842                                                                   | 6,449                                                  | (74)                                                | 2,105                                                 | 3,051                                                 | (175)                                       | 969                                                               | 30,706                     | 64,873                                                                 | 6,492                                  | 71,365                |
| Profit after tax                                                  | —                                                                        | 639                                                    | —                                                   | —                                                     | —                                                     | —                                           | —                                                                 | 413                        | 1,052                                                                  | 249                                    | 1,301                 |
| Currency translation movements                                    | —                                                                        | —                                                      | —                                                   | —                                                     | (1,336)                                               | —                                           | —                                                                 | —                          | (1,336)                                                                | (1)                                    | (1,337)               |
| Available for sale investments                                    | —                                                                        | —                                                      | 449                                                 | —                                                     | —                                                     | —                                           | —                                                                 | —                          | 449                                                                    | —                                      | 449                   |
| Cash flow hedges                                                  | —                                                                        | —                                                      | —                                                   | (948)                                                 | —                                                     | —                                           | —                                                                 | —                          | (948)                                                                  | —                                      | (948)                 |
| Retirement benefit remeasurements                                 | —                                                                        | —                                                      | —                                                   | —                                                     | —                                                     | —                                           | —                                                                 | 53                         | 53                                                                     | —                                      | 53                    |
| Own credit reserve                                                | —                                                                        | —                                                      | —                                                   | —                                                     | —                                                     | (11)                                        | —                                                                 | —                          | (11)                                                                   | —                                      | (11)                  |
| Other                                                             | —                                                                        | —                                                      | —                                                   | —                                                     | —                                                     | —                                           | —                                                                 | (5)                        | (5)                                                                    | —                                      | (5)                   |
| Total comprehensive income net of tax from continuing operations  | —                                                                        | 639                                                    | 449                                                 | (948)                                                 | (1,336)                                               | (11)                                        | —                                                                 | 461                        | (746)                                                                  | 248                                    | (498)                 |
| Total comprehensive income net of tax from discontinued operation | —                                                                        | —                                                      | (11)                                                | 4                                                     | 1,339                                                 | —                                           | —                                                                 | (2,335)                    | (1,003)                                                                | 109                                    | (894)                 |
| Total comprehensive income for the year                           | —                                                                        | 639                                                    | 438                                                 | (944)                                                 | 3                                                     | (11)                                        | —                                                                 | (1,874)                    | (1,749)                                                                | 357                                    | (1,392)               |
| Issue of new ordinary shares                                      | 117                                                                      | —                                                      | —                                                   | —                                                     | —                                                     | —                                           | —                                                                 | —                          | 117                                                                    | —                                      | 117                   |
| Issue of shares under employee share schemes                      | 86                                                                       | —                                                      | —                                                   | —                                                     | —                                                     | —                                           | —                                                                 | 505                        | 591                                                                    | —                                      | 591                   |
| Issue and exchange of other equity instruments                    | —                                                                        | 2,490                                                  | —                                                   | —                                                     | —                                                     | —                                           | —                                                                 | —                          | 2,490                                                                  | —                                      | 2,490                 |
| Other equity instruments coupons paid                             | —                                                                        | (639)                                                  | —                                                   | —                                                     | —                                                     | —                                           | —                                                                 | 174                        | (465)                                                                  | —                                      | (465)                 |
| Redemption of preference shares                                   | —                                                                        | —                                                      | —                                                   | —                                                     | —                                                     | —                                           | —                                                                 | (479)                      | (479)                                                                  | (860)                                  | (1,339)               |
| Increase in treasury shares                                       | —                                                                        | —                                                      | —                                                   | —                                                     | —                                                     | —                                           | (315)                                                             | —                          | (315)                                                                  | —                                      | (315)                 |
| Vesting of shares under employee share schemes                    | —                                                                        | —                                                      | —                                                   | —                                                     | —                                                     | —                                           | 329                                                               | (636)                      | (307)                                                                  | —                                      | (307)                 |
| Dividends paid                                                    | —                                                                        | —                                                      | —                                                   | —                                                     | —                                                     | —                                           | —                                                                 | (509)                      | (509)                                                                  | (415)                                  | (924)                 |
| Net equity impact of partial BAGL disposal                        | —                                                                        | —                                                      | —                                                   | —                                                     | —                                                     | —                                           | —                                                                 | (359)                      | (359)                                                                  | (3,462)                                | (3,821)               |
| Other reserve movements                                           | —                                                                        | 2                                                      | —                                                   | —                                                     | —                                                     | 7                                           | —                                                                 | 8                          | 17                                                                     | (1)                                    | 16                    |
| Balance as at 31 December 2017                                    | 22,045                                                                   | 8,941                                                  | 364                                                 | 1,161                                                 | 3,054                                                 | (179)                                       | 983                                                               | 27,536                     | 63,905                                                                 | 2,111                                  | 66,016                |

Notes

a For further details refer to Note 29.

b For further details refer to Note 30.

c As a result of the early adoption of the own credit provisions of IFRS 9 on 1 January 2017, own credit which was previously recorded in the income statement is now recognised within other comprehensive income. The cumulative unrealised own credit net loss of £175m was therefore reclassified from retained earnings to a separate own credit reserve, within other reserves. During 2017, a £4m loss (net of tax) on own credit was booked in the reserve.



## Consolidated financial statements

Notes  
a For further details refer to Note 29.  
b For further details refer to Note 30.





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Consolidated financial statements

Consolidated cash flow statement

| For the year ended 31 December                                                                         | Notes | 2018<br>£m | 2017<br>£m | 2016<br>£m |
|--------------------------------------------------------------------------------------------------------|-------|------------|------------|------------|
| Continuing operations                                                                                  |       |            |            |            |
| Reconciliation of profit before tax to net cash flows from operating activities:                       |       |            |            |            |
| Profit before tax                                                                                      |       | 3,494      | 3,541      | 3,230      |
| Adjustment for non-cash items:                                                                         |       | –          |            |            |
| Allowance for impairment                                                                               |       | 1,468      | 2,336      | 2,357      |
| Depreciation, amortisation and impairment of property, plant, equipment and intangibles                |       | 1,261      | 1,241      | 1,261      |
| Other provisions, including pensions                                                                   |       | 2,594      | 1,875      | 1,964      |
| Net loss/(profit) on disposal of investments and property, plant and equipment                         |       | 28         | (325)      | (912)      |
| Other non-cash movements including exchange rate movements                                             |       | (4,366)    | 1,031      | (20,025)   |
| Changes in operating assets and liabilities                                                            |       | –          |            |            |
| Net increase in cash collateral and settlement balances                                                |       | (574)      | (3,713)    | 348        |
| Net (increase)/decrease in loans and advances to banks and customers                                   |       | (10,602)   | 18,569     | (20,055)   |
| Net (increase)/decrease in reverse repurchase agreements and other similar lending                     |       | (1,711)    | 908        | 14,733     |
| Net increase in deposits and debt securities in issue                                                  |       | 23,969     | 5,339      | 43,386     |
| Net increase/(decrease) in repurchase agreements and other similar borrowing                           |       | 3,525      | 20,578     | (4,852)    |
| Net (increase)/decrease in derivative financial instruments                                            |       | (3,571)    | 6,815      | (2,318)    |
| Net decrease/(increase) in trading assets                                                              |       | 9,958      | (33,492)   | (5,577)    |
| Net increase in trading liabilities                                                                    |       | 531        | 2,664      | 880        |
| Net (increase)/decrease in financial assets and liabilities at fair value through the income statement |       | (12,686)   | 40,014     | 807        |
| Net decrease/(increase) in other assets                                                                |       | 489        | (3,775)    | (2,629)    |
| Net decrease in other liabilities                                                                      |       | (4,755)    | (2,187)    | (532)      |
| Corporate income tax paid                                                                              | 9     | (548)      | (708)      | (780)      |
| Net cash from operating activities                                                                     |       | 8,504      | 60,711     | 11,286     |
| Purchase of financial assets at fair value through other comprehensive income                          |       | (106,669)  | –          | –          |
| Purchase of available for sale investments                                                             |       | –          | (83,127)   | (65,086)   |
| Proceeds from sale or redemption of financial assets at fair value through other comprehensive income  |       | 107,539    | –          | –          |
| Proceeds from sale or redemption of available for sale investments                                     |       | –          | 88,298     | 102,515    |
| Purchase of property, plant and equipment and intangibles                                              |       | (1,402)    | (1,456)    | (1,707)    |
| Proceeds from sale of property, plant and equipment and intangibles                                    |       | 18         | 283        | 358        |
| Disposal of discontinued operation, net of cash disposed                                               |       | –          | (1,060)    | –          |
| Disposal of subsidiaries, net of cash disposed                                                         |       | –          | 358        | 595        |
| Other cash flows associated with investing activities                                                  |       | 1,191      | 206        | 32         |
| Net cash from investing activities                                                                     |       | 677        | 3,502      | 36,707     |
| Dividends paid and other coupon payments on equity instruments                                         |       | (1,658)    | (1,273)    | (1,304)    |
| Issuance of subordinated debt                                                                          | 28    | 221        | 3,041      | 1,457      |
| Redemption of subordinated debt                                                                        | 28    | (3,246)    | (1,378)    | (1,143)    |
| Net issue of shares and other equity instruments                                                       |       | 1,964      | 2,490      | 1,400      |
| Repurchase of shares and other equity instruments                                                      |       | (3,582)    | (1,339)    | (1,587)    |
| Net purchase of treasury shares                                                                        |       | (486)      | (580)      | (140)      |
| Net cash from financing activities                                                                     |       | (6,787)    | 961        | (1,317)    |
| Effect of exchange rates on cash and cash equivalents                                                  |       | 4,160      | (4,773)    | 10,473     |
| Net increase in cash and cash equivalents from continuing operations                                   |       | 6,554      | 60,401     | 57,149     |
| Net cash from discontinued operation                                                                   | 41    | –          | 101        | 405        |
| Net increase in cash and cash equivalents                                                              |       | 6,554      | 60,502     | 57,554     |
| Cash and cash equivalents at beginning of year                                                         |       | 204,612    | 144,110    | 86,556     |
| Cash and cash equivalents at end of year                                                               |       | 211,166    | 204,612    | 144,110    |
| Cash and cash equivalents comprise:                                                                    |       |            |            |            |
| Cash and balances at central banks                                                                     |       | 177,069    | 171,082    | 102,353    |
| Loans and advances to banks with original maturity less than three months                              |       | 7,676      | 7,592      | 8,850      |
| Cash collateral to banks with original maturity less than three months                                 |       | 25,504     | 25,228     | 29,402     |
| Treasury and other eligible bills with original maturity less than three months                        |       | 917        | 682        | 356        |
| Trading portfolio assets with original maturity less than three months                                 |       | –          | 28         | –          |
| Cash and cash equivalents held for sale                                                                |       | –          | –          | 3,149      |
|                                                                                                        |       | 211,166    | 204,612    | 144,110    |

Interest received was £25,755m (2017: £21,784m; 2016: £22,099m) and interest paid was £15,625m (2017: £10,310m; 2016: £8,850m).

The Barclays Group is required to maintain balances with central banks and other regulatory authorities and these amounted to £4,717m (2017: £3,360m; 2016: £4,254m).

For the purposes of the cash flow statement, cash comprises cash on hand and demand deposits and cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value with original maturities of three months or less. Repurchase and reverse repurchase agreements are not considered to be part of cash equivalents.

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Financial statements of Barclays PLC

Parent company accounts

| Statement of comprehensive income           |       |            |            |            |
|---------------------------------------------|-------|------------|------------|------------|
| For the year ended 31 December              | Notes | 2018<br>£m | 2017<br>£m | 2016<br>£m |
| Dividends received from subsidiaries        | 43    | 15,360     | 674        | 621        |
| Net interest expense                        |       | (101)      | (10)       | 5          |
| Other income                                | 43    | 923        | 690        | 334        |
| Operating expenses                          |       | (312)      | (96)       | (26)       |
| Profit before tax                           |       | 15,870     | 1,258      | 934        |
| Taxation                                    |       | (64)       | (111)      | (60)       |
| Profit after tax                            |       | 15,806     | 1,147      | 874        |
| Other comprehensive income                  |       | —          | 60         | 26         |
| Total comprehensive income                  |       | 15,806     | 1,207      | 900        |
| Profit after tax attributable to:           |       |            |            |            |
| Ordinary equity holders                     |       | 15,054     | 508        | 417        |
| Other equity instrument holders             |       | 752        | 639        | 457        |
| Profit after tax                            |       | 15,806     | 1,147      | 874        |
| Total comprehensive income attributable to: |       |            |            |            |
| Ordinary equity holders                     |       | 15,054     | 568        | 443        |
| Other equity instrument holders             |       | 752        | 639        | 457        |
| Total comprehensive income                  |       | 15,806     | 1,207      | 900        |

For the year ended 31 December 2018, profit after tax was £15,806m (2017: £1,147m) and total comprehensive income was £15,806m (2017: £1,207m). Other comprehensive income of £60m in 2017 related to the gain on available for sale instruments. The Company has 87 members of staff (2017: 90).

| Balance sheet                                               |       |            |            |
|-------------------------------------------------------------|-------|------------|------------|
| As at 31 December                                           | Notes | 2018<br>£m | 2017<br>£m |
| Assets                                                      |       |            |            |
| Investment in subsidiaries                                  | 43    | 57,374     | 39,354     |
| Loans and advances to subsidiaries                          | 43    | 29,374     | 23,970     |
| Financial investments                                       | 43    | —          | 4,782      |
| Financial assets at fair value through the income statement | 43    | 6,945      | —          |
| Derivative financial instruments                            | 43    | 168        | 161        |
| Other assets                                                |       | 115        | 202        |
| Total assets                                                |       | 93,976     | 68,469     |
| Liabilities                                                 |       |            |            |
| Deposits at amortised cost                                  |       | 576        | 500        |
| Subordinated liabilities                                    | 43    | 6,775      | 6,501      |
| Debt securities in issue                                    | 43    | 32,373     | 22,110     |
| Other liabilities                                           |       | 72         | 153        |
| Total liabilities                                           |       | 39,796     | 29,264     |
| Equity                                                      |       |            |            |
| Called up share capital                                     | 29    | 4,283      | 4,265      |
| Share premium account                                       | 29    | 28         | 17,780     |
| Other equity instruments                                    | 29    | 9,633      | 8,943      |
| Other reserves                                              |       | 394        | 480        |
| Retained earnings                                           |       | 39,842     | 7,737      |
| Total equity                                                |       | 54,180     | 39,205     |
| Total liabilities and equity                                |       | 93,976     | 68,469     |

The financial statements on pages 212 to 213 and the accompanying note on page 304 were approved by the Board of Directors on 20 February 2019 and signed on its behalf by:

John McFarlane  
Group Chairman

James E Staley  
Group Chief Executive

Tushar Morzaria  
Group Finance Director



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## Statement of changes in equity

|                                                 | Notes | Called up<br>share capital<br>and share<br>premium<br>£m | Other equity<br>instruments<br>£m | Capital<br>redemption<br>reserve<br>£m | Available<br>for sale<br>reserve <sup>a</sup><br>£m | Retained<br>earnings<br>£m | Total equity<br>£m |
|-------------------------------------------------|-------|----------------------------------------------------------|-----------------------------------|----------------------------------------|-----------------------------------------------------|----------------------------|--------------------|
| Balance as at 31 December 2017                  |       | 22,045                                                   | 8,943                             | 394                                    | 86                                                  | 7,737                      | 39,205             |
| Effect of changes in accounting policies        |       | —                                                        | —                                 | —                                      | (86)                                                | 97                         | 11                 |
| Balance as at 1 January 2018                    |       | 22,045                                                   | 8,943                             | 394                                    | —                                                   | 7,834                      | 39,216             |
| Profit after tax and other comprehensive income |       | —                                                        | 752                               | —                                      | —                                                   | 15,054                     | 15,806             |
| Issue of new ordinary shares                    |       | 88                                                       | —                                 | —                                      | —                                                   | —                          | 88                 |
| Issue of shares under employee share schemes    |       | 51                                                       | —                                 | —                                      | —                                                   | 24                         | 75                 |
| Issue and exchange of other equity instruments  |       | —                                                        | 692                               | —                                      | —                                                   | (308)                      | 384                |
| Vesting of shares under employee share schemes  |       | —                                                        | —                                 | —                                      | —                                                   | (23)                       | (23)               |
| Dividends paid                                  | 11    | —                                                        | —                                 | —                                      | —                                                   | (768)                      | (768)              |
| Other equity instruments coupons paid           |       | —                                                        | (752)                             | —                                      | —                                                   | 143                        | (609)              |
| Capital reorganisation                          | 43    | (17,873)                                                 | —                                 | —                                      | —                                                   | 17,873                     | —                  |
| Other reserve movements                         |       | —                                                        | (2)                               | —                                      | —                                                   | 13                         | 11                 |
| Balance as at 31 December 2018                  |       | 4,311                                                    | 9,633                             | 394                                    | —                                                   | 39,842                     | 54,180             |
| Balance as at 1 January 2017                    |       | 21,842                                                   | 6,453                             | 394                                    | 26                                                  | 7,607                      | 36,322             |
| Profit after tax and other comprehensive income |       | —                                                        | 639                               | —                                      | 60                                                  | 508                        | 1,207              |
| Issue of new ordinary shares                    |       | 117                                                      | —                                 | —                                      | —                                                   | —                          | 117                |
| Issue of shares under employee share schemes    |       | 86                                                       | —                                 | —                                      | —                                                   | 27                         | 113                |
| Issue and exchange of other equity instruments  |       | —                                                        | 2,490                             | —                                      | —                                                   | —                          | 2,490              |
| Vesting of shares under employee share schemes  |       | —                                                        | —                                 | —                                      | —                                                   | (11)                       | (11)               |
| Dividends paid                                  | 11    | —                                                        | —                                 | —                                      | —                                                   | (509)                      | (509)              |
| Other equity instruments coupons paid           |       | —                                                        | (639)                             | —                                      | —                                                   | 123                        | (516)              |
| Other reserve movements                         |       | —                                                        | —                                 | —                                      | —                                                   | (8)                        | (8)                |
| Balance as at 31 December 2017                  |       | 22,045                                                   | 8,943                             | 394                                    | 86                                                  | 7,737                      | 39,205             |
| Balance as at 1 January 2016                    |       | 21,586                                                   | 5,321                             | 394                                    | —                                                   | 7,851                      | 35,152             |
| Profit after tax and other comprehensive income |       | —                                                        | 457                               | —                                      | 26                                                  | 417                        | 900                |
| Issue of new ordinary shares                    |       | 68                                                       | —                                 | —                                      | —                                                   | —                          | 68                 |
| Issue of shares under employee share schemes    |       | 188                                                      | —                                 | —                                      | —                                                   | —                          | 188                |
| Issue of other equity instruments               |       | —                                                        | 1,132                             | —                                      | —                                                   | —                          | 1,132              |
| Dividends paid                                  | 11    | —                                                        | —                                 | —                                      | —                                                   | (757)                      | (757)              |
| Other equity instruments coupons paid           |       | —                                                        | (457)                             | —                                      | —                                                   | 91                         | (366)              |
| Other reserve movements                         |       | —                                                        | —                                 | —                                      | —                                                   | 5                          | 5                  |
| Balance as at 31 December 2016                  |       | 21,842                                                   | 6,453                             | 394                                    | 26                                                  | 7,607                      | 36,322             |

Note

a As a result of the adoption of IFRS 9 on 1 January 2018, the available for sale reserve of £86m has been transferred to retained earnings.

## Cash flow statement

|                                                                                  | 2018<br>£m | 2017<br>£m | 2016<br>£m |
|----------------------------------------------------------------------------------|------------|------------|------------|
| For the year ended 31 December                                                   |            |            |            |
| Reconciliation of profit before tax to net cash flows from operating activities: |            |            |            |
| Profit before tax                                                                | 15,870     | 1,258      | 934        |
| Adjustment for non-cash items:                                                   |            |            |            |
| Dividends in specie                                                              | (14,294)   | —          | —          |
| Other non-cash items                                                             | 653        | 76         | 62         |
| Changes in operating assets and liabilities                                      | 55         | 102        | 37         |
| Net cash generated from operating activities                                     | 2,284      | 1,436      | 1,033      |
| Capital contribution to and investment in subsidiary                             | (2,680)    | (2,801)    | (1,250)    |
| Net cash used in investing activities                                            | (2,680)    | (2,801)    | (1,250)    |
| Issue of shares and other equity instruments                                     | 1,953      | 2,581      | 1,388      |
| Redemption of other equity instruments                                           | (1,532)    | —          | —          |
| Net increase in loans and advances to subsidiaries of the Parent                 | (7,767)    | (9,707)    | (10,942)   |
| Net increase in debt securities in issue                                         | 9,174      | 6,503      | 9,314      |
| Proceeds of borrowings and issuance of subordinated debt                         | —          | 3,019      | 1,671      |
| Dividends paid                                                                   | (680)      | (392)      | (757)      |
| Coupons paid on other equity instruments                                         | (752)      | (639)      | (457)      |
| Net cash generated from financing activities                                     | 396        | 1,365      | 217        |
| Net increase in cash and cash equivalents                                        | —          | —          | —          |
| Cash and cash equivalents at beginning of year                                   | —          | —          | —          |
| Cash and cash equivalents at end of year                                         | —          | —          | —          |
| Net cash generated from operating activities includes:                           |            |            |            |
| Dividends received                                                               | 1,066      | 674        | 621        |
| Interest (paid)/received                                                         | (101)      | (10)       | 5          |

The Parent company's principal activity is to hold the investment in its wholly-owned subsidiaries, Barclays Bank PLC, Barclays Bank UK PLC and Barclays Services Limited. Dividends received are treated as operating income.



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Notes to the financial statements

# for the year ended 31 December 2018

This section describes Barclays Group's significant policies and critical accounting estimates that relate to the financial statements and notes as a whole. If an accounting policy or a critical accounting estimate relates to a particular note, the accounting policy and/or critical accounting estimate is contained with the relevant note.

1 Significant accounting policies

1. Reporting entity

These financial statements are prepared for Barclays PLC and its subsidiaries (the Barclays Group) under Section 399 of the Companies Act 2006. The Barclays Group is a major global financial services provider engaged in retail banking, credit cards, wholesale banking, investment banking, wealth management and investment management services. In addition, individual financial statements have been presented for the holding company.

2. Compliance with International Financial Reporting Standards

The consolidated financial statements of the Barclays Group, and the individual financial statements of Barclays PLC, have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations (IFRICs) issued by the Interpretations Committee, as published by the International Accounting Standards Board (IASB). They are also in accordance with IFRS and IFRIC interpretations endorsed by the European Union. The principal accounting policies applied in the preparation of the consolidated and individual financial statements are set out below, and in the relevant notes to the financial statements. These policies have been consistently applied with the exception of the adoption of IFRS 9 Financial Instruments including the early adoption of Prepayment Features with Negative Compensation (Amendments to IFRS 9), IFRS 15 Revenue from Contracts with Customers and the amendments to IFRS 2 Share-based Payment from 1 January 2018.

3. Basis of preparation

The consolidated and individual financial statements have been prepared under the historical cost convention modified to include the fair valuation of investment property, and particular financial instruments, to the extent required or permitted under IFRS as set out in the relevant accounting policies. They are stated in millions of pounds Sterling (£m), the functional currency of Barclays PLC.

The financial statements have been prepared on a going concern basis, in accordance with the Companies Act 2006 as applicable to companies using IFRS.

4. Accounting policies

The Barclays Group prepares financial statements in accordance with IFRS. The Barclays Group's significant accounting policies relating to specific financial statement items, together with a description of the accounting estimates and judgements that were critical to preparing them, are set out under the relevant notes. Accounting policies that affect the financial statements as a whole are set out below.

(i) Consolidation

Barclays Group applies IFRS 10 *Consolidated financial statements*.

The consolidated financial statements combine the financial statements of Barclays PLC and all its subsidiaries. Subsidiaries are entities over which Barclays PLC has control. The Barclays Group has control over another entity when the Barclays 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 Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

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

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

As the consolidated financial statements include partnerships where the Barclays Group member is a partner, advantage has been taken of the exemption under Regulation 7 of the Partnership (Accounts) Regulations 2008 with regard to preparing and filing of individual partnership financial statements.

Details of the principal subsidiaries are given in Note 34.

(ii) Foreign currency translation

The Barclays Group applies IAS 21 *The Effects of Changes in Foreign Exchange Rates*. Transactions in foreign currencies are translated into Sterling at the rate ruling on the date of the transaction. Foreign currency monetary balances are translated into Sterling at the period end exchange rates. Exchange gains and losses on such balances are taken to the income statement. Non-monetary foreign currency balances are carried at historical transaction date exchange rates.

The Barclays Group's foreign operations (including subsidiaries, joint ventures, associates and branches) based mainly outside the UK may have different functional currencies. The functional currency of an operation is the currency of the main economy to which it is exposed.

Prior to consolidation (or equity accounting) the assets and liabilities of non-Sterling operations are translated at the period end exchange rate and items of income, expense and other comprehensive income are translated into Sterling at the rate on the date of the transactions. Exchange differences arising on the translation of foreign operations are included in currency translation reserves within equity. These are transferred to the income statement when the Barclays Group disposes of the entire interest in a foreign operation, when partial disposal results in the loss of control of an interest in a subsidiary, when an investment previously accounted for using the equity method is accounted for as a financial asset, or on the disposal of an autonomous foreign operation within a branch.



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1 Significant accounting policies continued

(iii) Financial assets and liabilities

The Barclays Group applies IFRS 9 *Financial Instruments* to the recognition, classification and measurement, and derecognition of financial assets and financial liabilities and the impairment of financial assets. The Barclays Group applies the requirements of IAS 39 *Financial Instruments: Recognition and Measurement* for hedge accounting purposes.

Recognition

The Barclays Group recognises financial assets and liabilities when it becomes a party to the terms of the contract. Trade date or settlement date accounting is applied depending on the classification of the financial asset.

Classification and measurement

Financial assets are classified on the basis of two criteria:

- i) the business model within which financial assets are managed; and
- ii) their contractual cash flow characteristics (whether the cash flows represent 'solely payments of principal and interest' (SPPI)).

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

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

Financial assets will be measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent SPPI.

Financial assets will be measured at fair value through other comprehensive income if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and their contractual cash flows represent SPPI.

Other financial assets are measured at fair value through profit and loss. There is an option to make an irrevocable election on initial recognition for non traded equity investments to be measured at fair value through other comprehensive income, in which case dividends are recognised in profit or loss, but gains or losses are not reclassified to profit or loss upon derecognition, and impairment is not recognised in the income statement.

The accounting policy for each type of financial asset or liability is included within the relevant note for the item. The Barclays Group's policies for determining the fair values of the assets and liabilities are set out in Note 17.

Derecognition

The Barclays Group derecognises a financial asset, or a portion of a financial asset, from its balance sheet where the contractual rights to cash flows from the asset have expired, or have been transferred, usually by sale, and with them either substantially all the risks and rewards of the asset or significant risks and rewards, along with the unconditional ability to sell or pledge the asset.

Financial liabilities are de-recognised when the liability has been settled, has expired or has been extinguished. An exchange of an existing financial liability for a new liability with the same lender on substantially different terms – generally a difference of 10% in the present value of the cash flows or a substantive qualitative amendment – is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Transactions in which the Barclays Group transfers assets and liabilities, portions of them, or financial risks associated with them can be complex and it may not be obvious whether substantially all of the risks and rewards have been transferred. It is often necessary to perform a quantitative analysis. Such an analysis compares the Barclays Group's exposure to variability in asset cash flows before the transfer with its retained exposure after the transfer.

A cash flow analysis of this nature may require judgement. In particular, it is necessary to estimate the asset's expected future cash flows as well as potential variability around this expectation. The method of estimating expected future cash flows depends on the nature of the asset, with market and market-implied data used to the greatest extent possible. The potential variability around this expectation is typically determined by stressing underlying parameters to create reasonable alternative upside and downside scenarios. Probabilities are then assigned to each scenario. Stressed parameters may include default rates, loss severity, or prepayment rates.

Accounting for reverse repurchase and repurchase agreements including other similar lending and borrowing

Reverse repurchase agreements (and stock borrowing or similar transaction) are a form of secured lending whereby the Barclays Group provides a loan or cash collateral in exchange for the transfer of collateral, generally in the form of marketable securities subject to an agreement to transfer the securities back at a fixed price in the future. Repurchase agreements are where the Barclays Group obtains such loans or cash collateral, in exchange for the transfer of collateral.

The Barclays Group purchases (a reverse repurchase agreement) or borrows securities subject to a commitment to resell or return them. The securities are not included in the balance sheet as the Barclays Group does not acquire the risks and rewards of ownership. Consideration paid (or cash collateral provided) is accounted for as a loan asset at amortised cost, unless it is designated at fair value through profit and loss.

The Barclays Group may also sell (a repurchase agreement) or lend securities subject to a commitment to repurchase or redeem them. The securities are retained on the balance sheet as the Barclays Group retains substantially all the risks and rewards of ownership. Consideration received (or cash collateral provided) is accounted for as a financial liability at amortised cost, unless it is designated at fair value through profit and loss.





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Notes to the financial statements

# for the year ended 31 December 2018

1 Significant accounting policies continued

(iv) Issued debt and equity instruments

The Barclays 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 Group having an obligation to either deliver cash or another financial asset, or a variable number of equity shares, to the holder of the instrument. If this is not the case, the instrument is generally an equity instrument and the proceeds included in equity, net of transaction costs. Dividends and other returns to equity holders are recognised when paid or declared by the members at the AGM and treated as a deduction from equity.

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

5. New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, with the exception of the adoption of IFRS 9 *Financial Instruments* including the early adoption of *Prepayment Features with Negative Compensation* (Amendments to IFRS 9), IFRS 15 *Revenue from Contracts with Customers* and the amendments to IFRS 2 *Share-based Payment* from 1 January 2018.

IFRS 9 – Financial Instruments

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces key changes in the following areas:

- Classification and measurement – requiring asset classification and measurement based upon both business model and product characteristics
- Impairment – introducing an expected credit loss model using forward looking information which replaces an incurred loss model. The expected credit loss model introduces a three-stage approach to impairment as follows:

Stage 1 – the recognition of 12 month expected credit losses (ECL), that is the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, if credit risk has not increased significantly since initial recognition;

Stage 2 – lifetime expected credit losses for financial instruments for which credit risk has increased significantly since initial recognition; and

Stage 3 – lifetime expected credit losses for financial instruments which are credit impaired.

Refer to note 7 for further details regarding the impairment requirements of IFRS 9.

As required by IFRS 9 the Barclays Group applied IFRS 9 retrospectively by adjusting the opening balance sheet at the date of initial application, and comparative periods have not been restated; for more detail refer to Note 42.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 *Revenue from Contracts with Customers* replaces IAS 18 *Revenue* and IAS 11 *Construction Contracts*. IFRS 15 establishes a more systematic approach for revenue measurement and recognition by introducing a five-step model governing revenue recognition. The five-step model includes: 1) identifying the contract with the customer, 2) identifying each of the performance obligations included in the contract, 3) determining the amount of consideration in the contract, 4) allocating the consideration to each of the identified performance obligations and 5) recognising revenue as each performance obligation is satisfied. The Barclays Group elected the cumulative effect transition method with a transition adjustment calculated as of 1 January 2018, and recognised in retained earnings without restating comparative periods. There were no significant impacts from the adoption of IFRS 15 in relation to the timing of when the Barclays Group recognises revenues or when revenue should be recognised gross as a principal or net as an agent; for more detail refer to Note 42.

IFRS 2 – Share-based Payment – Amendments to IFRS 2

The IASB issued amendments to IFRS 2 *Share-based Payment* that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. The amendments are effective for annual periods beginning on or after 1 January 2018. Adoption of the amendments did not have a significant impact on the Barclays Group.

Future accounting developments

There have been and are expected to be a number of significant changes to the Barclays Group's financial reporting after 2018 as a result of amended or new accounting standards that have been or will be issued by the IASB. The most significant of these are as follows:

IFRS 16 – Leases

In January 2016 the IASB issued IFRS 16 *Leases*, which was subsequently endorsed by the EU in November 2017, and will replace IAS 17 *Leases* for period beginning on or after 1 January 2019. IFRS 16 will apply to all leases with the exception of licenses of intellectual property, rights held by licensing agreement within the scope of IAS 38 *Intangible Assets*, service concession arrangements, leases of biological assets within the scope of IAS 41 *Agriculture*, and leases of minerals, oil, natural gas and similar non-regenerative resources. A lessee may elect not to apply IFRS 16 to remaining assets within the scope of IAS 38 *Intangible Assets*.

IFRS 16 will not result in a significant change to lessor accounting; however for lessee accounting there will no longer be a distinction between operating and finance leases. Lessees will be required to recognise both:

- a lease liability, measured at the present value of remaining cash flows on the lease, and;
- a right of use (ROU) asset, measured at the amount of the initial measurement of the lease liability, plus any lease payments made prior to commencement date, initial direct costs, and estimated costs of restoring the underlying asset to the condition required by the lease, less any lease incentives received.

There is a recognition exception for leases with a term not exceeding 12 months which allows the lessee to apply similar accounting as an operating lease under IAS 17.



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1 Significant accounting policies continued

Subsequently the lease liability will increase for the accrual of interest, resulting in a constant rate of return throughout the life of the lease, and reduce when payments are made. The right of use asset will amortise to the income statement over the life of the lease. The Barclays Group IFRS 16 implementation and governance programme has been led by Finance with representation from all impacted departments. The project has identified the contracts impacted by IFRS 16, which are predominantly existing property leases. Other lease types are not material. The project has also established appropriate accounting policies, determined the appropriate transition options to apply, and updated Finance systems and processes to reflect the new accounting and disclosure requirements.

As permitted by the standard, the Barclays Group intends to apply IFRS 16 on a retrospective basis but to take advantage of the option not to restate comparative periods by applying the modified retrospective approach. The Barclays Group intends to take advantage of the following transition options available under the modified retrospective approach:

- To calculate the right of use asset equal to the lease liability, adjusted for prepaid or accrued payments;
- To rely on the previous assessment of whether leases are onerous in accordance with IAS 37 immediately before the date of initial application as an alternative to performing an impairment review. The Barclays Group will adjust the carrying amount of the ROU asset at the date of initial application by the previous carrying amount of its onerous lease provision;
- Apply the recognition exception for leases with a term not exceeding 12 months; and
- Use hindsight in determining the lease term if the contract contains options to extend or terminate the lease.

The expected impact of adopting IFRS 16 is an increase in assets of £1.6bn, an increase in liabilities of £1.6bn with no material impact on retained earnings. This impact assessment has been estimated under an interim control environment. The implementation of the comprehensive end state control environment will continue as the Barclays Group introduces business as usual controls through 2019.

IFRS 17 – Insurance contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts*, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* that was issued in 2005.

IFRS 17 applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The standard is currently effective from 1 January 2021, and the standard has not yet been endorsed by the EU. The Barclays Group is currently assessing the expected impact of adopting this standard.

IFRIC Interpretation 23 – Uncertainty over Income Tax Treatment

IFRIC 23 clarifies the application of IAS 12 to accounting for income tax treatments that have yet to be accepted by tax authorities, in scenarios where it may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept an entity's tax treatment. The effective date is 1 January 2019. The Barclays Group has considered the guidance included within the interpretation and concluded that the prescribed approach under IFRIC 23 is not expected to have a material impact on the Barclays Group's financial position.

IAS 12 – Income Taxes – Amendments to IAS 12

In December 2017, as part of the Annual Improvements to IFRS Standards 2015-2017 Cycle, the IASB amended IAS 12 in order to clarify the accounting treatment of the income tax consequences of dividends. Effective from 1 January 2019 the tax consequences of all payments on financial instruments that are classified as equity for accounting purposes, where those payments are considered to be a distribution of profit, will be included in, and will reduce, the income statement tax charge. Refer to note 9 for the expected impact of adopting the amendments of IAS 12.

IAS 19 – Employee Benefits – Amendments to IAS 19

In February 2018 the IASB issued amendments to the guidance in IAS 19 *Employee Benefits*, in connection with accounting for plan amendments, curtailments and settlements. The amendments must be applied to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019. The amendments have not yet been endorsed by the EU. Adoption of the amendments is not expected to have significant impact on the Barclays Group.

6. Critical accounting estimates and judgements

The preparation of financial statements in accordance with IFRS requires the use of estimates. It also requires management to exercise judgement in applying the accounting policies. The key areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the consolidated and individual financial statements are highlighted under the relevant note. Critical accounting estimates and judgements are disclosed in:

- Credit impairment charges on page 223
- Tax on page 228
- Fair value of financial instruments on page 241
- Pensions and post-retirement benefits – obligations on page 281
- Provisions including conduct and legal, competition and regulatory matters on page 263.

7. Other disclosures

To improve transparency and ease of reference, by concentrating related information in one place, certain disclosures required under IFRS have been included within the Risk review section as follows:

- Credit risk on pages 91 to 92 and 104 to 129
- Market risk on pages 93 and 130 to 134
- Treasury and capital risk – liquidity on pages 94 and 137 to 150
- Treasury and capital risk – capital on pages 95 and 151 to 161.

These disclosures are covered by the Audit opinion (included on pages 203 to 204) where referenced as audited.

8. Parent company accounts

The Parent Company's financial statements on pages 212 to 213 also form part of the notes to the consolidated financial statements.

Notes to the financial statements

Performance/return

The notes included in this section focus on the results and performance of the Barclays Group. Information on the income generated, expenditure incurred, segmental performance, tax, earnings per share and dividends are included here. For further detail on performance, see income statement commentary within Financial review (unaudited) on page 181.

2 Segmental reporting

Presentation of segmental reporting

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

Barclays Group is a transatlantic consumer and wholesale bank and for segmental reporting purposes it defines its two operating divisions as Barclays UK and Barclays International.

- **Barclays UK** which offers everyday products and services to retail customers and small to medium sized enterprises based in the UK. The division includes the UK Personal banking, UK Business banking and the Barclaycard consumer UK business.
- **Barclays International** which delivers products and services designed for our larger corporate, wholesale and international banking clients. The division includes the large UK Corporate business; the international Corporate and Wealth businesses; the Investment Bank; the international Barclaycard business; and Barclaycard Business Solutions.

The below table also includes Head Office which comprises head office and central support functions (including treasury) and businesses in transition.

Analysis of results by business

|                                                               | Barclays UK<br>£m | Barclays<br>International<br>£m | Head<br>Office<br>£m | Group<br>results<br>£m |
|---------------------------------------------------------------|-------------------|---------------------------------|----------------------|------------------------|
| <b>For the year ended 31 December 2018</b>                    |                   |                                 |                      |                        |
| Total income <sup>a</sup>                                     | 7,383             | 14,026                          | (273)                | 21,136                 |
| Credit impairment charges and other provisions                | (826)             | (658)                           | 16                   | (1,468)                |
| <b>Net operating income/(expenses)</b>                        | <b>6,557</b>      | <b>13,368</b>                   | <b>(257)</b>         | <b>19,668</b>          |
| Operating costs                                               | (4,075)           | (9,324)                         | (228)                | (13,627)               |
| UK bank levy                                                  | (46)              | (210)                           | (13)                 | (269)                  |
| GMP charge                                                    | –                 | –                               | (140)                | (140)                  |
| Litigation and conduct                                        | (483)             | (127)                           | (1,597)              | (2,207)                |
| <b>Total operating expenses</b>                               | <b>(4,604)</b>    | <b>(9,661)</b>                  | <b>(1,978)</b>       | <b>(16,243)</b>        |
| Other net income/(expenses)                                   | 3                 | 68                              | (2)                  | 69                     |
| <b>Profit/(loss) before tax</b>                               | <b>1,956</b>      | <b>3,775</b>                    | <b>(2,237)</b>       | <b>3,494</b>           |
| <b>Total assets (£bn)</b>                                     | <b>249.7</b>      | <b>862.1</b>                    | <b>21.5</b>          | <b>1,133.3</b>         |
| <b>Number of employees (full time equivalent)<sup>b</sup></b> | <b>22,600</b>     | <b>12,400</b>                   | <b>48,500</b>        | <b>83,500</b>          |

|                                                               | Barclays UK<br>£m | Barclays<br>International<br>£m | Head<br>Office <sup>c</sup><br>£m | Barclays<br>Non-Core <sup>d</sup><br>£m | Group<br>results<br>£m |
|---------------------------------------------------------------|-------------------|---------------------------------|-----------------------------------|-----------------------------------------|------------------------|
| <b>For the year ended 31 December 2017</b>                    |                   |                                 |                                   |                                         |                        |
| Total income                                                  | 7,383             | 14,382                          | (159)                             | (530)                                   | 21,076                 |
| Credit impairment charges and other provisions                | (783)             | (1,506)                         | (17)                              | (30)                                    | (2,336)                |
| <b>Net operating income/(expenses)</b>                        | <b>6,600</b>      | <b>12,876</b>                   | <b>(176)</b>                      | <b>(560)</b>                            | <b>18,740</b>          |
| Operating costs                                               | (4,030)           | (9,321)                         | (277)                             | (256)                                   | (13,884)               |
| UK bank levy                                                  | (59)              | (265)                           | (41)                              | –                                       | (365)                  |
| Litigation and conduct                                        | (759)             | (269)                           | (151)                             | (28)                                    | (1,207)                |
| <b>Total operating expenses</b>                               | <b>(4,848)</b>    | <b>(9,855)</b>                  | <b>(469)</b>                      | <b>(284)</b>                            | <b>(15,456)</b>        |
| Other net (expenses)/income <sup>e</sup>                      | (5)               | 254                             | (189)                             | 197                                     | 257                    |
| <b>Profit/(loss) before tax</b>                               | <b>1,747</b>      | <b>3,275</b>                    | <b>(834)</b>                      | <b>(647)</b>                            | <b>3,541</b>           |
| <b>Total assets (£bn)</b>                                     | <b>237.4</b>      | <b>856.1</b>                    | <b>39.7</b>                       | <b>–</b>                                | <b>1,133.2</b>         |
| <b>Number of employees (full time equivalent)<sup>b</sup></b> | <b>22,800</b>     | <b>11,500</b>                   | <b>45,600</b>                     | <b>–</b>                                | <b>79,900</b>          |

Notes

a £351m of certain legacy capital instrument funding costs are now charged to Head office, the impact of which would have been materially the same if the charges had been included in full year 2017.

b As a result of the establishment of Barclays Execution Services in September 2017, employees who are now employed by Barclays Execution Services and who were previously allocated to, or were within, Barclays UK and Barclays International are now reported in Head Office.

c The reintegration of Non-Core assets on 1 July 2017 resulted in the transfer of c.£9bn of assets into Head Office relating to a portfolio of Italian mortgages. The portfolio generated a loss before tax of £37m in the second half of the year and included assets of £9bn as at 31 December 2017.

d The Non-Core segment was closed on 1 July 2017 with the residual assets and liabilities reintegrated into, and associated financial performance subsequently reported in, Barclays UK, Barclays International and Head Office. Financial results up until 30 June 2017 are reflected in the Non-Core segment for 2017. Comparative results have not been restated.

e Other net income/(expenses) represents the share of post-tax results of associates and joint ventures, profit (or loss) on disposal of subsidiaries, associates and joint ventures, and gains on acquisitions.



Notes to the financial statements

Performance/return

3 Net interest income

Accounting for interest income and expenses

Interest income on loans and advances at amortised cost, and interest expense on financial liabilities held at amortised cost, are calculated using the effective interest method which allocates interest, and direct and incremental fees and costs, over the expected lives of the assets and liabilities.

The effective interest method requires the Barclays Group to estimate future cash flows, in some cases based on its experience of customers' behaviour, considering all contractual terms of the financial instrument, as well as the expected lives of the assets and liabilities.

Barclays Group incurs certain costs to originate credit card balances with the most significant being co-brand partner fees. To the extent these costs are attributed to customers that continuously carry an outstanding balance (revolvers), they are capitalised and subsequently included within the calculation of the effective interest rate. They are amortised to interest income over the period of expected repayment of the originated balance. Costs attributed to customers that settle their outstanding balances each period (transactors) are deferred on the balance sheet as a cost of obtaining a contract and amortised to fee and commission expense over the life of the customer relationship (refer to Note 4). There are no other individual estimates involved in the calculation of effective interest rates that are material to the results or financial position.

|                                               | 2018<br>£m | 2017<br>£m | 2016<br>£m |
|-----------------------------------------------|------------|------------|------------|
| Cash and balances at central banks            | 1,123      | 583        | 186        |
| Loans and advances at amortised cost          | 12,073     | 12,069     | 13,558     |
| Financial investments                         | —          | 754        | 740        |
| Fair value through other comprehensive income | 1,029      | —          | —          |
| Other                                         | 316        | 225        | 57         |
| Interest income                               | 14,541     | 13,631     | 14,541     |
| Deposits at amortised cost                    | (2,250)    | (1,493)    | (1,779)    |
| Debt securities in issue                      | (1,677)    | (915)      | (990)      |
| Subordinated liabilities                      | (1,223)    | (1,223)    | (1,104)    |
| Other                                         | (329)      | (155)      | (131)      |
| Interest expense                              | (5,479)    | (3,786)    | (4,004)    |
| Net interest income                           | 9,062      | 9,845      | 10,537     |

Interest income presented above represents interest revenue calculated using the effective interest method.

Costs to originate credit card balances of £596m (2017: £497m; 2016: £480m) have been amortised to interest income during the year.

Interest income includes £53m (2017: £48m; 2016: £75m) accrued on impaired loans.

Included in net interest income is hedge ineffectiveness as detailed in Note 14 amounting to £5m loss (2017: £43m loss; 2016: £71m gain).

4 Net fee and commission income

Accounting for net fee and commission income under IFRS 15 effective from 1 January 2018

The Barclays Group applies IFRS 15 *Revenue from Contracts with Customers*. The standard establishes a five-step model governing revenue recognition. The five-step model requires Barclays 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.

Barclays Group recognises fee and commission income charged for services provided by the Barclays Group as the services are provided, for example on completion of the underlying transaction.

Accounting for net fee and commission income under IAS 18 for 2017 and 2016

The Barclays Group applies IAS 18 *Revenue*. Fees and commissions charged for services provided or received by the Barclays Group are recognised as the services are provided, for example on completion of the underlying transaction.

Fee and commission income is disaggregated below by fee types that reflect the nature of the services offered across the Barclays Group and operating segments, in accordance with IFRS 15. It includes a total for fees in scope of IFRS 15. Refer to Note 2 for more detailed information about operating segments.

|                                             | 2018              |                              |                   |             |
|---------------------------------------------|-------------------|------------------------------|-------------------|-------------|
|                                             | Barclays UK<br>£m | Barclays International<br>£m | Head Office<br>£m | Total<br>£m |
| Fee type                                    |                   |                              |                   |             |
| Transactional                               | 1,102             | 2,614                        | —                 | 3,716       |
| Advisory                                    | 209               | 850                          | —                 | 1,059       |
| Brokerage and execution                     | 153               | 1,073                        | —                 | 1,226       |
| Underwriting and syndication                | —                 | 2,462                        | —                 | 2,462       |
| Other                                       | 78                | 207                          | 27                | 312         |
| Total revenue from contracts with customers | 1,542             | 7,206                        | 27                | 8,775       |
| Other non-contract fee income               | —                 | 118                          | —                 | 118         |
| Fee and commission income                   | 1,542             | 7,324                        | 27                | 8,893       |
| Fee and commission expense                  | (360)             | (1,707)                      | (17)              | (2,084)     |
| Net fee and commission income               | 1,182             | 5,617                        | 10                | 6,809       |





Notes to the financial statements

Performance/return

4 Net fee and commission income continued

Costs incurred in obtaining or fulfilling a contract

The Barclays Group expects that incremental costs of obtaining a contract such as success fee and commission fees paid are recoverable and therefore capitalised such contract costs in the amount of £125.4m at 31 December 2018.

Capitalised contract costs are amortised based on the transfer of services to which the asset relates which typically ranges over the expected life of the relationship. In 2018, the amount of amortisation was £30.4m and there was no impairment loss recognised in connection with the capitalised contract costs.

5 Net trading income

Accounting for net trading income

In accordance with IFRS 9, trading positions are held at fair value, and the resulting gains and losses are included in the income statement, together with interest and dividends arising from long and short positions and funding costs relating to trading activities.

Income arises from both the sale and purchase of trading positions, margins which are achieved through market making and customer business and from changes in fair value caused by movements in interest and exchange rates, equity prices and other market variables.

Gains or losses on non-trading financial instruments designated or mandatorily at fair value with changes in fair value recognised in the income statement are included in net trading income where the business model is to manage assets and liabilities on a fair value basis which includes use of derivatives or where an instrument is designated at fair value to eliminate an accounting mismatch and the related instrument's gain and losses are reported in trading income.

|                                                                | 2018<br>£m | 2017<br>£m | 2016<br>£m |
|----------------------------------------------------------------|------------|------------|------------|
| Net gains from financial instruments held for trading          | 3,292      | 2,388      | 2,426      |
| Net gains from financial instruments designated at fair value  | 267        | 1,112      | 377        |
| Net gains from financial instruments mandatorily at fair value | 1,007      | —          | —          |
| Own credit losses <sup>a</sup>                                 | —          | —          | (35)       |
| Net trading income                                             | 4,566      | 3,500      | 2,768      |

Note  
a Following the early adoption of the own credit provisions of IFRS 9 on 1 January 2017, own credit on financial liabilities designated at fair value through profit and loss, which was previously reported in income statement, is now recognised in other comprehensive income.

6 Net investment income

Accounting for net investment income

Dividends are recognised when the right to receive the dividend has been established. Other accounting policies relating to net investment income are set out in Note 13 and Note 15.

|                                                                                              | 2018<br>£m | 2017<br>£m | 2016<br>£m |
|----------------------------------------------------------------------------------------------|------------|------------|------------|
| Net gains from disposal of available for sale investments <sup>a</sup>                       | —          | 298        | 912        |
| Net gains from disposal of debt instruments at fair value through other comprehensive income | 158        | —          | —          |
| Dividend income                                                                              | 91         | 48         | 8          |
| Net gains from financial instruments designated at fair value <sup>b</sup>                   | —          | 338        | 158        |
| Net gains from financial instruments mandatorily at fair value                               | 226        | —          | —          |
| Other investment income                                                                      | 110        | 177        | 246        |
| Net investment income                                                                        | 585        | 861        | 1,324      |

Notes  
a Following the adoption of IFRS 9, available for sale classification is no longer applicable.  
b Following the adoption of IFRS 9, this category only includes financial assets designated at fair value to eliminate or reduce an accounting mismatch. The net gains on such instruments are recognised in net trading income which helps to reduce an income statement presentation mismatch.

7 Credit impairment charges and other provisions

Accounting for the impairment of financial assets under IFRS 9 effective from 1 January 2018

Impairment

The Barclays Group is required to recognise expected credit losses (ECLs) based on unbiased forward-looking information for all financial assets at amortised cost, lease receivables, debt financial assets at fair value through other comprehensive income, loan commitments and financial guarantee contracts.

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

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

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

Determining a significant increase in credit risk since initial recognition:

The Barclays Group assesses when a significant increase in credit risk has occurred based on quantitative and qualitative assessments. The credit risk of an exposure is considered to have significantly increased when:

i) Quantitative test

The annualised lifetime PD has increased by more than an agreed threshold relative to the equivalent at origination.

PD deterioration thresholds are defined as percentage increases, and are set at an origination score band and segment level to ensure the test appropriately captures significant increases in credit risk at all risk levels. Generally, thresholds are inversely correlated to the origination PD, i.e. as the origination PD increases, the threshold value reduces.

The assessment of the point at which a PD increase is deemed ‘significant’, is based upon analysis of the portfolios’ risk profile against a common set of principles and performance metrics (consistent across both retail and wholesale businesses), incorporating expert credit judgement where appropriate.

Wholesale assets apply a 100% increase in PD and 0.2% PD floor to determine a significant increase in credit risk.

Retail assets apply bespoke relative increase and absolute PD thresholds based on product type and origination PD. Thresholds are subject to maximums defined by Barclays Group policy and typically apply minimum relative thresholds of 50-100% and a maximum relative threshold of 400%.

For existing/historical exposures where origination point scores or data are no longer available or do not represent a comparable estimate of lifetime PD, a proxy origination score is defined, based upon:

- Back-population of the approved lifetime PD score either to origination date or, where this is not feasible, as far back as possible, (subject to a data start point no later than 1 January 2015); or
- Use of available historical account performance data and other customer information, to derive a comparable ‘proxy’ estimation of origination PD.

ii) Qualitative test

Relevant for accounts that meet the portfolio’s ‘high risk’ criteria and are subject to closer credit monitoring.

High risk customers may not be in arrears but either through an event or an observed behaviour exhibit credit distress. The definition and assessment of high risk includes as wide a range of information as reasonably available, such as industry and Group-wide customer level data, including but not limited to bureau scores and high consumer indebtedness index, 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

Relevant for accounts that are more than 30 calendar days past due. The 30 days past due criteria is a backstop rather than a primary driver of moving exposures into Stage 2.

Exposures will move back to Stage 1 once they no longer meet the criteria for a significant increase in credit risk. This means that, at minimum: all payments must be up-to-date, the PD deterioration test is no longer met, the account is no longer classified as high risk, and the customer has evidenced an ability to maintain future payments.

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

Notes to the financial statements

Performance/return

7 Credit impairment charges and other provisions continued

Forward-looking information

The measurement of ECL involves complexity and judgement, including estimation of PD, LGD, a range of unbiased future economic scenarios, estimation of expected lives (where contractual life is not appropriate), and estimation of EAD and assessing significant increases in credit risk.

Credit losses are the expected cash shortfalls from what is contractually due over the expected life of the financial instrument, discounted at the original effective interest rate (EIR). ECLs are the unbiased probability-weighted credit losses determined by evaluating a range of possible outcomes and considering future economic conditions.

Barclays Group uses a five-scenario model to calculate ECL. An external consensus forecast is assembled from key sources, including HM Treasury, Bloomberg and the Urban Land Institute, which forms the baseline scenario. In addition, two adverse scenarios (Downside 1 and Downside 2) and two favourable scenarios (Upside 1 and Upside 2) are derived, with associated probability weightings. The adverse scenarios are calibrated to a similar severity to internal stress tests, whilst also considering IFRS 9 specific sensitivities and non-linearity. Downside 2 is benchmarked to the Bank of England's annual cyclical scenarios and to the most severe scenario from Moody's inventory, but is not designed to be the same. The favourable scenarios are calibrated to be symmetric to the adverse scenarios, subject to a ceiling calibrated to relevant recent favourable benchmark scenarios. The scenarios include six economic core variables, (GDP, unemployment and House Price Index (HPI) in both the UK and US markets), and expanded variables using statistical models based on historical correlations. All five scenarios converge to a steady state after 8 years. The methodology for estimating probability weights for each of the scenarios involves a comparison of the distribution of key historic UK and US macroeconomic variables against the forecast paths of the five scenarios. The methodology works such that the baseline (reflecting current consensus outlook) has the highest weight and the weights of adverse and favourable scenarios depend on the deviation from the baseline; the further from the baseline, the smaller the weight. A single set of five scenarios is used across all portfolios and all five weights are normalised to equate to 100%. The impacts across the portfolios are different because of the sensitivities of each of the portfolios to specific macroeconomic variables, for example, mortgages are highly sensitive to house prices and base rates, credit cards and unsecured consumer loans are highly sensitive to unemployment.

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

The definition of default for the purpose of determining ECLs, and for internal credit risk management purposes, has been aligned to the Regulatory Capital CRR Article 178 definition of default, to maintain a consistent approach with IFRS 9 and associated regulatory guidance. The Regulatory Capital CRR Article 178 definition of default considers indicators that the debtor is unlikely to pay, includes exposures in forbearance and is no later than when the exposure is more than 90 days past due or 180 days past due in the case of UK mortgages. When exposures are identified as credit impaired or purchased or originated as such interest income is calculated on the carrying value net of the impairment allowance.

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

Uncollectable loans are written off against the related allowance for loan impairment on completion of the Barclays Group's internal processes and when all reasonably expected recoverable amounts have been collected. Subsequent recoveries of amounts previously written off are credited to the income statement. The timing and extent of write-offs may involve some element of subjective judgement. Nevertheless, a write-off will often be prompted by a specific event, such as the inception of insolvency proceedings or other formal recovery action, which makes it possible to establish that some or the entire advance is beyond realistic prospect of recovery.

Loan modifications and renegotiations that are not credit-impaired

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

Where terms are substantially different, the existing loan will be derecognised and a new loan will be recognised at fair value.

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

Expected life

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

Discounting

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



7 Credit impairment charges and other provisions continued

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

Forbearance

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

Both performing and non-performing forbearance assets are classified as Stage 3 except where it is established that the concession granted has not resulted in diminished financial obligation and that no other regulatory definition 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.

Accounting for the impairment of financial assets under IAS 39 for 2017 and 2016

Loans and other assets held at amortised cost

In accordance with IAS 39, the Barclays Group assesses at each balance sheet date whether there is objective evidence that loan assets will not be recovered in full and, wherever necessary, recognises an impairment loss in the income statement.

An impairment loss is recognised if there is objective evidence of impairment as a result of events that have occurred and these have adversely impacted the estimated future cash flows from the assets. These events include:

- becoming aware of significant financial difficulty of the issuer or obligor
- a breach of contract, such as a default or delinquency in interest or principal payments
- the Barclays Group, for economic or legal reasons relating to the borrower's financial difficulty, grants a concession that it would not otherwise consider
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation
- the disappearance of an active market for that financial asset because of financial difficulties
- observable data at a portfolio level indicating that there is a measurable decrease in the estimated future cash flows, although the decrease cannot yet be ascribed to individual financial assets in the portfolio – such as adverse changes in the payment status of borrowers in the portfolio or national or local economic conditions that correlate with defaults on the assets in the portfolio.

Impairment assessments are conducted individually for significant assets, which comprise all wholesale customer loans and larger retail business loans, and collectively for smaller loans and for portfolio level risks, such as country or sectoral risks. For the purposes of the assessment, loans with similar credit risk characteristics are grouped together – generally on the basis of their product type, industry, geographical location, collateral type, past due status and other factors relevant to the evaluation of expected future cash flows.

The impairment assessment includes estimating the expected future cash flows from the asset or the group of assets, which are then discounted using the original effective interest rate calculated for the asset. If this is lower than the carrying value of the asset or the portfolio, an impairment allowance is raised.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

Following impairment, interest income continues to be recognised at the original effective interest rate on the restated carrying amount, representing the unwind of the discount of the expected cash flows, including the principal due on non-accrual loans.

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



Notes to the financial statements

Performance/return

7 Credit impairment charges and other provisions continued

Available for sale financial assets

Impairment of available for sale debt instruments

Debt instruments are assessed for impairment in the same way as loans. If impairment is deemed to have occurred, the cumulative decline in the fair value of the instrument that has previously been recognised in the available for sale reserve is removed from reserves and recognised in the income statement. This may be reversed if there is evidence that the circumstances of the issuer have improved.

Impairment of available for sale equity instruments

Where there has been a prolonged or significant decline in the fair value of an equity instrument below its acquisition cost, it is deemed to be impaired. The cumulative net loss that has been previously recognised directly in the available for sale reserve is removed from reserves and recognised in the income statement.

Increases in the fair value of equity instruments after impairment are recognised directly in other comprehensive income. Further declines in the fair value of equity instruments after impairment are recognised in the income statement.

Critical accounting estimates and judgements

IFRS 9 impairment involves several important areas of judgement, including estimating forward looking modelled parameters (PD, LGD and EAD), developing a range of unbiased future economic scenarios, estimating expected lives and assessing significant increases in credit risk, based on the Barclays Group's experience of managing credit risk. The determination of expected life is most material for Barclays credit card portfolios which is obtained via behavioural life analysis. As a result, the expected life of credit card portfolios is currently modelled over 10 years, to materially capture the risk of these facilities.

Within the retail and small businesses portfolios, which comprise large numbers of small homogenous assets with similar risk characteristics where credit scoring techniques are generally used, the impairment allowance is calculated using forward looking modelled parameters which are typically run at account level. There are many models in use, each tailored to a product, line of business or customer category. Judgement and knowledge is needed in selecting the statistical methods to use when the models are developed or revised. The impairment allowance reflected in the financial statements for these portfolios is therefore considered to be reasonable and supportable. The impairment charge reflected in the income statement for retail portfolios is £1,689m (2017: £2,095m; 2016: £2,053m) of the total impairment charge on loans and advances.

For individually significant assets in Stage 3, impairment allowances are calculated on an individual basis and all relevant considerations that have a bearing on the expected future cash flows across a range of economic scenarios are taken into account. These considerations can be subjective and can include the business prospects for the customer, the realisable value of collateral, the Barclays Group's position relative to other claimants, the reliability of customer information and the likely cost and duration of the work-out process. The economic scenarios considered are the same as those used in the Group's ECL models. The level of the impairment allowance is the difference between the value of the discounted expected future cash flows (discounted at the loan's original effective interest rate), and its carrying amount. Furthermore, judgements change with time as new information becomes available or as work-out strategies evolve, resulting in frequent revisions to the impairment allowance as individual decisions are taken. Changes in these estimates would result in a change in the allowances and have a direct impact on the impairment charge. The impairment charge reflected in the financial statements in relation to wholesale portfolios is a release of £99m (2017: £238m; 2016: £299m) of the total impairment charge on loans and advances. Further information on impairment allowances, impairment charges and related credit information is set out within the Risk review on page 107.

|                                                                                  | 2018                     |                               |              | 2017 <sup>a</sup>        |                               |              | 2016 <sup>a</sup>        |                               |              |
|----------------------------------------------------------------------------------|--------------------------|-------------------------------|--------------|--------------------------|-------------------------------|--------------|--------------------------|-------------------------------|--------------|
|                                                                                  | Impairment charges<br>£m | Recoveries <sup>b</sup><br>£m | Total<br>£m  | Impairment charges<br>£m | Recoveries <sup>b</sup><br>£m | Total<br>£m  | Impairment charges<br>£m | Recoveries <sup>b</sup><br>£m | Total<br>£m  |
| Loans and advances                                                               | 1,785                    | (195)                         | 1,590        | 2,654                    | (334)                         | 2,320        | 2,708                    | (365)                         | 2,343        |
| Provision for undrawn contractually committed facilities and guarantees provided | (125)                    | –                             | (125)        | 13                       | –                             | 13           | 9                        | –                             | 9            |
| <b>Loans impairment</b>                                                          | <b>1,660</b>             | <b>(195)</b>                  | <b>1,465</b> | <b>2,667</b>             | <b>(334)</b>                  | <b>2,333</b> | <b>2,717</b>             | <b>(365)</b>                  | <b>2,352</b> |
| Cash collateral and settlement balances                                          | (1)                      | –                             | (1)          | –                        | –                             | –            | –                        | –                             | –            |
| Financial investments                                                            | –                        | –                             | –            | 3                        | –                             | 3            | 21                       | –                             | 21           |
| Financial instruments at fair value through other comprehensive income           | 4                        | –                             | 4            | –                        | –                             | –            | –                        | –                             | –            |
| <b>Credit impairment charges and other provisions</b>                            | <b>1,663</b>             | <b>(195)</b>                  | <b>1,468</b> | <b>2,670</b>             | <b>(334)</b>                  | <b>2,336</b> | <b>2,738</b>             | <b>(365)</b>                  | <b>2,373</b> |

Notes

a The comparatives for 2017 and 2016 are presented on an IAS 39 basis.

b Cash recoveries of previously written off amounts.

7 Credit impairment charges and other provisions continued

The movement in gross exposures and impairment allowance for loans and advances at amortised cost table under IFRS 9 is presented in the Credit risk section on page 107. The prior year comparative table for movement in allowance under IAS 39 is presented below.

|                                                  | At beginning<br>of year<br>£m | Acquisitions<br>and<br>disposals<br>£m | Unwind of<br>discount<br>£m | Exchange<br>and other<br>adjustments<br>£m | Amounts<br>written off<br>£m | Recoveries<br>£m | Amounts<br>charged to<br>income<br>statement<br>£m | Balance at<br>31 December<br>£m |
|--------------------------------------------------|-------------------------------|----------------------------------------|-----------------------------|--------------------------------------------|------------------------------|------------------|----------------------------------------------------|---------------------------------|
| 2017                                             |                               |                                        |                             |                                            |                              |                  |                                                    |                                 |
| Home loans                                       | 467                           | –                                      | (5)                         | (4)                                        | (29)                         | –                | 29                                                 | 458                             |
| Credit cards, unsecured and other retail lending | 3,060                         | –                                      | (43)                        | (223)                                      | (2,042)                      | 252              | 2,051                                              | 3,055                           |
| Corporate loans                                  | 1,093                         | (5)                                    | –                           | (13)                                       | (258)                        | 82               | 240                                                | 1,139                           |
| Total impairment allowance                       | 4,620                         | (5)                                    | (48)                        | (240)                                      | (2,329)                      | 334              | 2,320                                              | 4,652                           |

Write-offs subject to enforcement activity

The contractual amount outstanding on financial assets that were written off during the period ended 31 December 2018 and that are still subject to enforcement activity is £1,445m. This is lower than the write-offs presented in the movement in gross exposures and impairment allowance table due to post write-off recoveries.

Modification of financial assets

Financial assets with a loss allowance measured at an amount equal to lifetime ECL of £851m were subject to non-substantial modification during the period, with a resulting loss of £26m. The gross carrying amount at 31 December 2018 of financial assets for which the loss allowance has changed to a 12 month ECL during the year amounts to £114m.

8 Operating expenses

Accounting for staff costs

The Barclays Group applies IAS 19 *Employee benefits* in its accounting for most of the components of staff costs.

*Short-term employee benefits* – salaries, accrued performance costs and social security are recognised over the period in which the employees provide the services to which the payments relate.

*Performance costs* – recognised to the extent that the Barclays Group has a present obligation to its employees that can be measured reliably and are recognised over the period of service that employees are required to work to qualify for the payments.

Deferred cash and share awards are made to employees to incentivise performance over the period employees provide services. To receive payment under an award, employees must provide service over the vesting period. The period over which the expense for deferred cash and share awards is recognised is based upon the period employees consider their services contribute to the awards. For past awards, the Barclays Group considers that it is appropriate to recognise the awards over the period from the date of grant to the date that the awards vest. In relation to awards granted from 2017, the Barclays Group, taking into account the changing employee understanding surrounding those awards, considered it appropriate for expense to be recognised over the vesting period including the financial year prior to the grant date.

The accounting policies for share-based payments, and pensions and other post-retirement benefits are included in Note 32 and Note 33 respectively.

|                                                            | 2018<br>£m | 2017<br>£m | 2016<br>£m |
|------------------------------------------------------------|------------|------------|------------|
| Infrastructure costs                                       |            |            |            |
| Property and equipment                                     | 1,360      | 1,366      | 1,180      |
| Depreciation of property, plant and equipment              | 418        | 446        | 492        |
| Operating lease rentals                                    | 329        | 342        | 561        |
| Amortisation of intangible assets                          | 834        | 715        | 670        |
| Impairment of property, equipment and intangible assets    | 9          | 80         | 95         |
| Total infrastructure costs                                 | 2,950      | 2,949      | 2,998      |
| Administration and general costs                           |            |            |            |
| Consultancy, legal and professional fees <sup>a</sup>      | 729        | 1,064      | 782        |
| Subscriptions, publications, stationery and communications | 635        | 630        | 644        |
| Marketing, advertising and sponsorship                     | 495        | 433        | 435        |
| Travel and accommodation                                   | 153        | 150        | 136        |
| UK bank levy                                               | 269        | 365        | 410        |
| Other administration and general expenses <sup>a</sup>     | 176        | 98         | 147        |
| Total administration and general costs                     | 2,457      | 2,740      | 2,554      |
| Staff costs                                                | 8,629      | 8,560      | 9,423      |
| Provisions for litigation and conduct <sup>a</sup>         | 2,207      | 1,207      | 1,363      |
| Operating expenses                                         | 16,243     | 15,456     | 16,338     |

Note  
a The presentation of other costs has been amended to include litigation and conduct as a separate line item. The prior year comparatives within other cost categories have been adjusted accordingly.

Notes to the financial statements

Performance/return

9 Tax

Accounting for income taxes

The Barclays Group applies IAS 12 *Income Taxes* in accounting for taxes on income. Income tax payable on taxable profits (current tax) is recognised as an expense in the periods in which the profits arise. Withholding taxes are also treated as income taxes. Income tax recoverable on tax allowable losses is recognised as a current tax asset only to the extent that it is regarded as recoverable by offsetting against taxable profits arising in the current or prior periods. Current tax is measured using tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except in certain circumstances where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Deferred tax is determined using tax rates and legislation enacted or substantively enacted by the balance sheet date which are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets and liabilities are only offset when there is both a legal right to set-off and an intention to settle on a net basis.

The Barclays Group considers an uncertain tax position to exist when it considers that ultimately, in the future, the amount of profit subject to tax may be greater than the amount initially reflected in the Barclays Group's tax returns. The Barclays Group accounts for provisions in respect of uncertain tax positions in two different ways.

A current tax provision is recognised when it is considered probable that the outcome of a review by a tax authority of an uncertain tax position will alter the amount of cash tax due to, or from, a tax authority in the future. From recognition, the current tax provision is then measured at the amount the Barclays Group ultimately expects to pay the tax authority to resolve the position, taking into account any interest and penalties potentially payable to the tax authority.

Deferred tax provisions are adjustments made to the carrying value of deferred tax assets in respect of uncertain tax positions. A deferred tax provision is recognised when it is considered probable that the outcome of a review by a tax authority of an uncertain tax position will result in a reduction in the carrying value of the deferred tax asset. From recognition of a provision, measurement of the underlying deferred tax asset is adjusted to take into account the expected impact of resolving the uncertain tax position on the loss or temporary difference giving rise to the deferred tax asset.

The approach taken to measurement takes account of whether the uncertain tax position is a discrete position that will be reviewed by the tax authority in isolation from any other position, or one of a number of issues which are expected to be reviewed together concurrently and resolved simultaneously with a tax authority. Barclays Group's measurement of provisions is based upon its best estimate of the additional profit that will become subject to tax. For a discrete position, consideration is given only to the merits of that position. Where a number of issues are expected to be reviewed and resolved together, Barclays Group will take into account not only the merits of its position in respect of each particular issue but also the overall level of provision relative to the aggregate of the uncertain tax positions across all the issues that are expected to be resolved at the same time. In addition, in assessing provision levels, it is assumed that tax authorities will review uncertain tax positions and that all facts will be fully and transparently disclosed.

Critical accounting estimates and judgements

There are two key areas of judgement that impact the reported tax position. Firstly, the level of provisioning for uncertain tax positions; and secondly, the recognition and measurement of deferred tax assets.

The Barclays Group does not consider there to be a significant risk of a material adjustment to the carrying amount of current and deferred tax balances, including provisions for uncertain tax positions in the next financial year. The provisions for uncertain tax positions cover a diverse range of issues and reflect advice from external counsel where relevant. It should be noted that only a proportion of the total uncertain tax positions will be under audit at any point in time, and could therefore be subject to challenge by a tax authority over the next year.

Deferred tax assets have been recognised based on business profit forecasts. Details on the recognition of deferred tax assets is provided in this note.

|                                       | 2018<br>£m | 2017<br>£m | 2016<br>£m |
|---------------------------------------|------------|------------|------------|
| <b>Current tax charge/(credit)</b>    |            |            |            |
| Current year                          | 900        | 768        | 896        |
| Adjustments in respect of prior years | (214)      | 55         | (361)      |
|                                       | 686        | 823        | 535        |
| <b>Deferred tax charge/(credit)</b>   |            |            |            |
| Current year                          | 442        | 1,507      | 393        |
| Adjustments in respect of prior years | (6)        | (90)       | 65         |
|                                       | 436        | 1,417      | 458        |
| <b>Tax charge</b>                     | 1,122      | 2,240      | 993        |

9 Tax continued

The table below shows the reconciliation between the actual tax charge and the tax charge that would result from applying the standard UK corporation tax rate to the Barclays Group's profit before tax.

|                                                                                                                                                         | 2018<br>£m | 2018<br>% | 2017<br>£m | 2017<br>% | 2016<br>£m | 2016<br>% |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-----------|------------|-----------|------------|-----------|
| Profit before tax                                                                                                                                       | 3,494      |           | 3,541      |           | 3,230      |           |
| Tax charge based on the standard UK corporation tax rate of 19% (2017: 19.25%; 2016: 20%)                                                               | 664        | 19.0%     | 682        | 19.3%     | 646        | 20.0%     |
| Impact of profits/losses earned in territories with different statutory rates to the UK (weighted average tax rate is 21.9% (2017: 29.4%; 2016: 32.8%)) | 100        | 2.9%      | 356        | 10.1%     | 415        | 12.8%     |
| Recurring items:                                                                                                                                        |            |           |            |           |            |           |
| Non-creditable taxes including withholding taxes                                                                                                        | 156        | 4.5%      | 191        | 5.4%      | 277        | 8.6%      |
| Non-deductible expenses                                                                                                                                 | 81         | 2.3%      | 90         | 2.5%      | 114        | 3.5%      |
| Impact of UK bank levy being non-deductible                                                                                                             | 51         | 1.5%      | 70         | 2.0%      | 82         | 2.5%      |
| Tax adjustments in respect of share-based payments                                                                                                      | 17         | 0.5%      | 5          | 0.1%      | 34         | 1.1%      |
| Non-taxable gains and income                                                                                                                            | (245)      | (7.0%)    | (178)      | (5.0%)    | (199)      | (6.2%)    |
| Changes in recognition of deferred tax and effect of unrecognised tax losses                                                                            | (104)      | (3.0%)    | (71)       | (2.0%)    | (178)      | (5.5%)    |
| Impact of Barclays Bank PLC's overseas branches being taxed both locally and in the UK                                                                  | 16         | 0.5%      | (61)       | (1.7%)    | (128)      | (4.0%)    |
| Adjustments in respect of prior years                                                                                                                   | (220)      | (6.3%)    | (35)       | (1.0%)    | (296)      | (9.2%)    |
| Banking surcharge and other items                                                                                                                       | 167        | 4.8%      | 128        | 3.6%      | 88         | 2.7%      |
| Non-recurring items:                                                                                                                                    |            |           |            |           |            |           |
| Remeasurement of US deferred tax assets due to US tax rate reduction                                                                                    | –          | –         | 1,177      | 33.2%     | –          | –         |
| Impact of the UK branch exemption election on US branch deferred tax assets                                                                             | –          | –         | (276)      | (7.8%)    | –          | –         |
| Non-deductible provisions for UK customer redress                                                                                                       | 93         | 2.7%      | 129        | 3.6%      | 203        | 6.3%      |
| Non-deductible provisions for investigations and litigation                                                                                             | 346        | 9.9%      | 72         | 2.0%      | 48         | 1.5%      |
| Non-taxable gains and income on divestments                                                                                                             | –          | –         | (39)       | (1.1%)    | (180)      | (5.6%)    |
| Non-deductible impairments and losses on divestments                                                                                                    | –          | –         | –          | –         | 67         | 2.1%      |
| Total tax charge                                                                                                                                        | 1,122      | 32.1%     | 2,240      | 63.3%     | 993        | 30.7%     |

Factors driving the effective tax rate

The effective tax rate of 32.1% is higher than the UK corporation tax rate of 19% primarily due to profits earned outside the UK being taxed at local statutory tax rates that are higher than the UK tax rate, provisions for UK customer redress, investigations and litigation being non-deductible for tax purposes, non-creditable taxes and non-deductible expenses including UK bank levy. In addition, the UK profits of banking companies are subject to a surcharge. These factors, which have each increased the effective tax rate, are partially offset by the impact of non-taxable gains and income in the period, changes in the recognition of deferred tax, and the impact of adjustments in respect of prior years.

The Barclays Group's future tax charge will be sensitive to the geographic mix of profits earned and the tax rates in force in the jurisdictions that the Barclays Group operates in. In the UK, legislation to reduce the corporation tax rate to 17% from 1 April 2020 has been enacted.

Effective from 1 January 2019, a change in accounting standards requires the tax consequences of all payments on financial instruments that are classified as equity for accounting purposes, where those payments are considered to be a distribution of profit, to be included in the income statement tax charge. The Barclays Group currently includes the tax credit associated with deductions for payments made under Additional Tier 1 instruments as a movement in reserves. This accounting change will result in that tax credit being included in the income statement tax charge, and this will have the effect of reducing the Barclays Group's effective tax rate from 2019.

For illustrative purposes, if this future accounting approach had been applied in 2018, then, the tax credit on payments under Additional Tier 1 instruments would have reduced the Barclays Group's total income statement tax charge by £203m.

Tax in the consolidated statement of comprehensive income

The tax relating to each component of other comprehensive income can be found on page 206 in the consolidated statement of comprehensive income which includes within Other a tax credit of £30m (2017: £5m charge) on other items including share based payments.

Tax in respect of discontinued operation

Tax relating to the discontinued operation can be found in the BAGL disposal group income statement (refer to Note 41). The tax charge of £nil (2017: £154m) related entirely to the profit from the ordinary activities of the discontinued operation.

Notes to the financial statements

# Performance/return

9 Tax continued

Current tax assets and liabilities

Movements on current tax assets and liabilities were as follows:

|                                             | 2018<br>£m | 2017<br>£m |
|---------------------------------------------|------------|------------|
| Assets                                      | 482        | 561        |
| Liabilities                                 | (586)      | (737)      |
| As at 1 January                             | (104)      | (176)      |
| Income statement from continuing operations | (686)      | (823)      |
| Other comprehensive income                  | 321        | 93         |
| Corporate income tax paid                   | 548        | 708        |
| Other movements                             | 91         | 94         |
|                                             | 170        | (104)      |
| Assets                                      | 798        | 482        |
| Liabilities                                 | (628)      | (586)      |
| As at 31 December                           | 170        | (104)      |

Deferred tax assets and liabilities

The deferred tax amounts on the balance sheet were as follows:

|                                                | 2018<br>£m | 2017<br>£m |
|------------------------------------------------|------------|------------|
| Intermediate Holding Company ("IHC Tax Group") | 1,454      | 1,413      |
| US Branch Tax Group                            | 1,087      | 1,234      |
| UK Tax Group                                   | 861        | 492        |
| Other                                          | 426        | 318        |
| Deferred tax asset                             | 3,828      | 3,457      |
| Deferred tax liability                         | (51)       | (44)       |
| Net deferred tax                               | 3,777      | 3,413      |

US deferred tax assets in the IHC and US Branch Tax Groups

The deferred tax asset in the IHC Tax Group of £1,454m (2017: £1,413m) includes £220m (2017: £286m) relating to tax losses and the deferred tax asset in Barclays Bank PLC's US Branch Tax Group of £1,087m (2017: £1,234m) includes £167m (2017: £283m) relating to tax losses. Under US tax rules, losses occurring prior to 1 January 2018 can be carried forward and offset against profits for a period of 20 years. The losses first arose in 2011 in the IHC Tax Group and 2008 in the US Branch Tax Group and therefore, any unused amounts may begin to expire in 2031 and 2028 respectively. The remaining US deferred tax assets relate to temporary differences for which there is no time limit on recovery. The deferred tax assets for the IHC and the US Branch Tax Groups' tax losses are currently projected to be fully utilised by 2020.

UK Tax Group deferred tax asset

The deferred tax asset in the UK Tax Group of £861m (2017: £492m) relates entirely to temporary differences.

Other deferred tax assets

The deferred tax asset of £426m (2017: £318m) in other entities within the Barclays Group includes £142m (2017: £27m) relating to tax losses carried forward. These deferred tax assets relate to a number of different territories and their recognition is based on profit forecasts or local country law which indicate that it is probable that the losses and temporary differences will be utilised.

Of the deferred tax asset of £426m (2017: £318m), an amount of £247m (2017: £218m) relates to entities which have suffered a loss in either the current or prior year. This has been taken into account in reaching the above conclusion that these deferred tax assets will be fully recovered in the future.





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9 Tax continued

The table below shows movements on deferred tax assets and liabilities during the year. The amounts are different from those disclosed on the balance sheet and in the preceding table as they are presented before offsetting asset and liability balances where there is a legal right to set-off and an intention to settle on a net basis.

|                                | Fixed asset<br>timing<br>differences<br>£m | Fair value<br>through<br>other<br>compre-<br>hensive<br>income<br>£m | Cash flow<br>hedges<br>£m | Retirement<br>benefit<br>obligations<br>£m | Loan<br>impairment<br>allowance<br>£m | Other<br>provisions<br>£m | Tax losses<br>carried<br>forward<br>£m | Share-<br>based<br>payments<br>and<br>deferred<br>compensation<br>£m | Other<br>£m | Total<br>£m |
|--------------------------------|--------------------------------------------|----------------------------------------------------------------------|---------------------------|--------------------------------------------|---------------------------------------|---------------------------|----------------------------------------|----------------------------------------------------------------------|-------------|-------------|
| Assets <sup>a</sup>            | 1,266                                      | 200                                                                  | 1                         | 52                                         | 735                                   | 157                       | 596                                    | 384                                                                  | 1,362       | 4,753       |
| Liabilities                    | (28)                                       | (161)                                                                | (76)                      | (218)                                      | —                                     | —                         | —                                      | —                                                                    | (230)       | (713)       |
| At 1 January 2018 <sup>a</sup> | 1,238                                      | 39                                                                   | (75)                      | (166)                                      | 735                                   | 157                       | 596                                    | 384                                                                  | 1,132       | 4,040       |
| Income statement               | (14)                                       | (8)                                                                  | 7                         | (120)                                      | (84)                                  | (62)                      | (103)                                  | (26)                                                                 | (26)        | (436)       |
| Other comprehensive income     | —                                          | 108                                                                  | 96                        | (98)                                       | (48)                                  | 8                         | 1                                      | (13)                                                                 | (7)         | 47          |
| Other movements                | 52                                         | 6                                                                    | 1                         | (5)                                        | (2)                                   | 9                         | 35                                     | 14                                                                   | 16          | 126         |
|                                | 1,276                                      | 145                                                                  | 29                        | (389)                                      | 601                                   | 112                       | 529                                    | 359                                                                  | 1,115       | 3,777       |
| Assets                         | 1,292                                      | 180                                                                  | 39                        | 46                                         | 601                                   | 112                       | 529                                    | 359                                                                  | 1,377       | 4,535       |
| Liabilities                    | (16)                                       | (35)                                                                 | (10)                      | (435)                                      | —                                     | —                         | —                                      | —                                                                    | (262)       | (758)       |
| At 31 December 2018            | 1,276                                      | 145                                                                  | 29                        | (389)                                      | 601                                   | 112                       | 529                                    | 359                                                                  | 1,115       | 3,777       |
| Assets                         | 1,801                                      | 183                                                                  | —                         | 91                                         | 151                                   | 251                       | 503                                    | 732                                                                  | 2,013       | 5,725       |
| Liabilities                    | (92)                                       | (141)                                                                | (333)                     | —                                          | —                                     | —                         | —                                      | —                                                                    | (319)       | (885)       |
| At 1 January 2017              | 1,709                                      | 42                                                                   | (333)                     | 91                                         | 151                                   | 251                       | 503                                    | 732                                                                  | 1,694       | 4,840       |
| Income statement               | (353)                                      | —                                                                    | —                         | (322)                                      | (38)                                  | (69)                      | 131                                    | (307)                                                                | (459)       | (1,417)     |
| Other comprehensive income     | —                                          | (3)                                                                  | 262                       | 49                                         | —                                     | —                         | —                                      | (22)                                                                 | 22          | 308         |
| Other movements                | (118)                                      | —                                                                    | (4)                       | 16                                         | (5)                                   | (25)                      | (38)                                   | (19)                                                                 | (125)       | (318)       |
|                                | 1,238                                      | 39                                                                   | (75)                      | (166)                                      | 108                                   | 157                       | 596                                    | 384                                                                  | 1,132       | 3,413       |
| Assets                         | 1,266                                      | 200                                                                  | 1                         | 52                                         | 108                                   | 157                       | 596                                    | 384                                                                  | 1,362       | 4,126       |
| Liabilities                    | (28)                                       | (161)                                                                | (76)                      | (218)                                      | —                                     | —                         | —                                      | —                                                                    | (230)       | (713)       |
| At 31 December 2017            | 1,238                                      | 39                                                                   | (75)                      | (166)                                      | 108                                   | 157                       | 596                                    | 384                                                                  | 1,132       | 3,413       |

Note  
a Following the adoption of IFRS 9 and IFRS 15 on 1 January 2018, additional deferred tax assets of £627m were recognised. Refer to Note 42 for further information.

Other movements include the impact of changes in foreign exchange rates as well as deferred tax amounts relating to acquisitions and disposals.

The amount of deferred tax liability expected to be settled after more than 12 months is £635m (2017: £522m). The amount of deferred tax assets expected to be recovered after more than 12 months is £3,703m (2017: £3,399m). These amounts are before offsetting asset and liability balances where there is a legal right to set-off and an intention to settle on a net basis.

Unrecognised deferred tax  
Tax losses and temporary differences

Deferred tax assets have not been recognised in respect of gross deductible temporary differences of £175m (2017: £157m), unused tax credits of £198m (2017: £546m), and gross tax losses of £16,313m (2017: £17,919m). The tax losses include capital losses of £3,225m (2017: £3,126m). Of these tax losses, £240m (2017: £409m) expire within five years, £259m (2017: £193m) expire within six to ten years, £948m (2017: £2,016m) expire within 11 to 20 years and £14,866m (2017: £15,301m) can be carried forward indefinitely. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits and gains will be available against which they can be utilised.

Group investments in subsidiaries, branches and associates

Deferred tax is not recognised in respect of the value of the Barclays Group's investments in subsidiaries, branches and associates where the Barclays Group is able to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. The aggregate amount of these temporary differences for which deferred tax liabilities have not been recognised was £0.6bn (2017: £0.1bn).

Notes to the financial statements

Performance/return

10 Earnings per share

|                                                                                                                                                                  | 2018<br>£m | 2017<br>£m | 2016<br>£m |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|------------|
| Profit/(loss) attributable to ordinary equity holders of the parent in respect of continuing and discontinued operations                                         | 1,394      | (1,922)    | 1,623      |
| Tax credit on profit after tax attributable to other equity instrument holders                                                                                   | 203        | 174        | 128        |
| Total profit/(loss) attributable to ordinary equity holders of the parent in respect of continuing and discontinued operations                                   | 1,597      | (1,748)    | 1,751      |
| Continuing operations                                                                                                                                            |            |            |            |
| Profit attributable to ordinary equity holders of the parent in respect of continuing operations                                                                 | 1,394      | 413        | 1,434      |
| Tax credit on profit after tax attributable to other equity instrument holders                                                                                   | 203        | 174        | 128        |
| Profit attributable to equity holders of the parent in respect of continuing operations                                                                          | 1,597      | 587        | 1,562      |
| Discontinued operation                                                                                                                                           |            |            |            |
| (Loss)/profit attributable to ordinary equity holders of the parent in respect of discontinued operations                                                        | –          | (2,335)    | 189        |
| Dilutive impact of convertible options in respect of discontinued operations                                                                                     | –          | –          | (1)        |
| (Loss)/profit attributable to equity holders of the parent in respect of discontinued operations including dilutive impact of convertible options                | –          | (2,335)    | 188        |
| Profit/(loss) attributable to equity holders of the parent in respect of continuing and discontinued operations including dilutive impact of convertible options | 1,597      | (1,748)    | 1,750      |

|                                                  | 2018<br>million | 2017<br>million | 2016<br>million |
|--------------------------------------------------|-----------------|-----------------|-----------------|
| Basic weighted average number of shares in issue | 17,075          | 16,996          | 16,860          |
| Number of potential ordinary shares              | 308             | 288             | 184             |
| Diluted weighted average number of shares        | 17,383          | 17,284          | 17,044          |

|                                                                         | Basic earnings per share |           |           | Diluted earnings per share |           |           |
|-------------------------------------------------------------------------|--------------------------|-----------|-----------|----------------------------|-----------|-----------|
|                                                                         | 2018<br>p                | 2017<br>p | 2016<br>p | 2018<br>p                  | 2017<br>p | 2016<br>p |
| Earnings/(loss) per ordinary share                                      | 9.4                      | (10.3)    | 10.4      | 9.2                        | (10.1)    | 10.3      |
| Earnings per ordinary share in respect of continuing operations         | 9.4                      | 3.5       | 9.3       | 9.2                        | 3.4       | 9.2       |
| (Loss)/earnings per ordinary share in respect of discontinued operation | –                        | (13.8)    | 1.1       | –                          | (13.5)    | 1.1       |

The calculation of basic earnings per share is based on the profit attributable to equity holders of the parent and the basic weighted average number of shares excluding treasury shares held in employee benefit trusts or held for trading. When calculating the diluted earnings per share, the weighted average number of shares in issue is adjusted for the effects of all dilutive potential ordinary shares held in respect of Barclays PLC, totalling 308m (2017: 288m) shares. The total number of share options outstanding, under schemes considered to be potentially dilutive, was 544m (2017: 534m). These options have strike prices ranging from £1.20 to £2.27.

Of the total number of employee share options and share awards at 31 December 2018, 43m (2017: 10m) were anti-dilutive.

The 79m (2017: 136m) increase in the basic weighted average number of shares since 31 December 2017 to 17,075m is primarily due to shares issued under employee share schemes and the Scrip Dividend Programme.

11 Dividends on ordinary shares

The Directors have approved a total dividend in respect of 2018 of 6.5p per ordinary share of 25p each. The remaining full year dividend for 2018 of 4.0p per ordinary share will be paid on 5 April 2019 to shareholders on the Share Register on 1 March 2019 following the 2.5p half year dividend paid in September. On 31 December 2018, there were 17,133m ordinary shares in issue. The financial statements for the year ended 31 December 2018 does not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained profits in the year ending 31 December 2019. The 2018 financial statements include the 2018 half year dividend of £427m (2017: £170m) and a final dividend declared in relation to 2017 of £341m (2017: £339m). Dividends are funded out of distributable reserves.

Notes to the financial statements

Assets and liabilities held at fair value

The notes included in this section focus on assets and liabilities the Barclays Group holds and recognises at fair value. Fair value refers to the price that would be received to sell an asset or the price that would be paid to transfer a liability in an arm's-length transaction with a willing counterparty, which may be an observable market price or, where there is no quoted price for the instrument, may be an estimate based on available market data. Detail regarding the Barclays Group's approach to managing market risk can be found on page 130.

12 Trading portfolio

Accounting for trading portfolio assets and liabilities

In accordance with IFRS 9, all assets and liabilities held for trading purposes are held at fair value with gains and losses in the changes in fair value taken to the income statement in net trading income (Note 5).

|                                          | Trading portfolio assets |            | Trading portfolio liabilities |            |
|------------------------------------------|--------------------------|------------|-------------------------------|------------|
|                                          | 2018<br>£m               | 2017<br>£m | 2018<br>£m                    | 2017<br>£m |
| Debt securities and other eligible bills | 57,283                   | 51,200     | (25,394)                      | (29,045)   |
| Equity securities                        | 39,565                   | 59,338     | (12,488)                      | (8,306)    |
| Traded loans                             | 7,234                    | 3,140      | —                             | —          |
| Commodities                              | 105                      | 82         | —                             | —          |
| Trading portfolio assets/(liabilities)   | 104,187                  | 113,760    | (37,882)                      | (37,351)   |

13 Financial assets at fair value through the income statement

Accounting for financial assets mandatorily at fair value

Financial assets that are held for trading are recognised at fair value through profit or loss. In addition, financial assets are held at fair value through profit or loss if they do not contain contractual terms that give rise on specified dates to cash flows that are SPPI, or if the financial asset is not held in a business model that is either (i) a business model to collect the contractual cash flows or (ii) a business model that is achieved by both collecting contractual cash flows and selling.

Accounting for financial assets designated at fair value

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

Subsequent changes in fair value for these instruments are recognised in the income statement in net investment income, except if reporting it in trading income reduces an accounting mismatch.

The details on how the fair value amounts are derived for financial assets at fair value are described in Note 17.

|                                                                 | Designated at fair value |            | Mandatorily at fair value |            | Total      |            |
|-----------------------------------------------------------------|--------------------------|------------|---------------------------|------------|------------|------------|
|                                                                 | 2018<br>£m               | 2017<br>£m | 2018<br>£m                | 2017<br>£m | 2018<br>£m | 2017<br>£m |
| Loans and advances                                              | 5,267                    | 11,037     | 14,257                    | —          | 19,524     | 11,037     |
| Debt securities                                                 | 3,855                    | 15         | 667                       | —          | 4,522      | 15         |
| Equity securities                                               | —                        | 4,670      | 6,019                     | —          | 6,019      | 4,670      |
| Reverse repurchase agreements and other similar secured lending | 106                      | 100,040    | 118,935                   | —          | 119,041    | 100,040    |
| Other financial assets                                          | —                        | 519        | 542                       | —          | 542        | 519        |
| Financial assets at fair value through the income statement     | 9,228                    | 116,281    | 140,420                   | —          | 149,648    | 116,281    |

Credit risk of loans and advances designated at fair value and related credit derivatives

The following table shows the maximum exposure to credit risk, the changes in fair value attributable to changes in credit risk, and the cumulative changes in fair value since initial recognition together with the amount by which related credit derivatives mitigate this risk:

|                                                                          | Maximum exposure as at<br>31 December |            | Changes in fair value during<br>the year ended |            | Cumulative changes in fair<br>value from inception |            |
|--------------------------------------------------------------------------|---------------------------------------|------------|------------------------------------------------|------------|----------------------------------------------------|------------|
|                                                                          | 2018<br>£m                            | 2017<br>£m | 2018<br>£m                                     | 2017<br>£m | 2018<br>£m                                         | 2017<br>£m |
| Loans and advances designated at fair value, attributable to credit risk | 5,267                                 | 11,037     | 4                                              | 10         | (35)                                               | 2          |
| Value mitigated by related credit derivatives                            | —                                     | 256        | —                                              | 1          | —                                                  | (12)       |

Notes to the financial statements

Assets and liabilities held at fair value

14 Derivative financial instruments

Accounting for derivatives

Derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices defined in the contract. They include swaps, forward-rate agreements, futures, options and combinations of these instruments and primarily affect the Barclays Group's net interest income, net trading income and derivative assets and liabilities. Notional amounts of the contracts are not recorded on the balance sheet. Derivatives are used to hedge interest rate, exchange rate, commodity, and equity exposures and exposures to certain indices such as house price indices and retail price indices related to non-trading positions.

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

Hedge accounting

The Barclays Group applies the requirements of IAS 39 Financial Instruments: Recognition and Measurement for hedge accounting purposes. The Barclays Group applies hedge accounting to represent the economic effects of its interest rate, currency and contractually linked inflation 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 Group applies fair value hedge accounting, cash flow hedge accounting, or hedging of a net investment in a foreign operation, 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. For items classified as fair value through other comprehensive income, the hedge accounting adjustment is included in other comprehensive income.

Cash flow hedge accounting

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

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

Hedges of net investments

The Barclays Group's net investments in foreign operations, including monetary items accounted for as part of the net investment, are hedged for foreign currency risks using both derivatives and foreign currency borrowings. Hedges of net investments are accounted for similarly to cash flow hedges; the effective portion of the gain or loss on the hedging instrument is being recognised directly in other comprehensive income and the ineffective portion being recognised immediately in the income statement. The cumulative gain or loss recognised in other comprehensive income is recognised in the income statement on the disposal or partial disposal of the foreign operation, or other reductions in the Barclays Group's investment in the operation.

| Total derivatives                                              | 2018                                 |            |             | 2017                                 |            |             |
|----------------------------------------------------------------|--------------------------------------|------------|-------------|--------------------------------------|------------|-------------|
|                                                                | Notional<br>contract<br>amount<br>£m | Fair value |             | Notional<br>contract<br>amount<br>£m | Fair value |             |
|                                                                |                                      | Assets     | Liabilities |                                      | Assets     | Liabilities |
|                                                                |                                      | £m         | £m          |                                      | £m         | £m          |
| Total derivative assets/(liabilities) held for trading         | 44,193,753                           | 222,384    | (219,578)   | 35,686,673                           | 237,504    | (237,236)   |
| Total derivative assets/(liabilities) held for risk management | 180,202                              | 154        | (65)        | 231,348                              | 165        | (1,109)     |
| Derivative assets/(liabilities)                                | 44,373,955                           | 222,538    | (219,643)   | 35,918,021                           | 237,669    | (238,345)   |

Further information on netting arrangements of derivative financial instruments can be found within Note 18.

Trading derivatives are managed within the Barclays Group's market risk management policies, which are outlined on page 93.

The Barclays Group's exposure to credit risk arising from derivative contracts are outlined in the Credit risk section on page 104 to 129.



14 Derivative financial instruments continued

The fair values and notional amounts of derivative instruments held for trading are set out in the following table:

| Derivatives held for trading                                       | 2018                           |              |                   | 2017                           |              |                   |
|--------------------------------------------------------------------|--------------------------------|--------------|-------------------|--------------------------------|--------------|-------------------|
|                                                                    | Notional contract amount<br>£m | Fair value   |                   | Notional contract amount<br>£m | Fair value   |                   |
|                                                                    |                                | Assets<br>£m | Liabilities<br>£m |                                | Assets<br>£m | Liabilities<br>£m |
| Foreign exchange derivatives                                       |                                |              |                   |                                |              |                   |
| Forward foreign exchange                                           | 3,460,364                      | 32,575       | (33,051)          | 3,131,184                      | 26,534       | (26,177)          |
| Currency swaps                                                     | 1,180,559                      | 27,184       | (26,031)          | 1,098,587                      | 23,675       | (22,003)          |
| OTC options bought and sold                                        | 552,838                        | 4,259        | (4,805)           | 506,156                        | 4,056        | (4,665)           |
| OTC derivatives                                                    | 5,193,761                      | 64,018       | (63,887)          | 4,735,927                      | 54,265       | (52,845)          |
| Foreign exchange derivatives cleared by central counterparty       | 72,526                         | 163          | (233)             | 59,618                         | 607          | (585)             |
| Exchange traded futures and options – bought and sold              | 23,585                         | 7            | (7)               | 24,266                         | 30           | (30)              |
| Foreign exchange derivatives                                       | 5,289,872                      | 64,188       | (64,127)          | 4,819,811                      | 54,902       | (53,460)          |
| Interest rate derivatives                                          |                                |              |                   |                                |              |                   |
| Interest rate swaps                                                | 7,333,917                      | 102,613      | (96,394)          | 5,680,977                      | 121,560      | (112,187)         |
| Forward-rate agreements                                            | 342,883                        | 171          | (306)             | 268,277                        | 87           | (88)              |
| OTC options bought and sold                                        | 2,292,525                      | 20,922       | (22,589)          | 2,384,453                      | 27,235       | (29,635)          |
| OTC derivatives                                                    | 9,969,325                      | 123,706      | (119,289)         | 8,333,707                      | 148,882      | (141,910)         |
| Interest rate derivatives cleared by central counterparty          | 16,083,853                     | 1,056        | (1,016)           | 13,215,545                     | 3,675        | (3,390)           |
| Exchange traded futures and options – bought and sold              | 11,087,714                     | 356          | (323)             | 7,644,560                      | 362          | (358)             |
| Interest rate derivatives                                          | 37,140,892                     | 125,118      | (120,628)         | 29,193,812                     | 152,919      | (145,658)         |
| Credit derivatives                                                 |                                |              |                   |                                |              |                   |
| OTC swaps                                                          | 386,508                        | 6,575        | (5,239)           | 411,160                        | 7,595        | (6,233)           |
| Credit derivatives cleared by central counterparty                 | 372,567                        | 4,180        | (4,280)           | 303,841                        | 4,954        | (5,319)           |
| Credit derivatives                                                 | 759,075                        | 10,755       | (9,519)           | 715,001                        | 12,549       | (11,552)          |
| Equity and stock index derivatives                                 |                                |              |                   |                                |              |                   |
| OTC options bought and sold                                        | 57,840                         | 4,542        | (7,719)           | 58,456                         | 5,262        | (9,591)           |
| Equity swaps and forwards                                          | 132,656                        | 5,169        | (4,111)           | 103,283                        | 2,235        | (5,478)           |
| OTC derivatives                                                    | 190,496                        | 9,711        | (11,830)          | 161,739                        | 7,497        | (15,069)          |
| Exchange traded futures and options – bought and sold              | 692,435                        | 11,171       | (12,066)          | 632,662                        | 7,201        | (9,050)           |
| Equity and stock index derivatives                                 | 882,931                        | 20,882       | (23,896)          | 794,401                        | 14,698       | (24,119)          |
| Commodity derivatives                                              |                                |              |                   |                                |              |                   |
| OTC options bought and sold                                        | 1,648                          | 26           | (34)              | 4,465                          | 32           | (103)             |
| Commodity swaps and forwards                                       | 8,108                          | 495          | (374)             | 12,755                         | 662          | (753)             |
| OTC derivatives                                                    | 9,756                          | 521          | (408)             | 17,220                         | 694          | (856)             |
| Exchange traded futures and options – bought and sold              | 111,227                        | 920          | (1,000)           | 146,428                        | 1,742        | (1,591)           |
| Commodity derivatives                                              | 120,983                        | 1,441        | (1,408)           | 163,648                        | 2,436        | (2,447)           |
| Derivative assets/(liabilities) held for trading                   | 44,193,753                     | 222,384      | (219,578)         | 35,686,673                     | 237,504      | (237,236)         |
| Total OTC derivatives held for trading                             | 15,749,846                     | 204,531      | (200,653)         | 13,659,753                     | 218,933      | (216,913)         |
| Total derivatives cleared by central counterparty held for trading | 16,528,946                     | 5,399        | (5,529)           | 13,579,004                     | 9,236        | (9,294)           |
| Total exchange traded derivatives held for trading                 | 11,914,961                     | 12,454       | (13,396)          | 8,447,916                      | 9,335        | (11,029)          |
| Derivative assets/(liabilities) held for trading                   | 44,193,753                     | 222,384      | (219,578)         | 35,686,673                     | 237,504      | (237,236)         |



Notes to the financial statements

Assets and liabilities held at fair value

14 Derivative financial instruments continued

The fair values and notional amounts of derivative instruments held for risk management are set out in the following table:

| Derivatives held for risk management                                       | 2018                           |              |                   | 2017                           |              |                   |
|----------------------------------------------------------------------------|--------------------------------|--------------|-------------------|--------------------------------|--------------|-------------------|
|                                                                            | Notional contract amount<br>£m | Fair value   |                   | Notional contract amount<br>£m | Fair value   |                   |
|                                                                            |                                | Assets<br>£m | Liabilities<br>£m |                                | Assets<br>£m | Liabilities<br>£m |
| Derivatives designated as cash flow hedges                                 |                                |              |                   |                                |              |                   |
| Interest rate swaps                                                        | 2,075                          | 11           | (6)               | 1,482                          | 7            | (3)               |
| Interest rate derivatives cleared by central counterparty                  | 73,314                         | –            | –                 | 122,103                        | –            | –                 |
| Derivatives designated as cash flow hedges                                 | 75,389                         | 11           | (6)               | 123,585                        | 7            | (3)               |
| Derivatives designated as fair value hedges                                |                                |              |                   |                                |              |                   |
| Interest rate swaps                                                        | 2,065                          | 143          | (49)              | 7,345                          | 117          | (1,096)           |
| Interest rate derivatives cleared by central counterparty                  | 99,780                         | –            | –                 | 97,436                         | –            | –                 |
| Derivatives designated as fair value hedges                                | 101,845                        | 143          | (49)              | 104,781                        | 117          | (1,096)           |
| Derivatives designated as hedges of net investments                        |                                |              |                   |                                |              |                   |
| Forward foreign exchange                                                   | 2,968                          | –            | (10)              | 2,982                          | 41           | (10)              |
| Derivatives designated as hedges of net investments                        | 2,968                          | –            | (10)              | 2,982                          | 41           | (10)              |
| Derivative assets/(liabilities) held for risk management                   | 180,202                        | 154          | (65)              | 231,348                        | 165          | (1,109)           |
| Total OTC derivatives held for risk management                             | 7,108                          | 154          | (65)              | 11,809                         | 165          | (1,109)           |
| Total derivatives cleared by central counterparty held for risk management | 173,094                        | –            | –                 | 219,539                        | –            | –                 |
| Derivative assets/(liabilities) held for risk management                   | 180,202                        | 154          | (65)              | 231,348                        | 165          | (1,109)           |

The Barclays Group has hedged the following forecast cash flows, which primarily vary with interest rates. These cash flows are expected to impact the income statement in the following periods, excluding any hedge adjustments that may be applied:

|                                | Total<br>£m | Up to<br>one year<br>£m | One to<br>two years<br>£m | Two to<br>three years<br>£m | Three to<br>four years<br>£m | Four to<br>five years<br>£m | More than<br>five years<br>£m |
|--------------------------------|-------------|-------------------------|---------------------------|-----------------------------|------------------------------|-----------------------------|-------------------------------|
| 2018                           |             |                         |                           |                             |                              |                             |                               |
| Forecast receivable cash flows | 2,599       | 685                     | 717                       | 536                         | 346                          | 200                         | 115                           |
| 2017                           |             |                         |                           |                             |                              |                             |                               |
| Forecast receivable cash flows | 2,671       | 484                     | 584                       | 561                         | 416                          | 305                         | 321                           |

The maximum length of time over which the Barclays Group hedges exposure to the variability in future cash flows for forecast transactions, excluding those forecast transactions related to the payment of variable interest on existing financial instruments is 10 years (2017: 10 years).

|                                                                    | 2018<br>£m | 2017<br>£m |
|--------------------------------------------------------------------|------------|------------|
| Amounts recognised in net interest income                          |            |            |
| (Losses)/gains on the hedged items attributable to the hedged risk | (163)      | 550        |
| Gains/(losses) on the hedging instruments                          | 164        | (460)      |
| Fair value ineffectiveness                                         | 1          | 90         |
| Cash flow hedging ineffectiveness                                  | (5)        | (135)      |
| Net investment hedging ineffectiveness                             | (1)        | 2          |

Gains and losses transferred from the cash flow hedging reserve to the income statement included a £332m gain (2017: £632m gain) to interest expense.



14 Derivative financial instruments continued

Hedge accounting

Hedge accounting is applied predominantly for the following risks:

- (i) Interest rate risk – predominantly arises due to a mismatch between fixed interest rates and floating interest rates. Interest rate risk also includes exposure to inflation risk for certain types of investments.
- (ii) Currency risk – arises due to assets or liabilities being denominated in different currencies than the functional currency of the relevant entity. At a consolidated level, currency risk also arises when the functional currency of subsidiaries are different from the parent.
- (iii) Contractually linked Inflation risk – arises from financial instruments within contractually specified inflation risk. The Barclays Group does not hedge inflation risk that arises from other activities.

In order to hedge the risks to which the Barclays Group is exposed, the hedging instruments employed are interest rate swaps, inflation swaps, currency swaps and foreign currency debt to:

- (i) Swap fixed interest rate exposures into variable rates.
- (ii) Swap variable interest rate exposures into fixed rates.
- (iii) Swap inflation exposure into either fixed or variable interest rates.
- (iv) Swap foreign currency net investment exposure to local currency.

The hedging instruments share the same risk exposures as the hedged items, being interest rate risk, inflation risk and foreign currency risk. Hedge effectiveness is assessed with reference to the shared risks, but to the extent hedging instruments are exposed to different risks than the hedged items, this could result in hedge ineffectiveness or hedge accounting failures.

In some cases, certain items which are economically hedged may be ineligible hedged items for the purposes of IAS 39, such as core deposits and equity. In these instances, a proxy hedging solution can be utilised whereby portfolios of floating rate assets are designated as eligible hedged items in cash flow hedges.

The ratio between the hedged item and the hedging instruments is typically determined with reference to the sensitivity of the hedged item, on designation to the risk factor, compared to that of the hedging instrument. In many cases the ratio is 100%.

In some hedging relationships, the Barclays Group would designate risk components of hedged items as follows:

- (i) Benchmark interest rate risk as a component of interest rate risk, such as the LIBOR component.
- (ii) Inflation risk as a contractually specified component of a debt instrument.
- (iii) Spot exchange rate risk for foreign currency financial assets or financial liabilities.
- (iv) Components of cash flows of hedged items, for example certain interest payments for part of the life of an instrument.

Using the benchmark interest rate risk results in other risks such as credit risk and liquidity risk being excluded from the hedge accounting relationship. LIBOR is considered the predominant interest rate risk and therefore the hedged items change in fair value on a fully proportionate basis with reference to this risk.

For disclosures of the extent of risk exposures that the Barclays Group manages, refer to the Risk review section.

In respect of many of the Barclays Group's hedge accounting relationships, the hedged item and hedging instrument change frequently due to the dynamic nature of the risk management and hedge accounting strategy.

The Barclays risk management strategy is to hedge interest rate risk with interest rate derivatives (predominantly interest rate swaps), currency risk with currency derivatives and inflation risk with inflation derivatives. The interest rate risk management strategy is to reduce Barclays' exposure to interest rate risk to within approved risk limits.

The Barclays Group applies hedge accounting to dynamic scenarios, predominantly in relation to interest rate risk, with a combination of hedged items (some hedged items are designated by proxy) in order for its financial statements to reflect as closely as possible the economic risk management undertaken. Hedge relationships are analysed and rebalanced on a daily basis. In some cases, if the hedge accounting objective changes, the relevant hedge accounting relationship is de-designated; in some cases, a de-designated relationship is replaced with a different hedge accounting relationship.

Changes in the GBP value of net investments due to foreign currency movements are captured in the currency translation reserve, resulting in a movement in CET1 capital. The Barclays Group's strategy is to minimise the volatility of the capital ratios caused by foreign exchange movements, by matching the CET1 capital movements to the revaluation of the Barclays Group's foreign currency RWA exposures. Net investment hedges are designated where necessary to reduce the exposure to movement in a particular exchange rate to within mandated limits. As far as possible, existing external currency liabilities are designated as the hedging instruments. Hedging relationships are reviewed, and adjusted if necessary, at least once a month.

Sources of ineffectiveness affecting hedge accounting are as follows:

- (i) Mismatches between the contractual terms of the hedged item and hedging instrument, including basis differences between the hedged risk and the risk exposure of the hedging instrument.
- (ii) Changes in credit risk of the hedging instruments.
- (iii) If a hedge accounting relationship becomes overhedged. This might occur in hedges of net investments if the net asset value designated at the start of the period falls below the amount of the hedging instrument.
- (iv) In the cash flow hedging solution, when a hedge is built using external swaps having non-zero present values, it creates ineffectiveness.

No other source of ineffectiveness has arisen during the period. Hedge effectiveness is determined with reference to quantitative tests, predominantly regression testing, which takes into account the regression co-efficient, the slope of the regression line, and ensuring that the relevant confidence intervals are complied with. There were no instances of forecast transactions for which hedge accounting had been used in the previous period, but which are no longer expected to occur.

Notes to the financial statements

Assets and liabilities held at fair value

14 Derivative financial instruments continued

Amount, timing and uncertainty of future cash flows

The following table shows the hedging instruments which are carried on the Barclays Group's balance sheet:

| Hedge type             | Risk category         | Carrying value          |                              |                        | Nominal amount<br>£m | Change in fair value used as a basis to determine ineffectiveness<br>£m |
|------------------------|-----------------------|-------------------------|------------------------------|------------------------|----------------------|-------------------------------------------------------------------------|
|                        |                       | Derivative assets<br>£m | Derivative liabilities<br>£m | Loan liabilities<br>£m |                      |                                                                         |
| As at 31 December 2018 |                       |                         |                              |                        |                      |                                                                         |
| Fair value             | Interest rate risk    | 106                     | (41)                         | –                      | 98,320               | 135                                                                     |
|                        | Inflation risk        | 37                      | (8)                          | –                      | 3,525                | 29                                                                      |
| Cash flow              | Interest rate risk    | 11                      | (6)                          | –                      | 75,389               | (380)                                                                   |
| Net investment         | Foreign exchange risk | –                       | (10)                         | (12,325)               | 15,300               | (745)                                                                   |

The following table profiles the expected notional values of current hedging instruments in future years:

|                                         | 2019<br>£m | 2020<br>£m | 2021<br>£m | 2022<br>£m | 2023<br>£m | 2024 and later<br>£m |
|-----------------------------------------|------------|------------|------------|------------|------------|----------------------|
| As at 31 December                       |            |            |            |            |            |                      |
| Fair value hedges of interest rate risk |            |            |            |            |            |                      |
| Notional amount                         | 95,411     | 86,939     | 70,335     | 56,938     | 51,114     | 41,510               |
| Fair value hedges of inflation risk     |            |            |            |            |            |                      |
| Notional amount                         | 3,107      | 1,998      | 1,754      | 1,331      | 1,159      | 986                  |

There are 1,805 interest rate risk fair value hedges with an average fixed rate of 2.79% across the relationships and 44 inflation risk fair value hedges with an average rate of 1.00% across the relationships.

Hedged items in fair value hedge accounting relationships

| Hedged item statement of financial position<br>classification and risk category | Carrying amount<br>£m | Total<br>£m | Accumulated fair value adjustment<br>included in carrying amount                                               | Change in<br>fair value<br>used as a basis<br>to determine<br>ineffectiveness<br>£m | Hedge<br>ineffectiveness<br>recognised in the<br>income statement<br>£m | Line item in the<br>income statement<br>used to recognise<br>ineffectiveness |
|---------------------------------------------------------------------------------|-----------------------|-------------|----------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------|------------------------------------------------------------------------------|
|                                                                                 |                       |             | Of which:<br>Accumulated<br>fair value<br>adjustment on<br>items no longer<br>in a hedge<br>relationship<br>£m |                                                                                     |                                                                         |                                                                              |
| 2018                                                                            |                       |             |                                                                                                                |                                                                                     |                                                                         |                                                                              |
| Assets                                                                          |                       |             |                                                                                                                |                                                                                     |                                                                         |                                                                              |
| Loans and advances classified as amortised cost                                 |                       |             |                                                                                                                |                                                                                     |                                                                         |                                                                              |
| – Interest rate risk                                                            | 7,106                 | (363)       | (626)                                                                                                          | (568)                                                                               | 37                                                                      | Net interest income                                                          |
| – Inflation risk                                                                | 512                   | 312         | –                                                                                                              | 2                                                                                   | (1)                                                                     | Net interest income                                                          |
| Debt securities classified as fair value through other comprehensive income     |                       |             |                                                                                                                |                                                                                     |                                                                         |                                                                              |
| – Interest rate risk                                                            | 30,108                | 416         | (21)                                                                                                           | (96)                                                                                | 17                                                                      | Net interest income                                                          |
| – Inflation risk                                                                | 2,907                 | (20)        | –                                                                                                              | (50)                                                                                | (18)                                                                    | Net interest income                                                          |
| Liabilities                                                                     |                       |             |                                                                                                                |                                                                                     |                                                                         |                                                                              |
| Debt securities in issue classified as amortised cost                           |                       |             |                                                                                                                |                                                                                     |                                                                         |                                                                              |
| – Interest rate risk                                                            | 53,935                | (289)       | (256)                                                                                                          | 549                                                                                 | (34)                                                                    | Net interest income                                                          |

For items classified as fair value through other comprehensive income, the hedge accounting adjustment is not included in the carrying amount, but rather recognised as other comprehensive income.



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14 Derivative financial instruments continued

Hedged items in cash flow hedge accounting and hedges of net investments in foreign operations

| Description of hedge relationship and hedged risk | Change in value of hedged item used as the basis for recognising ineffectiveness<br>£m | Balance in cash flow hedge reserve for continuing hedges<br>£m | Balance in foreign currency reserve for continuing hedges<br>£m | Balances remaining in cash flow hedge reserve for which hedge accounting is no longer applied<br>£m | Balances remaining in foreign currency translation reserve for which hedge accounting is no longer applied<br>£m | Hedging gains or losses recognised in other comprehensive income<br>£m | Hedge ineffectiveness recognised in the income statement<br>£m | Line item in the statement of comprehensive income used to recognise ineffectiveness |
|---------------------------------------------------|----------------------------------------------------------------------------------------|----------------------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------|----------------------------------------------------------------|--------------------------------------------------------------------------------------|
| 2018                                              |                                                                                        |                                                                |                                                                 |                                                                                                     |                                                                                                                  |                                                                        |                                                                |                                                                                      |
| Cash flow hedge of interest rate risk             |                                                                                        |                                                                |                                                                 |                                                                                                     |                                                                                                                  |                                                                        |                                                                |                                                                                      |
| Loans and advances classified as amortised cost   | 375                                                                                    | (44)                                                           | –                                                               | (827)                                                                                               | –                                                                                                                | 334                                                                    | (5)                                                            | Net interest income                                                                  |
| Hedge of net investment in foreign operation      |                                                                                        |                                                                |                                                                 |                                                                                                     |                                                                                                                  |                                                                        |                                                                |                                                                                      |
| USD foreign operations                            | 719                                                                                    | –                                                              | 1,648                                                           | –                                                                                                   | –                                                                                                                | 719                                                                    | –                                                              |                                                                                      |
| EUR foreign operations                            | –                                                                                      | –                                                              | 1                                                               | –                                                                                                   | 86                                                                                                               | –                                                                      | –                                                              |                                                                                      |
| ZAR foreign operations                            | –                                                                                      | –                                                              | –                                                               | –                                                                                                   | (1)                                                                                                              | –                                                                      | –                                                              |                                                                                      |
| CAD foreign operations                            | –                                                                                      | –                                                              | –                                                               | –                                                                                                   | 1                                                                                                                | –                                                                      | –                                                              |                                                                                      |
| CHF foreign operations                            | 4                                                                                      | –                                                              | –                                                               | –                                                                                                   | 53                                                                                                               | 4                                                                      | –                                                              |                                                                                      |
| HKD foreign operations                            | 2                                                                                      | –                                                              | –                                                               | –                                                                                                   | 23                                                                                                               | 2                                                                      | –                                                              |                                                                                      |
| JPY foreign operations                            | 14                                                                                     | –                                                              | –                                                               | –                                                                                                   | 77                                                                                                               | 14                                                                     | –                                                              |                                                                                      |
| MXN foreign operations                            | 21                                                                                     | –                                                              | –                                                               | –                                                                                                   | (14)                                                                                                             | 21                                                                     | –                                                              |                                                                                      |
| SEK foreign operations                            | (13)                                                                                   | –                                                              | –                                                               | –                                                                                                   | 13                                                                                                               | (13)                                                                   | –                                                              |                                                                                      |
|                                                   |                                                                                        |                                                                |                                                                 |                                                                                                     |                                                                                                                  |                                                                        |                                                                | Net interest income                                                                  |
| SGD foreign operations                            | 1                                                                                      | –                                                              | –                                                               | –                                                                                                   | 78                                                                                                               | 1                                                                      | (1)                                                            |                                                                                      |
| TWD foreign operations                            | –                                                                                      | –                                                              | –                                                               | –                                                                                                   | 2                                                                                                                | –                                                                      | –                                                              |                                                                                      |
| BRL foreign operations                            | (4)                                                                                    | –                                                              | (3)                                                             | –                                                                                                   | –                                                                                                                | (4)                                                                    | –                                                              |                                                                                      |
| CNY foreign operations                            | –                                                                                      | –                                                              | –                                                               | –                                                                                                   | 2                                                                                                                | –                                                                      | –                                                              |                                                                                      |
| INR foreign operations                            | –                                                                                      | –                                                              | –                                                               | –                                                                                                   | 7                                                                                                                | –                                                                      | –                                                              |                                                                                      |
|                                                   | 744                                                                                    | –                                                              | 1,646                                                           | –                                                                                                   | 327                                                                                                              | 744                                                                    | (1)                                                            |                                                                                      |

The effect on the income statement and other comprehensive income of recycling amounts in respect of cash flow hedges and net investment hedges of foreign operations is set out in the following table:

| Description of hedge relationship and hedged risk | 2018                                                                                                |                                                                                                               |
|---------------------------------------------------|-----------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|
|                                                   | Amount recycled from other comprehensive income due to hedged item affecting income statement<br>£m | Amount recycled from other comprehensive income during the period due to sale or disposal of investment<br>£m |
| Cash flow hedge of interest rate risk             |                                                                                                     |                                                                                                               |
| Recycled to interest income                       | 332                                                                                                 | –                                                                                                             |
| Hedge of net investment in foreign operation      |                                                                                                     |                                                                                                               |
| Recycled to other income                          | –                                                                                                   | (41)                                                                                                          |

A detailed reconciliation of the movements of the cash flow hedge reserve and the currency translation reserve is as follows:

|                                                                         | Cash flow hedge reserve<br>£m | Currency translation reserve<br>£m |
|-------------------------------------------------------------------------|-------------------------------|------------------------------------|
| Balance on 1 January 2018                                               | 1,161                         | 3,054                              |
| Currency translation movements <sup>a</sup>                             | (10)                          | 793                                |
| Hedging gains/(losses) for the year                                     | (334)                         | –                                  |
| Amounts reclassified in relation to cash flows affecting profit or loss | (332)                         | 41                                 |
| Tax                                                                     | 175                           | –                                  |
| Balance on 31 December 2018                                             | 660                           | 3,888                              |

Note  
a Currency translation movements include amounts attributable to items which are not in net investment hedges (£49m gain).

Notes to the financial statements

Assets and liabilities held at fair value

15 Financial assets at fair value through other comprehensive income and Financial investments

**Accounting for financial assets at fair value through other comprehensive income ('FVOCI') under IFRS 9 effective from 1 January 2018**

Financial assets that are debt instruments held in a business model that is achieved by both collecting contractual cash flows and selling and that contain contractual terms that give rise on specified dates to cash flows that are SPPI are measured at FVOCI. They are subsequently re-measured at fair value and changes therein (except for those relating to impairment, interest income and foreign currency exchange gains and losses) are recognised in other comprehensive income until the assets are sold. Interest (calculated using the effective interest method) is recognised in the income statement in net interest income (Note 3). Upon disposal, the cumulative gain or loss recognised in other comprehensive income is included in net investment income.

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

For equity securities that are not held for trading, the Barclays Group may make an irrevocable election on initial recognition 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 de-recognition 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 the Barclays 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.

**Accounting for financial investments under IAS 39 for 2017 and 2016**

Available for sale financial assets are held at fair value with gains and losses being included in other comprehensive income. The Barclays Group uses this classification for assets that are not derivatives and are not held for trading purposes or otherwise designated at fair value through profit or loss, or at amortised cost. Dividends and interest (calculated using the effective interest method) are recognised in the income statement in net interest income or, net investment income. On disposal, the cumulative gain or loss recognised in other comprehensive income is also included in net investment income.

Held to maturity assets are held at amortised cost. The Barclays Group uses this classification when there is an intent and ability to hold the asset to maturity. Interest on the investments are recognised in the income statement within net interest income.

|                                                                                           | 2018<br>£m | 2017<br>£m |
|-------------------------------------------------------------------------------------------|------------|------------|
| Debt securities and other eligible bills at fair value through other comprehensive income | 51,026     | –          |
| Equity securities at fair value through other comprehensive income                        | 1,122      | –          |
| Loans and advances at fair value through other comprehensive income                       | 668        | –          |
| Available for sale debt securities and other eligible bills                               | –          | 52,020     |
| Available for sale equity securities                                                      | –          | 1,786      |
| Held to maturity debt securities                                                          | –          | 5,109      |
| Financial assets at fair value through other comprehensive income/Financial investments   | 52,816     | 58,915     |

16 Financial liabilities designated at fair value

**Accounting for liabilities designated at fair value through profit and loss**

In accordance with IFRS 9, financial liabilities may be designated at fair value, with gains and losses taken to the income statement within net trading income (Note 5) and net investment income (Note 6). Movements in own credit are reported through other comprehensive income. On derecognition of the financial liability no amount relating to own credit risk are recycled to the income statement. The Barclays Group has the ability to make the fair value designation when holding the instruments at fair value reduces an accounting mismatch (caused by an offsetting liability or asset being held at fair value), or is managed by the Barclays Group on the basis of its fair value, or includes terms that have substantive derivative characteristics (Note 14).

The details on how the fair value amounts are arrived for financial liabilities designated at fair value are described in Note 17.

|                                                           | 2018             |                                                | 2017             |                                                |
|-----------------------------------------------------------|------------------|------------------------------------------------|------------------|------------------------------------------------|
|                                                           | Fair value<br>£m | Contractual<br>amount due<br>on maturity<br>£m | Fair value<br>£m | Contractual<br>amount due<br>on maturity<br>£m |
| Debt securities                                           | 46,649           | 54,159                                         | 42,563           | 46,920                                         |
| Deposits                                                  | 31,682           | 32,029                                         | 4,448            | 4,414                                          |
| Repurchase agreements and other similar secured borrowing | 138,484          | 138,724                                        | 126,691          | 126,822                                        |
| Other financial liabilities                               | 19               | 19                                             | 16               | 16                                             |
| Financial liabilities designated at fair value            | 216,834          | 224,931                                        | 173,718          | 178,172                                        |

The cumulative own credit net loss recognised is £121m (2017: £179m loss).



17 Fair value of financial instruments

Accounting for financial assets and liabilities – fair values

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

All financial instruments are initially recognised at fair value on the date of initial recognition (including transaction costs, other than financial instruments held at fair value through profit or loss) and, depending on the 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 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.

For financial liabilities measured at fair value, the carrying amount reflects the effect on fair value of changes in own credit spreads derived from observable market data such as in primary issuance and redemption activity for structured notes.

On initial recognition, it is presumed that the transaction price is the fair value unless there is observable information available in an active market to the contrary. The best evidence of an instrument's fair value on initial recognition is typically the transaction price. However, if fair value can be evidenced by comparison with other observable current market transactions in the same instrument, or is based on a valuation technique whose inputs include only data from observable markets, then the instrument should be recognised at the fair value derived from such observable market data.

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

Various factors influence the availability of observable inputs and these may vary from product to product and change over time. Factors include the depth of activity in the relevant market, the type of product, whether the product is new and not widely traded in the marketplace, the maturity of market modelling and the nature of the transaction (bespoke or generic). To the extent that valuation is based on models or inputs that are not observable in the market, the determination of fair value can be more subjective, dependent on the significance of the unobservable input to the overall valuation. Unobservable inputs are determined based on the best information available, for example by reference to similar assets, similar maturities or other analytical techniques.

The sensitivity of valuations used in the financial statements to possible changes in significant unobservable inputs is shown on page 250.

Critical accounting estimates and judgements

The valuation of financial instruments often involves a significant degree of judgement and complexity, in particular where valuation models make use of unobservable inputs ('Level 3' assets and liabilities). This note provides information on these instruments, including the related unrealised gains and losses recognised in the period, a description of significant valuation techniques and unobservable inputs, and a sensitivity analysis.

**Valuation**

IFRS 13 Fair value measurement requires an entity to classify its assets and liabilities according to a hierarchy that reflects the observability of significant market inputs. The three levels of the fair value hierarchy are defined below.

*Quoted market prices – Level 1*

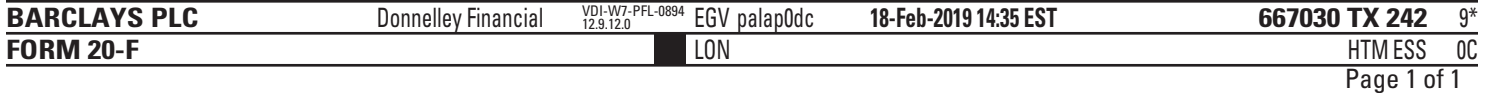
Assets and liabilities are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

*Valuation technique using observable inputs – Level 2*

Assets and liabilities classified as Level 2 have been valued using models whose inputs are observable either directly or indirectly. Valuations based on observable inputs include assets and liabilities such as swaps and forwards which are valued using market standard pricing techniques, and options that are commonly traded in markets where all the inputs to the market standard pricing models are observable.

*Valuation technique using significant unobservable inputs – Level 3*

Assets and liabilities are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price. Unobservable input levels are generally determined via reference to observable inputs, historical observations or using other analytical techniques.



## 17 Fair value of financial instruments continued

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

| Assets and liabilities held at fair value                                   |                           |                  |                |                  |                           |                  |                |                  |
|-----------------------------------------------------------------------------|---------------------------|------------------|----------------|------------------|---------------------------|------------------|----------------|------------------|
|                                                                             | 2018                      |                  |                |                  | 2017                      |                  |                |                  |
|                                                                             | Valuation technique using |                  |                |                  | Valuation technique using |                  |                |                  |
|                                                                             | Level 1<br>£m             | Level 2<br>£m    | Level 3<br>£m  | Total<br>£m      | Level 1<br>£m             | Level 2<br>£m    | Level 3<br>£m  | Total<br>£m      |
| <b>As at 31 December</b>                                                    |                           |                  |                |                  |                           |                  |                |                  |
| Trading portfolio assets                                                    | 51,029                    | 49,545           | 3,613          | 104,187          | 63,925                    | 47,858           | 1,977          | 113,760          |
| Financial assets at fair value through the income statement                 | 8,918                     | 131,348          | 9,382          | 149,648          | 4,347                     | 104,187          | 7,747          | 116,281          |
| Derivative financial assets                                                 | 6,813                     | 210,510          | 5,215          | 222,538          | 3,786                     | 228,549          | 5,334          | 237,669          |
| Available for sale investments                                              | —                         | —                | —              | —                | 22,841                    | 30,571           | 395            | 53,807           |
| Financial assets at fair value through other comprehensive income           | 19,764                    | 32,697           | 355            | 52,816           | —                         | —                | —              | —                |
| Investment property                                                         | —                         | —                | 9              | 9                | —                         | —                | 116            | 116              |
| Assets included in disposal groups classified as held for sale <sup>a</sup> | —                         | —                | —              | —                | —                         | —                | 29             | 29               |
| <b>Total assets</b>                                                         | <b>86,524</b>             | <b>424,100</b>   | <b>18,574</b>  | <b>529,198</b>   | <b>94,899</b>             | <b>411,165</b>   | <b>15,598</b>  | <b>521,662</b>   |
| Trading portfolio liabilities                                               | (20,654)                  | (17,225)         | (3)            | (37,882)         | (20,905)                  | (16,442)         | (4)            | (37,351)         |
| Financial liabilities designated at fair value                              | (76)                      | (216,478)        | (280)          | (216,834)        | —                         | (173,238)        | (480)          | (173,718)        |
| Derivative financial liabilities                                            | (6,152)                   | (208,748)        | (4,743)        | (219,643)        | (3,631)                   | (229,517)        | (5,197)        | (238,345)        |
| <b>Total liabilities</b>                                                    | <b>(26,882)</b>           | <b>(442,451)</b> | <b>(5,026)</b> | <b>(474,359)</b> | <b>(24,536)</b>           | <b>(419,197)</b> | <b>(5,681)</b> | <b>(449,414)</b> |

Note  
a Disposal groups held for sale and measured at fair value less cost to sell are included in the fair value table.

17 Fair value of financial instruments continued

The following table shows the Barclays Group's assets and liabilities that are held at fair value disaggregated by valuation technique (fair value hierarchy) and product type:

| Assets and liabilities held at fair value by product type                    | Assets                    |               |               | Liabilities               |               |               |
|------------------------------------------------------------------------------|---------------------------|---------------|---------------|---------------------------|---------------|---------------|
|                                                                              | Valuation technique using |               |               | Valuation technique using |               |               |
|                                                                              | Level 1<br>£m             | Level 2<br>£m | Level 3<br>£m | Level 1<br>£m             | Level 2<br>£m | Level 3<br>£m |
| As at 31 December 2018                                                       |                           |               |               |                           |               |               |
| Interest rate derivatives                                                    | –                         | 122,794       | 2,478         | –                         | (118,227)     | (2,456)       |
| Foreign exchange derivatives                                                 | –                         | 63,996        | 192           | –                         | (63,952)      | (185)         |
| Credit derivatives                                                           | –                         | 9,373         | 1,381         | –                         | (9,188)       | (331)         |
| Equity derivatives                                                           | 6,813                     | 12,934        | 1,136         | (6,152)                   | (16,001)      | (1,743)       |
| Commodity derivatives                                                        | –                         | 1,413         | 28            | –                         | (1,380)       | (28)          |
| Government and government sponsored debt                                     | 41,812                    | 51,644        | 14            | (9,396)                   | (11,171)      | –             |
| Corporate debt                                                               | –                         | 14,664        | 456           | –                         | (5,061)       | –             |
| Certificates of deposit, commercial paper and other money market instruments | –                         | 1,135         | –             | –                         | (8,556)       | (10)          |
| Margin lending                                                               | –                         | 10,388        | –             | –                         | (26,875)      | –             |
| Reverse repurchase and repurchase agreements                                 | –                         | 118,273       | 768           | –                         | (138,460)     | –             |
| Non-asset backed loans                                                       | –                         | 7,406         | 8,304         | –                         | –             | –             |
| Asset backed securities                                                      | –                         | 2,314         | 688           | –                         | (245)         | –             |
| Issued debt                                                                  | –                         | –             | –             | –                         | (42,101)      | (251)         |
| Equity cash products                                                         | 37,816                    | 7,195         | 698           | (11,258)                  | (1,181)       | (3)           |
| Private equity investments                                                   | 7                         | –             | 1,071         | –                         | –             | (19)          |
| Assets and liabilities held for sale                                         | –                         | –             | –             | –                         | –             | –             |
| Other <sup>a</sup>                                                           | 76                        | 571           | 1,360         | (76)                      | (53)          | –             |
| Total                                                                        | 86,524                    | 424,100       | 18,574        | (26,882)                  | (442,451)     | (5,026)       |
| As at 31 December 2017                                                       |                           |               |               |                           |               |               |
| Interest rate derivatives                                                    | –                         | 150,325       | 2,718         | –                         | (143,890)     | (2,867)       |
| Foreign exchange derivatives                                                 | –                         | 54,783        | 160           | –                         | (53,346)      | (124)         |
| Credit derivatives                                                           | –                         | 11,163        | 1,386         | –                         | (11,312)      | (240)         |
| Equity derivatives                                                           | 3,786                     | 9,848         | 1,064         | (3,631)                   | (18,527)      | (1,961)       |
| Commodity derivatives                                                        | –                         | 2,430         | 6             | –                         | (2,442)       | (5)           |
| Government and government sponsored debt                                     | 34,783                    | 49,853        | 49            | (13,079)                  | (13,116)      | –             |
| Corporate debt                                                               | –                         | 15,098        | 871           | –                         | (3,580)       | (4)           |
| Certificates of deposit, commercial paper and other money market instruments | –                         | 1,491         | –             | –                         | (7,377)       | (250)         |
| Reverse repurchase and repurchase agreements                                 | –                         | 100,038       | –             | –                         | (126,691)     | –             |
| Non-asset backed loans                                                       | –                         | 5,710         | 6,657         | –                         | –             | –             |
| Asset backed securities                                                      | –                         | 1,837         | 626           | –                         | (221)         | –             |
| Issued debt                                                                  | –                         | –             | –             | –                         | (38,176)      | (214)         |
| Equity cash products <sup>a</sup>                                            | 56,322                    | 7,690         | 502           | (7,826)                   | (388)         | –             |
| Private equity investments                                                   | 8                         | 1             | 817           | –                         | –             | (16)          |
| Assets and liabilities held for sale                                         | –                         | –             | 29            | –                         | –             | –             |
| Other <sup>a,b</sup>                                                         | –                         | 898           | 713           | –                         | (131)         | –             |
| Total                                                                        | 94,899                    | 411,165       | 15,598        | (24,536)                  | (419,197)     | (5,681)       |

Notes  
a Level 3 preference shares of £390m were reclassified from other to equity cash products.  
b Other includes commercial real estate loans, funds and fund-linked products, asset backed loans, physical commodities and investment property.

**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 the valuation techniques used, as well as the availability and reliability of observable proxy and historical data and the impact of using alternative models.

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

The valuation techniques used for the material products within Levels 2 and 3, and observability and sensitivity analysis for products within Level 3, are described below.

Notes to the financial statements

Assets and liabilities held at fair value

17 Fair value of financial instruments continued

Interest rate derivatives

*Description:* Derivatives linked to interest rates or inflation indices. The category includes futures, interest rate and inflation swaps, swaptions, caps, floors, inflation options, balance guaranteed swaps and other exotic interest rate derivatives.

*Valuation:* Interest rate and inflation derivatives are generally valued using curves of forward rates constructed from market data to project and discount the expected future cash flows of trades. Instruments with optionality are valued using volatilities implied from market inputs, and use industry standard or bespoke models depending on the product type.

*Observability:* In general, inputs are considered observable up to liquid maturities which are determined separately for each input and underlying. Unobservable inputs are generally set by referencing liquid market instruments and applying extrapolation techniques or inferred via another reasonable method.

*Level 3 sensitivity:* Sensitivity to unobservable valuation inputs is based on the dispersion of consensus data services where available, or alternatively it is based on stress scenarios or historic data.

Foreign exchange derivatives

*Description:* Derivatives linked to the foreign exchange (FX) market. The category includes FX forward contracts, FX swaps and FX options. The majority are traded as over the counter (OTC) derivatives.

*Valuation:* FX derivatives are valued using industry standard and bespoke models depending on the product type. Valuation inputs include FX rates, interest rates, FX volatilities, interest rate volatilities, FX interest rate correlations and others as appropriate.

*Observability:* FX correlations, forwards and volatilities are generally observable up to liquid maturities which are determined separately for each input and underlying. Unobservable inputs are set by referencing liquid market instruments and applying extrapolation techniques, or inferred via another reasonable method.

*Level 3 sensitivity:* Sensitivity relating to unobservable valuation inputs is primarily based on the dispersion of consensus data services.

Credit derivatives

*Description:* Derivatives linked to the credit spread of a referenced entity, index or basket of referenced entities or a pool of referenced assets (e.g. a securitised product). The category includes single name and index credit default swaps (CDS) and asset backed CDS.

*Valuation:* CDS are valued on industry standard models using curves of credit spreads as the principal input. Credit spreads are observed directly from broker data, third party vendors or priced to proxies.

*Observability:* CDS contracts referencing entities that are actively traded are generally considered observable. Other valuation inputs are considered observable if products with significant sensitivity to the inputs are actively traded in a liquid market. Unobservable valuation inputs are generally determined with reference to recent transactions or inferred from observable trades of the same issuer or similar entities.

*Level 3 sensitivity:* Sensitivity to unobservable CDS contracts is determined by applying a shift to credit spread curves based on the average range of pricing observed in the market for similar CDS

Equity derivatives

*Description:* Exchange traded or OTC derivatives linked to equity indices and single names. The category includes vanilla and exotic equity products.

*Valuation:* Equity derivatives are valued using industry standard models. Valuation inputs include stock prices, dividends, volatilities, interest rates, equity repurchase curves and, for multi-asset products, correlations.

*Observability:* In general, valuation inputs are observable up to liquid maturities which are determined separately for each input and underlying. Unobservable inputs are set by referencing liquid market instruments and applying extrapolation techniques, or inferred via another reasonable method.

*Level 3 sensitivity:* Sensitivity is generally estimated using the dispersion of consensus data services.

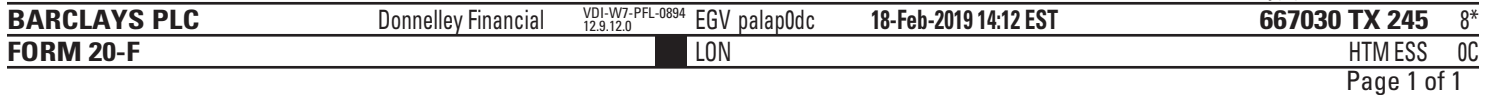
Commodity derivatives

*Description:* Exchange traded and OTC derivatives based on underlying commodities such as metals, crude oil and refined products, agricultural, power and natural gas.

*Valuation:* Commodity swaps and options are valued using models incorporating discounting of cash flows and other industry standard modelling techniques. Valuation inputs include forward curves, volatilities implied from market observable inputs and correlations.

*Observability:* Commodity correlations, forwards and volatilities are generally observable up to liquid maturities which are determined separately for each input and underlying. Unobservable inputs are set with reference to similar observable products, or by applying extrapolation techniques to observable inputs.

*Level 3 sensitivity:* Sensitivity is determined primarily by measuring historical variability over a period of years. Where historical data is unavailable or uncertainty is due to volumetric risk, sensitivity is measured by applying appropriate stress scenarios or using proxy bid-offer spread levels.





Notes to the financial statements

Assets and liabilities held at fair value

17 Fair value of financial instruments continued

Asset backed securities

*Description:* Securities that are linked to the cash flows of a pool of referenced assets via securitisation. The category includes residential mortgage backed securities, commercial mortgage backed securities, CDOs, collateralised loan obligations (CLOs) and other asset backed securities.

*Valuation:* Where available, valuations are based on observable market prices sourced from broker quotes and inter-dealer prices. Otherwise, valuations are determined using industry standard discounted cash flow analysis that calculates the fair value based on valuation inputs such as constant default rate, conditional prepayment rate, loss given default and yield. These inputs are determined by reference to a number of sources including proxying to observed transactions, market indices or market research, and by assessing underlying collateral performance.

Proxying to observed transactions, indices or research requires an assessment and comparison of the relevant securities' underlying attributes including collateral, tranche, vintage, underlying asset composition (historical losses, borrower characteristics and loan attributes such as loan to value ratio and geographic concentration) and credit ratings (original and current).

*Observability:* Where an asset backed product does not have an observable market price and the valuation is determined using a discounted cash flow analysis, the instrument is considered unobservable.

*Level 3 sensitivity:* The sensitivity analysis for asset backed products is based on externally sourced pricing dispersion or by stressing the inputs of discount cash flow analysis.

Issued debt

*Description:* Debt notes issued by Barclays.

*Valuation:* Issued debt is valued using discounted cash flow techniques and industry standard models incorporating various inputs observed for each instrument.

*Observability:* Barclays issued notes are generally observable. Structured notes are debt instruments containing embedded derivatives. Where either an input to the embedded derivative or the debt instrument is deemed unobservable and significant to the overall valuation of the note, the structured note is classified as Level 3.

*Level 3 sensitivity:* Sensitivity to the unobservable input in the embedded derivative is calculated in line with the method used for the derivative instrument concerned.

Equity cash products

*Description:* Includes listed equities, Exchange Traded Funds (ETF) and preference shares.

*Valuation:* Valuation of equity cash products is primarily determined through market observable prices.

*Observability:* Prices for actively traded equity cash products are considered observable. Unobservable equity prices are generally determined by reference to actively traded instruments that are similar in nature, or inferred via another reasonable method.

*Level 3 sensitivity:* Sensitivity is generally calculated based on applying a shift to the valuation of the underlying asset.

Private equity investments

*Description:* Includes private equity holdings and principal investments.

*Valuation:* Private equity investments are valued in accordance with the 'International Private Equity and Venture Capital Valuation Guidelines' which require the use of a number of individual pricing benchmarks such as the prices of recent transactions in the same or similar entities, discounted cash flow analysis and comparison with the earnings multiples of listed companies. While the valuation of unquoted equity instruments is subjective by nature, the relevant methodologies are commonly applied by other market participants and have been consistently applied over time.

*Observability:* Inputs are considered observable if there is active trading in a liquid market of products with significant sensitivity to the inputs. Unobservable inputs include earnings estimates, multiples of comparative companies, marketability discounts and discount rates.

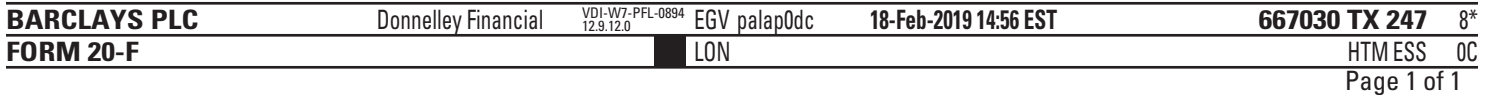
*Level 3 sensitivity:* Private equity valuation models are each sensitive to a number of key assumptions, such as projected future earnings, comparator multiples, marketability discounts and discount rates. Valuation sensitivity is generally estimated by shifting assumptions to reasonable alternative levels.

Assets and liabilities held for sale

*Description:* Assets and liabilities held for sale consist of disposal groups Barclays intend to sell.

*Valuation:* Assets and liabilities held for sale are valued at the lower of carrying value and fair value less costs to sell.

*Level 3 sensitivity:* The disposal groups that are measured at fair value less cost to sell are valued at the agreed price less costs to sell and are not expected to display significant sensitivity. The sensitivity of the assets and liabilities measured at carrying value is explained within the relevant product descriptions.



Notes to the financial statements

Assets and liabilities held at fair value

17 Fair value of financial instruments continued

Analysis of movements in Level 3 assets and liabilities

|                                                                                    | As at<br>1 January<br>2018 <sup>a</sup><br>£m | Purchases<br>£m | Sales<br>£m | Issues<br>£m | Settle-<br>ments<br>£m | Total gains and losses<br>in the period<br>recognised in the<br>income statement |                       | Total<br>gains<br>or losses<br>recog-<br>nised<br>in OCI<br>£m | Transfers |           | As at 31<br>December<br>2018<br>£m |
|------------------------------------------------------------------------------------|-----------------------------------------------|-----------------|-------------|--------------|------------------------|----------------------------------------------------------------------------------|-----------------------|----------------------------------------------------------------|-----------|-----------|------------------------------------|
|                                                                                    |                                               |                 |             |              |                        | Trading<br>income<br>£m                                                          | Other<br>income<br>£m |                                                                | In<br>£m  | Out<br>£m |                                    |
| Government and government<br>sponsored debt                                        | 49                                            | 14              | (49)        | –            | –                      | –                                                                                | –                     | –                                                              | –         | –         | 14                                 |
| Corporate debt                                                                     | 871                                           | 108             | (88)        | –            | (23)                   | 9                                                                                | –                     | –                                                              | 39        | (528)     | 388                                |
| Non-asset backed loans                                                             | 166                                           | 5,514           | (3,480)     | –            | –                      | –                                                                                | –                     | –                                                              | 71        | (8)       | 2,263                              |
| Asset backed securities                                                            | 627                                           | 205             | (168)       | –            | (2)                    | (21)                                                                             | –                     | –                                                              | 58        | (35)      | 664                                |
| Equity cash products                                                               | 68                                            | 18              | (9)         | –            | –                      | (16)                                                                             | –                     | –                                                              | 107       | (32)      | 136                                |
| Other                                                                              | 196                                           | 4               | (6)         | –            | (20)                   | (32)                                                                             | –                     | –                                                              | 145       | (139)     | 148                                |
| Trading portfolio assets                                                           | 1,977                                         | 5,863           | (3,800)     | –            | (45)                   | (60)                                                                             | –                     | –                                                              | 420       | (742)     | 3,613                              |
| Non-asset backed loans                                                             | 6,073                                         | 74              | –           | –            | (508)                  | 49                                                                               | –                     | –                                                              | –         | –         | 5,688                              |
| Private equity investments                                                         | 688                                           | 279             | (114)       | –            | –                      | 2                                                                                | 117                   | –                                                              | 125       | (26)      | 1,071                              |
| Equity cash products                                                               | 398                                           | 87              | (1)         | –            | –                      | 1                                                                                | 74                    | –                                                              | –         | –         | 559                                |
| Other                                                                              | 360                                           | 6,624           | (4,920)     | –            | (47)                   | 29                                                                               | 18                    | –                                                              | –         | –         | 2,064                              |
| Financial assets at fair value<br>through the income<br>statement                  | 7,519                                         | 7,064           | (5,035)     | –            | (555)                  | 81                                                                               | 209                   | –                                                              | 125       | (26)      | 9,382                              |
| Equity cash products                                                               | 36                                            | –               | (16)        | –            | –                      | –                                                                                | –                     | –                                                              | –         | (18)      | 2                                  |
| Private equity investments                                                         | 129                                           | –               | –           | –            | –                      | –                                                                                | –                     | –                                                              | –         | (129)     | –                                  |
| Other                                                                              | 40                                            | –               | –           | –            | –                      | –                                                                                | –                     | (1)                                                            | 314       | –         | 353                                |
| Fair value through other<br>comprehensive income                                   | 205                                           | –               | (16)        | –            | –                      | –                                                                                | –                     | (1)                                                            | 314       | (147)     | 355                                |
| Investment property                                                                | 116                                           | 9               | (115)       | –            | –                      | –                                                                                | (1)                   | –                                                              | –         | –         | 9                                  |
| Trading portfolio liabilities                                                      | (4)                                           | –               | –           | –            | –                      | (3)                                                                              | –                     | –                                                              | –         | 4         | (3)                                |
| Certificates of deposit,<br>commercial paper and other<br>money market instruments | (250)                                         | –               | –           | –            | 5                      | –                                                                                | (3)                   | –                                                              | –         | 238       | (10)                               |
| Issued debt                                                                        | (214)                                         | –               | –           | (4)          | 9                      | 33                                                                               | –                     | –                                                              | (225)     | 150       | (251)                              |
| Other                                                                              | (16)                                          | –               | –           | –            | 4                      | –                                                                                | (7)                   | –                                                              | –         | –         | (19)                               |
| Financial liabilities<br>designated at fair value                                  | (480)                                         | –               | –           | (4)          | 18                     | 33                                                                               | (10)                  | –                                                              | (225)     | 388       | (280)                              |
| Interest rate derivatives                                                          | (150)                                         | 1               | (1)         | –            | 196                    | (25)                                                                             | –                     | –                                                              | (71)      | 72        | 22                                 |
| Foreign exchange derivatives                                                       | 37                                            | –               | –           | –            | (9)                    | 5                                                                                | –                     | –                                                              | (13)      | (13)      | 7                                  |
| Credit derivatives                                                                 | 1,146                                         | (6)             | 3           | –            | (12)                   | (85)                                                                             | –                     | –                                                              | 7         | (3)       | 1,050                              |
| Equity derivatives                                                                 | (896)                                         | 72              | (570)       | –            | 125                    | 73                                                                               | 1                     | –                                                              | 128       | 460       | (607)                              |
| Commodity derivatives                                                              | –                                             | –               | –           | –            | –                      | –                                                                                | –                     | –                                                              | –         | –         | –                                  |
| Net derivative financial<br>instruments <sup>b</sup>                               | 137                                           | 67              | (568)       | –            | 300                    | (32)                                                                             | 1                     | –                                                              | 51        | 516       | 472                                |
| Total                                                                              | 9,470                                         | 13,003          | (9,534)     | (4)          | (282)                  | 19                                                                               | 199                   | (1)                                                            | 685       | (7)       | 13,548                             |

Notes

a Balances as at 1 January 2018 include the IFRS 9 transition impact. Balances as at 31 December 2017 have been presented on an IAS 39 basis.

b The derivative financial instruments are represented on a net basis. On a gross basis, derivative financial assets are £5,215m (2017: £5,334m) and derivative financial liabilities are £4,743m (2017: £5,197m).



17 Fair value of financial instruments continued

Analysis of movements in Level 3 assets and liabilities

|                                                                              | As at<br>1 January<br>2017<br>£m | Purchases<br>£m | Sales<br>£m | Issues<br>£m | Settle-<br>ments<br>£m | Total gains and losses<br>in the period<br>recognised in the<br>income statement |                       | Total<br>gains<br>or losses<br>recog-<br>nised<br>in OCI<br>£m | Transfers |           | As at 31<br>December<br>2017<br>£m |
|------------------------------------------------------------------------------|----------------------------------|-----------------|-------------|--------------|------------------------|----------------------------------------------------------------------------------|-----------------------|----------------------------------------------------------------|-----------|-----------|------------------------------------|
|                                                                              |                                  |                 |             |              |                        | Trading<br>income<br>£m                                                          | Other<br>income<br>£m |                                                                | In<br>£m  | Out<br>£m |                                    |
| Government and government sponsored debt                                     | 3                                | 46              | –           | –            | –                      | –                                                                                | –                     | –                                                              | –         | –         | 49                                 |
| Corporate debt                                                               | 969                              | 73              | (47)        | –            | (98)                   | 21                                                                               | –                     | –                                                              | 6         | (53)      | 871                                |
| Non-asset backed loans                                                       | 151                              | 435             | (187)       | –            | (221)                  | (8)                                                                              | –                     | –                                                              | 1         | (5)       | 166                                |
| Asset backed securities                                                      | 515                              | 195             | (78)        | –            | (9)                    | 9                                                                                | –                     | –                                                              | –         | (5)       | 627                                |
| Equity cash products                                                         | 77                               | 24              | (11)        | –            | –                      | (19)                                                                             | –                     | –                                                              | –         | (3)       | 68                                 |
| Other                                                                        | 350                              | 2               | (77)        | –            | (97)                   | 25                                                                               | (1)                   | –                                                              | 3         | (9)       | 196                                |
| Trading portfolio assets                                                     | 2,065                            | 775             | (400)       | –            | (425)                  | 28                                                                               | (1)                   | –                                                              | 10        | (75)      | 1,977                              |
| Non-asset backed loans                                                       | 8,616                            | –               | –           | –            | (2,284)                | 159                                                                              | –                     | –                                                              | –         | –         | 6,491                              |
| Asset backed loans                                                           | 201                              | 27              | (25)        | –            | (3)                    | (17)                                                                             | (3)                   | –                                                              | 6         | (31)      | 155                                |
| Private equity investments                                                   | 562                              | 26              | (127)       | –            | (1)                    | (1)                                                                              | 29                    | –                                                              | 21        | (11)      | 498                                |
| Equity cash products <sup>a</sup>                                            | 185                              | –               | –           | –            | (1)                    | (7)                                                                              | 205                   | –                                                              | 16        | –         | 398                                |
| Other <sup>a</sup>                                                           | 383                              | 4,675           | (4,646)     | –            | (247)                  | 41                                                                               | (8)                   | –                                                              | 16        | (9)       | 205                                |
| Financial assets at fair value through the income statement                  | 9,947                            | 4,728           | (4,798)     | –            | (2,536)                | 175                                                                              | 223                   | –                                                              | 59        | (51)      | 7,747                              |
| Equity cash products                                                         | 73                               | –               | –           | –            | –                      | –                                                                                | 1                     | 2                                                              | 5         | (45)      | 36                                 |
| Private equity investments                                                   | 294                              | 15              | (78)        | –            | –                      | –                                                                                | (5)                   | 37                                                             | 60        | (4)       | 319                                |
| Other                                                                        | 5                                | 36              | –           | –            | (2)                    | –                                                                                | –                     | 1                                                              | –         | –         | 40                                 |
| Available for sale investments                                               | 372                              | 51              | (78)        | –            | (2)                    | –                                                                                | (4)                   | 40                                                             | 65        | (49)      | 395                                |
| Investment property                                                          | 81                               | 114             | (69)        | –            | –                      | –                                                                                | (10)                  | –                                                              | –         | –         | 116                                |
| Trading portfolio liabilities                                                | (7)                              | (4)             | 1           | –            | –                      | 2                                                                                | –                     | –                                                              | (1)       | 5         | (4)                                |
| Certificates of deposit, commercial paper and other money market instruments | (319)                            | –               | 69          | –            | –                      | –                                                                                | 9                     | –                                                              | (104)     | 95        | (250)                              |
| Issued debt                                                                  | (298)                            | –               | 84          | –            | –                      | –                                                                                | –                     | –                                                              | –         | –         | (214)                              |
| Other                                                                        | (223)                            | –               | –           | –            | 204                    | –                                                                                | (6)                   | –                                                              | –         | 9         | (16)                               |
| Financial liabilities designated at fair value                               | (840)                            | –               | 153         | –            | 204                    | –                                                                                | 3                     | –                                                              | (104)     | 104       | (480)                              |
| Interest rate derivatives                                                    | 899                              | 58              | (1)         | –            | (208)                  | (166)                                                                            | –                     | –                                                              | (11)      | (721)     | (150)                              |
| Foreign exchange derivatives                                                 | 81                               | –               | –           | –            | (12)                   | 27                                                                               | –                     | –                                                              | (13)      | (46)      | 37                                 |
| Credit derivatives                                                           | 1,370                            | 5               | (2)         | –            | (29)                   | (128)                                                                            | –                     | –                                                              | (69)      | (1)       | 1,146                              |
| Equity derivatives                                                           | (970)                            | (220)           | (14)        | –            | 374                    | (43)                                                                             | –                     | –                                                              | (16)      | (7)       | (896)                              |
| Commodity derivatives                                                        | (5)                              | –               | –           | –            | –                      | 4                                                                                | –                     | –                                                              | 1         | –         | –                                  |
| Net derivative financial instruments                                         | 1,375                            | (157)           | (17)        | –            | 125                    | (306)                                                                            | –                     | –                                                              | (108)     | (775)     | 137                                |
| Assets and liabilities held for sale                                         | 574                              | –               | (574)       | –            | –                      | –                                                                                | –                     | –                                                              | –         | –         | –                                  |
| Total                                                                        | 13,567                           | 5,507           | (5,782)     | –            | (2,634)                | (101)                                                                            | 211                   | 40                                                             | (79)      | (841)     | 9,888                              |
| Net assets held for sale measured at fair value on non-recurring basis       |                                  |                 |             |              |                        |                                                                                  |                       |                                                                |           |           | 29                                 |
| Total                                                                        | 13,567                           | 5,507           | (5,782)     | –            | (2,634)                | (101)                                                                            | 211                   | 40                                                             | (79)      | (841)     | 9,917                              |

Note

<sup>a</sup> Preference shares of £390m were reclassified from others to equity cash products

Notes to the financial statements

Assets and liabilities held at fair value

17 Fair value of financial instruments continued

Unrealised gains and losses on Level 3 financial assets and liabilities

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

| Unrealised gains and losses recognised during the period on Level 3 assets and liabilities held at year end |                         |                       |                                             |             |                         |                       |                                             |                          |
|-------------------------------------------------------------------------------------------------------------|-------------------------|-----------------------|---------------------------------------------|-------------|-------------------------|-----------------------|---------------------------------------------|--------------------------|
|                                                                                                             | 2018                    |                       |                                             |             | 2017                    |                       |                                             |                          |
|                                                                                                             | Income statement        |                       | Other<br>compre-<br>hensive<br>income<br>£m | Total<br>£m | Income statement        |                       | Other<br>compre-<br>hensive<br>income<br>£m | Total <sup>a</sup><br>£m |
|                                                                                                             | Trading<br>income<br>£m | Other<br>income<br>£m |                                             |             | Trading<br>income<br>£m | Other<br>income<br>£m |                                             |                          |
| As at 31 December                                                                                           |                         |                       |                                             |             |                         |                       |                                             |                          |
| Trading portfolio assets                                                                                    | (60)                    | –                     | –                                           | (60)        | (34)                    | –                     | –                                           | (34)                     |
| Financial assets at fair value through the<br>income statement                                              | 68                      | 206                   | –                                           | 274         | 147                     | 200                   | –                                           | 347                      |
| Available for sale investments                                                                              | –                       | –                     | –                                           | –           | –                       | (4)                   | 29                                          | 25                       |
| Fair value through other comprehensive<br>income                                                            | –                       | –                     | (1)                                         | (1)         | –                       | –                     | –                                           | –                        |
| Investment property                                                                                         | –                       | (1)                   | –                                           | (1)         | –                       | (10)                  | –                                           | (10)                     |
| Trading portfolio liabilities                                                                               | (3)                     | –                     | –                                           | (3)         | 3                       | –                     | –                                           | 3                        |
| Financial liabilities designated at fair value                                                              | 55                      | –                     | –                                           | 55          | 58                      | 10                    | –                                           | 68                       |
| Net derivative financial instruments                                                                        | (14)                    | -                     | -                                           | (14)        | (301)                   | –                     | –                                           | (301)                    |
| Total                                                                                                       | 46                      | 205                   | (1)                                         | 250         | (127)                   | 196                   | 29                                          | 98                       |

Sensitivity analysis of valuations using unobservable inputs

|                              | 2018                      |              |                           |              | 2017                      |              |                           |              |
|------------------------------|---------------------------|--------------|---------------------------|--------------|---------------------------|--------------|---------------------------|--------------|
|                              | Favourable changes        |              | Unfavourable changes      |              | Favourable changes        |              | Unfavourable changes      |              |
|                              | Income<br>statement<br>£m | Equity<br>£m | Income<br>statement<br>£m | Equity<br>£m | Income<br>statement<br>£m | Equity<br>£m | Income<br>statement<br>£m | Equity<br>£m |
| As at 31 December            |                           |              |                           |              |                           |              |                           |              |
| Interest rate derivatives    | 80                        | –            | (162)                     | –            | 114                       | –            | (138)                     | –            |
| Foreign exchange derivatives | 7                         | –            | (10)                      | –            | 6                         | –            | (6)                       | –            |
| Credit derivatives           | 126                       | –            | (73)                      | –            | 106                       | –            | (79)                      | –            |
| Equity derivatives           | 110                       | –            | (112)                     | –            | 99                        | –            | (99)                      | –            |
| Commodity derivatives        | 1                         | –            | (1)                       | –            | 3                         | –            | (3)                       | –            |
| Corporate debt               | 10                        | –            | (2)                       | –            | 4                         | –            | (3)                       | –            |
| Non asset backed loans       | 274                       | –            | (458)                     | –            | 243                       | –            | (468)                     | –            |
| Asset backed securities      | –                         | –            | -                         | –            | 1                         | –            | -                         | –            |
| Equity cash products         | 121                       | –            | (155)                     | –            | 12                        | 24           | (8)                       | (24)         |
| Private equity investments   | 230                       | –            | (241)                     | –            | 133                       | 13           | (138)                     | (13)         |
| Other <sup>a</sup>           | 2                         | –            | (2)                       | –            | 5                         | –            | (5)                       | –            |
| Total                        | 961                       | –            | (1,216)                   | –            | 726                       | 37           | (947)                     | (37)         |

Note  
a Other includes commercial real estate loans, funds and fund-linked products, asset backed loans, physical commodities and investment property.

The effect of stressing unobservable inputs to a range of reasonably possible alternatives, alongside considering the impact of using alternative models, would be to increase fair values by up to £961m (2017: £763m) or to decrease fair values by up to £1,216m (2017: £984m) with all the potential effect impacting profit and loss.



17 Fair value of financial instruments continued

Significant unobservable inputs

The following table discloses the valuation techniques and significant unobservable inputs for assets and liabilities recognised at fair value and classified as Level 3 along with the range of values used for those significant unobservable inputs:

|                                                         |                                                 |                                    | 2018<br>Range        |     | 2017<br>Range |       |                    |
|---------------------------------------------------------|-------------------------------------------------|------------------------------------|----------------------|-----|---------------|-------|--------------------|
|                                                         | Valuation<br>technique(s) <sup>c</sup>          | Significant<br>unobservable inputs | Min                  | Max | Min           | Max   | Units <sup>a</sup> |
| <b>Derivative financial<br/>instruments<sup>b</sup></b> |                                                 |                                    |                      |     |               |       |                    |
| Interest rate derivatives                               | Discounted cash flows                           | Inflation forwards                 | 1                    | 2   | 1             | 3     | %                  |
|                                                         |                                                 | Credit spread                      | 6                    | 897 | 45            | 1,320 | bps                |
|                                                         |                                                 | Yield                              | 0.1                  | 0.2 | 0.1           | 0.1   | bps                |
|                                                         | Comparable pricing                              | Price                              | –                    | 100 | –             | 100   | points             |
|                                                         |                                                 | Option model                       | Inflation volatility | 33  | 174           | 35    | 201                |
|                                                         |                                                 | IR – IR correlation                | (26)                 | 100 | (24)          | 99    | %                  |
|                                                         |                                                 | FX – IR correlation                | (30)                 | 78  | (30)          | 24    | %                  |
|                                                         |                                                 | Interest rate volatility           | 10                   | 199 | 5             | 353   | bps vol            |
| Credit derivatives                                      | Discounted cash flows                           | Credit spread                      | 142                  | 209 | 122           | 190   | bps                |
|                                                         | Comparable pricing                              | Price                              | 10                   | 96  | 97            | 97    | points             |
| Equity derivatives                                      | Option model                                    | Equity volatility                  | 2                    | 81  | 3             | 92    | %                  |
|                                                         |                                                 | Equity – equity correlation        | (100)                | 100 | (100)         | 100   | %                  |
|                                                         | Discounted cash flow                            | Discounted margin                  | (171)                | 301 | (105)         | 301   | bps                |
|                                                         | <b>Non-derivative financial<br/>instruments</b> |                                    |                      |     |               |       |                    |
| Non-asset backed loans                                  | Discounted cash flows                           | Loan spread                        | 30                   | 531 | 30            | 596   | bps                |
|                                                         |                                                 | Credit spread                      | 25                   | 800 | 300           | 726   | bps                |
|                                                         |                                                 | Price                              | –                    | 118 | –             | 50    | points             |
|                                                         | Comparable pricing                              | Price                              | –                    | 100 | –             | 100   | points             |
|                                                         |                                                 |                                    |                      |     |               |       |                    |
| Reverse repurchase and<br>repurchase agreements         | Discounted cash flows                           | Funding spread                     | (20)                 | 139 | –             | –     | bps                |
| Asset backed securities                                 | Comparable pricing                              | Price                              | –                    | 102 | –             | 99    | points             |
| Private equity investments                              | EBITDA multiple                                 | EBITDA multiple                    | 7                    | 8   | 8             | 13    | Multiple           |
|                                                         | Discounted cash flows                           | EBITDA                             | –                    | 153 | –             | 129   | £m                 |
|                                                         |                                                 | Discount margin                    | 8                    | 10  | 8             | 10    | %                  |
| Other <sup>d</sup>                                      | Discounted cash flows                           | Credit spread                      | 143                  | 575 | 152           | 299   | bps                |

Notes

a The units used to disclose ranges for significant unobservable inputs are percentages, points and basis points. Points are a percentage of par; for example, 100 points equals 100% of par. A basis point equals 1/100th of 1%; for example, 150 basis points equals 1.5%.

b Certain derivative instruments are classified as Level 3 due to a significant unobservable credit spread input into the calculation of the Credit Valuation Adjustment for the instruments. The range of significant unobservable credit spreads is between 6-897bps (2017: 31-596bps).

c A range has not been provided for Net Asset Value as there would be a wide range reflecting the diverse nature of the positions

d Other includes commercial real estate loans, funds and fund-linked products, asset backed loans, physical commodities and investment property

The following section describes the significant unobservable inputs identified in the table above, and the sensitivity of fair value measurement of the instruments categorised as Level 3 assets or liabilities to increases in significant unobservable inputs. Where sensitivities are described, the inverse relationship will also generally apply.

Where reliable interrelationships can be identified between significant unobservable inputs used in fair value measurement, a description of those interrelationships is included below.

Forwards

A price or rate that is applicable to a financial transaction that will take place in the future.

In general, a significant increase in a forward in isolation will result in a fair value increase for the contracted receiver of the underlying (currency, bond, commodity, etc.), but the sensitivity is dependent on the specific terms of the instrument.

Credit spread

Credit spreads typically represent the difference in yield between an instrument and a benchmark security or reference rate. Credit spreads reflect the additional yield that a market participant demands for taking on exposure to the credit risk of an instrument and form part of the yield used in a discounted cash flow calculation.

In general, a significant increase in credit spread in isolation will result in a movement in a fair value decrease for a cash asset.

For a derivative instrument, a significant increase in credit spread in isolation can result in a fair value increase or decrease depending on the specific terms of the instrument.

Notes to the financial statements

Assets and liabilities held at fair value

17 Fair value of financial instruments continued

Volatility

Volatility is a measure of the variability or uncertainty in return for a given derivative underlying. It is an estimate of how much a particular underlying instrument input or index will change in value over time. In general, volatilities are implied from observed option prices. For unobservable options the implied volatility may reflect additional assumptions about the nature of the underlying risk, and the strike/maturity profile of a specific contract.

In general a significant increase in volatility in isolation will result in a fair value increase for the holder of a simple option, but the sensitivity is dependent on the specific terms of the instrument.

There may be interrelationships between unobservable volatilities and other unobservable inputs (e.g. when equity prices fall, implied equity volatilities generally rise) but these are generally specific to individual markets and may vary over time.

Correlation

Correlation is a measure of the relationship between the movements of two variables. Correlation can be a significant input into valuation of derivative contracts with more than one underlying instrument. Credit correlation generally refers to the correlation between default processes for the separate names that make up the reference pool of a CDO structure.

A significant increase in correlation in isolation can result in a fair value increase or decrease depending on the specific terms of the instrument.

Comparable price

Comparable instrument prices are used in valuation by calculating an implied yield (or spread over a liquid benchmark) from the price of a comparable observable instrument, then adjusting that yield (or spread) to account for relevant differences such as maturity or credit quality. Alternatively, a price-to-price basis can be assumed between the comparable and unobservable instruments in order to establish a value.

In general, a significant increase in comparable price in isolation will result in an increase in the price of the unobservable instrument. For derivatives, a change in the comparable price in isolation can result in a fair value increase or decrease depending on the specific terms of the instrument.

Loan spread

Loan spreads typically represent the difference in yield between an instrument and a benchmark security or reference rate. Loan spreads typically reflect credit quality, the level of comparable assets such as gilts and other factors, and form part of the yield used in a discounted cash flow calculation.

The ESHLA portfolio primarily consists of long-dated fixed rate loans extended to counterparties in the UK Education, Social Housing and Local Authority sectors. The loans are categorised as Level 3 in the fair value hierarchy due to their illiquid nature and the significance of unobservable loan spreads to the valuation. Valuation uncertainty arises from the long-dated nature of the portfolio, the lack of secondary market in the loans and the lack of observable loan spreads. The majority of ESHLA loans are to borrowers in heavily regulated sectors that are considered extremely low credit risk, and have a history of zero defaults since inception. While the overall loan spread range is from 30bps to 531bps (2017: 30bps to 596bps), the vast majority of spreads are concentrated towards the bottom end of this range, with 99% of the loan notional being valued with spreads less than 200bps consistently for both years.

In general, a significant increase in loan spreads in isolation will result in a fair value decrease for a loan.

Loss given default

Loss given default represents the expected loss upon liquidation of the collateral as a percentage of the balance outstanding.

In general, a significant increase in the loss given default in isolation will translate to lower recovery and lower projected cash flows to pay to the securitisation, resulting in a movement in fair value that is unfavourable for the holder of the securitised product.

EBITDA multiple

EBITDA multiple is the ratio of the valuation of the investment to the earnings before interest, taxes, depreciation and amortisation.

In general, a significant increase in the multiple will result in a fair value increase for an investment.

Fair value adjustments

Key balance sheet valuation adjustments are quantified below:

|                                                              | 2018<br>£m | 2017<br>£m |
|--------------------------------------------------------------|------------|------------|
| Exit price adjustments derived from market bid-offer spreads | (457)      | (391)      |
| Uncollateralised derivative funding                          | (47)       | (45)       |
| Derivative credit valuation adjustments                      | (125)      | (103)      |
| Derivative debit valuation adjustments                       | 237        | 131        |

Exit price adjustments derived from market bid-offer spreads

The Barclays Group uses mid-market pricing where it is a market maker and has the ability to transact at, or better than, mid price (which is the case for certain equity, bond and vanilla derivative markets). For other financial assets and liabilities, bid-offer adjustments are recorded to reflect the exit level for the expected close out strategy. The methodology for determining the bid-offer adjustment for a derivative portfolio involves calculating the net risk exposure by offsetting long and short positions by strike and term in accordance with the risk management and hedging strategy.

Bid-offer levels are generally derived from market quotes such as broker data. Less liquid instruments may not have a directly observable bid-offer level. In such instances, an exit price adjustment may be derived from an observable bid-offer level for a comparable liquid instrument, or determined by calibrating to derivative prices, or by scenario or historical analysis.

Exit price adjustments derived from market bid-offer spreads have increased by £66m to £457m as a result of movements in market bid offer spreads.



Notes to the financial statements

Assets and liabilities held at fair value

17 Fair value of financial instruments continued

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 Group's balance sheet:

|                                                                             | 2018                  |                  |               |               |               | 2017                  |                  |               |               |               |
|-----------------------------------------------------------------------------|-----------------------|------------------|---------------|---------------|---------------|-----------------------|------------------|---------------|---------------|---------------|
|                                                                             | Carrying amount<br>£m | Fair value<br>£m | Level 1<br>£m | Level 2<br>£m | Level 3<br>£m | Carrying amount<br>£m | Fair value<br>£m | Level 1<br>£m | Level 2<br>£m | Level 3<br>£m |
| As at 31 December                                                           |                       |                  |               |               |               |                       |                  |               |               |               |
| Financial assets                                                            |                       |                  |               |               |               |                       |                  |               |               |               |
| Loans and advances at amortised cost                                        |                       |                  |               |               |               |                       |                  |               |               |               |
| – Home loans                                                                | 150,284               | 148,897          | –             | –             | 148,897       | 147,002               | 145,262          | –             | –             | 145,262       |
| – Credit cards, unsecured and other retail lending                          | 54,560                | 56,462           | 657           | –             | 55,805        | 55,767                | 55,106           | 655           | –             | 54,451        |
| – Finance lease receivables <sup>a</sup>                                    | 1,886                 | 2,057            |               |               |               | 2,854                 | 2,964            |               |               |               |
| – Corporate loans                                                           | 119,676               | 117,848          | 3,942         | 68,955        | 44,951        | 123,532               | 121,666          | 8,986         | 63,930        | 48,750        |
| Reverse repurchase agreements and other similar secured lending             | 2,308                 | 2,308            | –             | 2,308         | –             | 12,546                | 12,546           | –             | 12,546        | –             |
| Assets included in disposal groups classified as held for sale <sup>b</sup> | –                     | –                | –             | –             | –             | 1,164                 | 1,195            | –             | –             | 1,195         |
| Financial liabilities                                                       |                       |                  |               |               |               |                       |                  |               |               |               |
| Deposits at amortised cost                                                  |                       |                  |               |               |               |                       |                  |               |               |               |
| – Banks                                                                     | (14,166)              | (14,166)         | (4,636)       | (9,530)       | –             | (12,153)              | (12,159)         | (4,375)       | (7,784)       | –             |
| – Current and demand accounts                                               | (148,714)             | (148,714)        | (148,714)     | –             | –             | (145,950)             | (145,927)        | (145,927)     | –             | –             |
| – Savings accounts                                                          | (137,589)             | (137,589)        | (137,589)     | –             | –             | (134,339)             | (134,369)        | (134,369)     | –             | –             |
| – Other time deposits                                                       | (94,369)              | (94,388)         | (57,966)      | (30,576)      | (5,846)       | (106,259)             | (106,324)        | (62,750)      | (37,723)      | (5,851)       |
| Repurchase agreements and other similar secured borrowing                   | (18,578)              | (18,578)         | –             | (18,578)      | –             | (40,338)              | (40,338)         | –             | (40,338)      | –             |
| Debt securities in issue                                                    | (82,286)              | (81,687)         | –             | (78,315)      | (3,372)       | (73,314)              | (74,752)         | –             | (72,431)      | (2,321)       |
| Subordinated liabilities                                                    | (20,559)              | (21,049)         | –             | (21,049)      | –             | (23,826)              | (25,084)         | –             | (25,084)      | –             |

Notes

a The fair value hierarchy for finance lease receivables is not required as part of the standard.

b Disposal groups held for sale and measured at fair value less cost to sell are included in the fair value table.

The fair value is an estimate of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As a wide range of valuation techniques are available, it may not be appropriate to directly compare this fair value information to independent market sources or other financial institutions. Different valuation methodologies and assumptions can have a significant impact on fair values which are based on unobservable inputs.

Financial assets

The carrying value of financial assets held at amortised cost is determined in accordance with the relevant accounting policy in Note 19.

Loans and advances at amortised cost

The fair value of loans and advances, for the purpose of this disclosure, is derived from discounting expected cash flows in a way that reflects the current market price for lending to issuers of similar credit quality. Where market data or credit information on the underlying borrowers is unavailable, a number of proxy/extrapolation techniques are employed to determine the appropriate discount rates.

For retail lending, i.e. home loans and credit cards, tailored discounted cash flow models are predominantly used to estimate the fair value of different product types. For example, for home loans different models are used to estimate fair values of tracker, offset and fixed rate mortgage products.

Key inputs to these models are the differentials between historic and current product margins and estimated prepayment rates.

The discount of fair value to carrying amount for home loans has reduced to 0.9% (2017: 1.2%)

The fair value of corporate loans is calculated by the use of discounted cash flow techniques where the gross loan values are discounted at a rate of difference between contractual margins and hurdle rates or spreads where Barclays charges a margin over LIBOR depending on credit quality and loss given default and years to maturity. The discount between the carrying and fair value remained constant at 1.5% (2017: 1.5%).

Reverse repurchase agreements

The fair value of reverse repurchase agreements approximates carrying amount as these balances are generally short dated and fully collateralised.

17 Fair value of financial instruments continued

Financial liabilities

The carrying value of financial liabilities held at amortised cost is determined in accordance with the accounting policy in Note 1.

Deposits at amortised cost

In many cases, the fair value disclosed approximates carrying value because the instruments are short term in nature or have interest rates that reprice frequently, such as customer accounts and other deposits and short-term debt securities.

The fair value for deposits with longer-term maturities, mainly time deposits, are estimated using discounted cash flows applying either market rates or current rates for deposits of similar remaining maturities. Consequently, the fair value discount is minimal.

Debt securities in issue

Fair values of other debt securities in issue are based on quoted prices where available, or where the instruments are short dated, carrying amount approximates fair value.

Repurchase agreements

The fair value of repurchase agreements approximates carrying amounts as these balances are generally short dated.

Subordinated liabilities

Fair values for dated and undated convertible and non-convertible loan capital are based on quoted market rates for the issuer concerned or issuers with similar terms and conditions.

18 Offsetting financial assets and financial liabilities

In accordance with IAS 32 Financial Instruments: Presentation, the Barclays Group reports financial assets and financial liabilities on a net basis on the balance sheet only if there is a legally enforceable right to set-off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The following table shows the impact of netting arrangements on:

- all financial assets and liabilities that are reported net on the balance sheet
- all derivative financial instruments and reverse repurchase and repurchase agreements and other similar secured lending and borrowing agreements that are subject to enforceable master netting arrangements or similar agreements, but do not qualify for balance sheet netting.

The table identifies the amounts that have been offset in the balance sheet and also those amounts that are covered by enforceable netting arrangements (offsetting arrangements and financial collateral) but do not qualify for netting under the requirements of IAS 32 described above.

The 'Net amounts' presented on the next page are not intended to represent the Barclays Group's actual exposure to credit risk, as a variety of credit mitigation strategies are employed in addition to netting and collateral arrangements.

|                                                                              | Amounts subject to enforceable netting arrangements |                                   |                                                 |                             |                                         |                  | Amounts not subject to enforceable netting arrangements <sup>c</sup><br>£m | Balance sheet total <sup>d</sup><br>£m |
|------------------------------------------------------------------------------|-----------------------------------------------------|-----------------------------------|-------------------------------------------------|-----------------------------|-----------------------------------------|------------------|----------------------------------------------------------------------------|----------------------------------------|
|                                                                              | Effects of offsetting on-balance sheet              |                                   |                                                 | Related amounts not offset  |                                         |                  |                                                                            |                                        |
|                                                                              | Gross amounts<br>£m                                 | Amounts offset <sup>a</sup><br>£m | Net amounts reported on the balance sheet<br>£m | Financial instruments<br>£m | Financial collateral <sup>b</sup><br>£m | Net amount<br>£m |                                                                            |                                        |
| <b>As at 31 December 2018</b>                                                |                                                     |                                   |                                                 |                             |                                         |                  |                                                                            |                                        |
| Derivative financial assets                                                  | 239,180                                             | (18,687)                          | 220,493                                         | (172,001)                   | (36,904)                                | 11,588           | 2,045                                                                      | 222,538                                |
| Reverse repurchase agreements and other similar secured lending <sup>e</sup> | 354,409                                             | (235,772)                         | 118,637                                         | –                           | (118,195)                               | 442              | 2,712                                                                      | 121,349                                |
| <b>Total assets</b>                                                          | <b>593,589</b>                                      | <b>(254,459)</b>                  | <b>339,130</b>                                  | <b>(172,001)</b>            | <b>(155,099)</b>                        | <b>12,030</b>    | <b>4,757</b>                                                               | <b>343,887</b>                         |
| Derivative financial liabilities                                             | (233,543)                                           | 18,229                            | (215,314)                                       | 172,001                     | 32,959                                  | (10,354)         | (4,329)                                                                    | (219,643)                              |
| Repurchase agreements and other similar secured borrowing <sup>e</sup>       | (375,976)                                           | 235,772                           | (140,204)                                       | –                           | 140,165                                 | (39)             | (16,858)                                                                   | (157,062)                              |
| <b>Total liabilities</b>                                                     | <b>(609,519)</b>                                    | <b>254,001</b>                    | <b>(355,518)</b>                                | <b>172,001</b>              | <b>173,124</b>                          | <b>(10,393)</b>  | <b>(21,187)</b>                                                            | <b>(376,705)</b>                       |
| <b>As at 31 December 2017</b>                                                |                                                     |                                   |                                                 |                             |                                         |                  |                                                                            |                                        |
| Derivative financial assets                                                  | 256,881                                             | (21,638)                          | 235,243                                         | (184,265)                   | (39,262)                                | 11,716           | 2,426                                                                      | 237,669                                |
| Reverse repurchase agreements and other similar secured lending              | 326,340                                             | (223,495)                         | 102,845                                         | –                           | (102,380)                               | 465              | 9,741                                                                      | 112,586                                |
| <b>Total assets</b>                                                          | <b>583,221</b>                                      | <b>(245,133)</b>                  | <b>338,088</b>                                  | <b>(184,265)</b>            | <b>(141,642)</b>                        | <b>12,181</b>    | <b>12,167</b>                                                              | <b>350,255</b>                         |
| Derivative financial liabilities                                             | (253,030)                                           | 21,065                            | (231,965)                                       | 184,265                     | 36,444                                  | (11,256)         | (6,380)                                                                    | (238,345)                              |
| Repurchase agreements and other similar secured borrowing <sup>e</sup>       | (374,616)                                           | 223,495                           | (151,121)                                       | –                           | 151,073                                 | (48)             | (15,908)                                                                   | (167,029)                              |
| <b>Total liabilities</b>                                                     | <b>(627,646)</b>                                    | <b>244,560</b>                    | <b>(383,086)</b>                                | <b>184,265</b>              | <b>187,517</b>                          | <b>(11,304)</b>  | <b>(22,288)</b>                                                            | <b>(405,374)</b>                       |

Notes

a Amounts offset for Derivative financial assets include cash collateral netted of £2,187m (2017: £2,393m). Amounts offset for Derivative financial liabilities include cash collateral netted of £2,645m (2017: £1,820m). Settlements assets and liabilities have been offset amounting to £23,095m (2017: £13,241m). No other significant recognised financial assets and liabilities were offset in the balance sheet. Therefore, the only balance sheet categories necessary for inclusion in the table are those shown above.

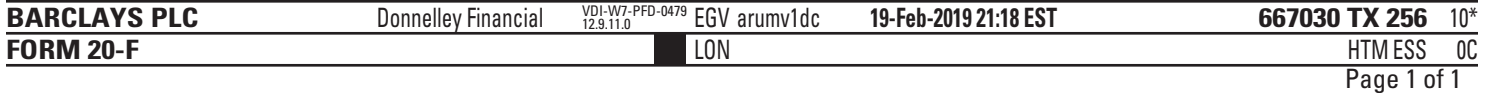
b Financial collateral of £36,904m (2017: £39,262m) was received in respect of derivative assets, including £31,402m (2017: £33,092m) of cash collateral and £5,502m (2017: £6,170m) of non-cash collateral. Financial collateral of £32,959m (2017: £36,444m) was placed in respect of derivative liabilities, including £29,842m (2017: £32,575m) of cash collateral and £3,117m (2017: £3,869m) of non-cash collateral. The collateral amounts are limited to net balance sheet exposure so as to not include over-collateralisation.

c This column includes contractual rights of set-off that are subject to uncertainty under the laws of the relevant jurisdiction.

d The balance sheet total is the sum of 'Net amounts reported on the balance sheet' that are subject to enforceable netting arrangements and 'Amounts not subject to enforceable netting arrangements'.

e Repurchase and Reverse Repurchase agreements include instruments at amortised cost and instruments designated at fair value through profit and loss. Reverse repurchase agreements and other similar secured lending of £121,349m (2017: £112,586m) is split by fair value £119,041m (2017: £100,040m) and amortised cost £2,308m (2017: £12,546m). Repurchase agreements and other similar secured borrowing of £157,062m (2017: £167,029m) is split by fair value £138,484m (2017: £126,691m) and amortised cost £18,578m (2017: £40,338m).





## 18 Offsetting financial assets and financial liabilities continued

### Derivative assets and liabilities

The 'Financial instruments' column identifies financial assets and liabilities that are subject to set-off under netting agreements, such as the ISDA Master Agreement or derivative exchange or clearing counterparty agreements, whereby all outstanding transactions with the same counterparty can be offset and close-out netting applied across all outstanding transactions covered by the agreements if an event of default or other predetermined events occur.

Financial collateral refers to cash and non-cash collateral obtained, typically daily or weekly, to cover the net exposure between counterparties by enabling the collateral to be realised in an event of default or if other predetermined events occur.

*Repurchase and reverse repurchase agreements and other similar secured lending and borrowing*

The 'Amounts offset' column identifies financial assets and liabilities that are subject to set-off under netting agreements, such as Global Master Repurchase Agreements and Global Master Securities Lending Agreements, whereby all outstanding transactions with the same counterparty can be offset and close-out netting applied across all outstanding transactions covered by the agreements if an event of default or other predetermined events occur.

Financial collateral typically comprises highly liquid securities which are legally transferred and can be liquidated in the event of counterparty default.

These offsetting and collateral arrangements and other credit risk mitigation strategies used by Barclays Group are further explained in the Credit risk mitigation section on page 92.

Notes to the financial statements

## Financial instruments held at amortised cost

The notes included in this section focus on assets that are held at amortised cost arising from the Barclays Group’s retail and wholesale lending including loans and advances and deposits at amortised cost and finance leases. Details regarding the Barclays Group’s liquidity and capital position can be found on pages 135 to 161.

### 19 Loans and advances and deposits at amortised cost

#### Accounting for loans and advances and deposits held at amortised cost under IFRS 9 effective from 1 January 2018

Loans and advances to customers and banks, customer accounts, debt securities and most financial liabilities, are held at amortised cost. That is, the initial fair value (which is normally the amount advanced or borrowed) is adjusted for repayments and the amortisation of coupon, fees and expenses to represent the effective interest rate of the asset or liability. Balances deferred on-balance sheet as effective interest rate adjustments are amortised to interest income over the life of the financial instrument to which they relate.

Financial assets that are held in a business model to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are SPPI, are measured at amortised cost. The carrying value of these financial assets at initial recognition includes any directly attributable transaction costs. Refer to Note 1 for details on ‘solely payments of principal and interest’.

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

#### Accounting for loans and advances and deposits held at amortised cost under IAS 39 for 2017 and 2016

Loans and advances to customers and banks, customer accounts, debt securities and most financial liabilities, are held at amortised cost. That is, the initial fair value (which is normally the amount advanced or borrowed) is adjusted for repayments and the amortisation of coupon, fees and expenses to represent the effective interest rate of the asset or liability. Balances deferred on-balance sheet as effective interest rate adjustments are amortised to interest income over the life of the financial instrument to which they relate.

In accordance with IAS 39, where the Barclays Group no longer intends to trade in financial assets it may transfer them out of the held for trading classification and measure them at amortised cost if they meet the definition of a loan. The initial value used for the purposes of establishing amortised cost is fair value on the date of the transfer.

#### Loans and advances at amortised cost

|                                                                                        | 2018                 |                          |             | 2017                 |                          |             |
|----------------------------------------------------------------------------------------|----------------------|--------------------------|-------------|----------------------|--------------------------|-------------|
|                                                                                        | Loans to banks<br>£m | Loans to customers<br>£m | Total<br>£m | Loans to banks<br>£m | Loans to customers<br>£m | Total<br>£m |
| As at 31 December                                                                      |                      |                          |             |                      |                          |             |
| Gross loans and advances at amortised cost excluding debt securities at amortised cost | 10,576               | 316,861                  | 327,437     | 10,633               | 316,696                  | 327,329     |
| Less: allowance for impairment                                                         | (1)                  | (6,764)                  | (6,765)     | –                    | (4,652)                  | (4,652)     |
| Loans and advances at amortised cost excluding debt securities at amortised cost       | 10,575               | 310,097                  | 320,672     | 10,633               | 312,044                  | 322,677     |
| Gross debt securities at amortised cost                                                | –                    | 5,739                    | 5,739       | –                    | 1,371                    | 1,371       |
| Less: allowance for impairment                                                         | –                    | (5)                      | (5)         | –                    | –                        | –           |
| Debt securities at amortised cost                                                      | –                    | 5,734                    | 5,734       | –                    | 1,371                    | 1,371       |
| Total gross loans and advances at amortised cost                                       | 10,576               | 322,600                  | 333,176     | 10,633               | 318,067                  | 328,700     |
| Less: allowance for impairment                                                         | (1)                  | (6,769)                  | (6,770)     | –                    | (4,652)                  | (4,652)     |
| Total loans and advances at amortised cost                                             | 10,575               | 315,831                  | 326,406     | 10,633               | 313,415                  | 324,048     |

#### Deposits at amortised cost

|                            | 2018                      |                               |             | 2017                      |                               |             |
|----------------------------|---------------------------|-------------------------------|-------------|---------------------------|-------------------------------|-------------|
|                            | Deposits from banks<br>£m | Deposits from customers<br>£m | Total<br>£m | Deposits from banks<br>£m | Deposits from customers<br>£m | Total<br>£m |
| As at 31 December          |                           |                               |             |                           |                               |             |
| Deposits at amortised cost | 14,166                    | 380,672                       | 394,838     | 12,153                    | 386,548                       | 398,701     |

Notes to the financial statements

Financial instruments held at amortised cost

20 Finance leases

Accounting for finance leases

The Barclays Group applies IAS 17 *Leases* in accounting for finance leases, both where it is the lessor or the lessee. A finance lease is a lease which confers substantially all the risks and rewards of the leased assets on the lessee. Where the Barclays Group is the lessor, the leased asset is not held on the balance sheet; instead a finance lease receivable is recognised representing the minimum lease payments receivable under the terms of the lease, discounted at the rate of interest implicit in the lease. Where the Barclays Group is the lessee, the leased asset is recognised in property, plant and equipment and a finance lease liability is recognised, representing the minimum lease payments payable under the lease, discounted at the rate of interest implicit in the lease.

Interest income or expense is recognised in interest receivable or payable, allocated to accounting periods to reflect a constant periodic rate of return.

Finance lease receivables

Finance lease receivables are included within loans and advances at amortised cost. The Barclays Group specialises in the provision of leasing and other asset finance facilities across a broad range of asset types to business customers.

|                                            | 2018                                                |                             |                                                          |                                     | 2017                                                |                             |                                                          |                                     |
|--------------------------------------------|-----------------------------------------------------|-----------------------------|----------------------------------------------------------|-------------------------------------|-----------------------------------------------------|-----------------------------|----------------------------------------------------------|-------------------------------------|
|                                            | Gross investment in finance lease receivables<br>£m | Future finance income<br>£m | Present value of minimum lease payments receivable<br>£m | Un-guaranteed residual values<br>£m | Gross investment in finance lease receivables<br>£m | Future finance income<br>£m | Present value of minimum lease payments receivable<br>£m | Un-guaranteed residual values<br>£m |
| Not more than one year                     | 1,333                                               | (110)                       | 1,223                                                    | 86                                  | 1,130                                               | (91)                        | 1,039                                                    | 69                                  |
| Over one year but not more than five years | 2,012                                               | (171)                       | 1,841                                                    | 148                                 | 1,750                                               | (135)                       | 1,615                                                    | 156                                 |
| Over five years                            | 381                                                 | (44)                        | 337                                                      | 22                                  | 284                                                 | (32)                        | 252                                                      | 21                                  |
| Total                                      | 3,726                                               | (325)                       | 3,401                                                    | 256                                 | 3,164                                               | (258)                       | 2,906                                                    | 246                                 |

The impairment allowance for uncollectable finance lease receivables amounted to £87m (2017: £57m).

Finance lease liabilities

The Barclays Group leases items of property, plant and equipment on terms that meet the definition of finance leases. Finance lease liabilities are included within Note 24.

As at 31 December 2018, the total future minimum payments under finance leases were £22m (2017: £20m). The carrying amount of assets held under finance leases was £19m (2017: £9m).

Notes to the financial statements

## Non-current assets and other investments

The notes included in this section focus on the Barclays Group's non-current tangible and intangible assets and property, plant and equipment, which provide long-term future economic benefits.

### 21 Property, plant and equipment

#### Accounting for property, plant and equipment

The Barclays Group applies IAS 16 *Property Plant and Equipment* and IAS 40 *Investment Properties*.

Property, plant and equipment is stated at cost, which includes direct and incremental acquisition costs less accumulated depreciation and provisions for impairment, if required. Subsequent costs are capitalised if these result in enhancement of the asset.

Depreciation is provided on the depreciable amount of items of property, plant and equipment on a straight-line basis over their estimated useful economic lives. Depreciation rates, methods and the residual values underlying the calculation of depreciation of items of property, plant and equipment are kept under review to take account of any change in circumstances. The Barclays Group uses the following annual rates in calculating depreciation:

| Annual rates in calculating depreciation                                            | Depreciation rate                    |
|-------------------------------------------------------------------------------------|--------------------------------------|
| Freehold land                                                                       | Not depreciated                      |
| Freehold buildings and long-leasehold property (more than 50 years to run)          | 2-3.3%                               |
| Leasehold property over the remaining life of the lease (less than 50 years to run) | Over the remaining life of the lease |
| Costs of adaptation of freehold and leasehold property                              | 6-10%                                |
| Equipment installed in freehold and leasehold property                              | 6-10%                                |
| Computers and similar equipment                                                     | 17-33%                               |
| Fixtures and fittings and other equipment                                           | 9-20%                                |

Costs of adaptation and installed equipment are depreciated over the shorter of the life of the lease or the depreciation rates noted in the table above.

#### Investment property

The Barclays Group initially recognises investment property at cost, and subsequently at fair value at each balance sheet date, reflecting market conditions at the reporting date. Gains and losses on remeasurement are included in the income statement.

|                                                | Investment<br>property<br>£m | Property<br>£m | Equipment<br>£m | Leased<br>assets<br>£m | Total<br>£m |
|------------------------------------------------|------------------------------|----------------|-----------------|------------------------|-------------|
| <b>Cost</b>                                    |                              |                |                 |                        |             |
| <b>As at 1 January 2018</b>                    | 116                          | 3,493          | 2,748           | 9                      | 6,366       |
| Additions                                      | 9                            | 217            | 262             | –                      | 488         |
| Disposals                                      | (115)                        | (83)           | (99)            | –                      | (297)       |
| Change in fair value of investment properties  | (3)                          | –              | –               | –                      | (3)         |
| Exchange and other movements                   | 2                            | 57             | 45              | –                      | 104         |
| <b>As at 31 December 2018</b>                  | 9                            | 3,684          | 2,956           | 9                      | 6,658       |
| <b>Accumulated depreciation and impairment</b> |                              |                |                 |                        |             |
| <b>As at 1 January 2018</b>                    | –                            | (1,668)        | (2,117)         | (9)                    | (3,794)     |
| Depreciation charge                            | –                            | (166)          | (252)           | –                      | (418)       |
| Impairment                                     | –                            | (3)            | –               | –                      | (3)         |
| Disposals                                      | –                            | 73             | 79              | –                      | 152         |
| Exchange and other movements                   | –                            | (28)           | (32)            | –                      | (60)        |
| <b>As at 31 December 2018</b>                  | –                            | (1,792)        | (2,322)         | (9)                    | (4,123)     |
| <b>Net book value</b>                          | 9                            | 1,892          | 634             | –                      | 2,535       |
| <b>Cost</b>                                    |                              |                |                 |                        |             |
| <b>As at 1 January 2017</b>                    | 81                           | 3,429          | 3,840           | 10                     | 7,360       |
| Additions                                      | 114                          | 220            | 299             | –                      | 633         |
| Disposals                                      | (69)                         | (18)           | (1,082)         | (1)                    | (1,170)     |
| Change in fair value of investment properties  | (5)                          | –              | –               | –                      | (5)         |
| Exchange and other movements                   | (5)                          | (138)          | (309)           | –                      | (452)       |
| <b>As at 31 December 2017</b>                  | 116                          | 3,493          | 2,748           | 9                      | 6,366       |
| <b>Accumulated depreciation and impairment</b> |                              |                |                 |                        |             |
| <b>As at 1 January 2017</b>                    | –                            | (1,483)        | (3,043)         | (9)                    | (4,535)     |
| Depreciation charge                            | –                            | (171)          | (275)           | –                      | (446)       |
| Impairment                                     | –                            | (28)           | –               | –                      | (28)        |
| Disposals                                      | –                            | –              | 972             | –                      | 972         |
| Exchange and other movements                   | –                            | 14             | 229             | –                      | 243         |
| <b>As at 31 December 2017</b>                  | –                            | (1,668)        | (2,117)         | (9)                    | (3,794)     |
| <b>Net book value</b>                          | 116                          | 1,825          | 631             | –                      | 2,572       |

Notes to the financial statements

Non-current assets and other investments

21 Property, plant and equipment continued

Property rentals of £nil (2017: £2m) and £19m (2017: £8m) have been included in net investment income and other income respectively.

The fair value of investment property is determined by reference to current market prices for similar properties, adjusted as necessary for condition and location, or by reference to recent transactions updated to reflect current economic conditions. Discounted cash flow techniques may be employed to calculate fair value where there have been no recent transactions, using current external market inputs such as market rents and interest rates. Valuations are carried out by management with the support of appropriately qualified independent valuers. Refer to Note 17 for further details.

22 Goodwill and intangible assets

Accounting for goodwill and intangible assets

Goodwill

The carrying value of goodwill is determined in accordance with IFRS 3 *Business Combinations* and IAS 36 *Impairment of Assets*.

Goodwill arising on the acquisition of subsidiaries represents the excess of the fair value of the purchase consideration over the fair value of the Barclays Group's share of the assets acquired and the liabilities and contingent liabilities assumed on the date of the acquisition.

Goodwill is reviewed annually for impairment, or more frequently when there are indications that impairment may have occurred. The test involves comparing the carrying value of goodwill with the present value of the pre-tax cash flows, discounted at a rate of interest that reflects the inherent risks, of the cash generating unit (CGU) to which the goodwill relates, or the CGU's fair value if this is higher.

Intangible assets

Intangible assets other than goodwill are accounted for in accordance with IAS 38 *Intangible Assets*.

Intangible assets are initially recognised when they are separable or arise from contractual or other legal rights, the cost can be measured reliably and, in the case of intangible assets not acquired in a business combination, where it is probable that future economic benefits attributable to the assets will flow from their use.

Intangible assets are stated at cost (which is, in the case of assets acquired in a business combination, the acquisition date fair value) less accumulated amortisation and provisions for impairment, if any, and are amortised over their useful lives in a manner that reflects the pattern to which they contribute to future cash flows, generally using the amortisation periods set out below:

| Annual rates in calculating amortisation   | Amortisation period   |
|--------------------------------------------|-----------------------|
| Goodwill                                   | Not amortised         |
| Internally generated software <sup>a</sup> | 12 months to 6 years  |
| Other software                             | 12 months to 6 years  |
| Customer lists                             | 12 months to 25 years |
| Licences and other                         | 12 months to 25 years |

Intangible assets are reviewed for impairment when there are indications that impairment may have occurred.

Note

a Exceptions to the above rate relate to useful lives of certain core banking platforms that are assessed individually and, if appropriate, amortised over longer periods ranging from 10 to 15 years.



22 Goodwill and intangible assets continued

|                                         | Goodwill<br>£m | Internally<br>generated<br>software<br>£m | Other<br>software<br>£m | Customer<br>lists<br>£m | Licences<br>and other<br>£m | Total<br>£m |
|-----------------------------------------|----------------|-------------------------------------------|-------------------------|-------------------------|-----------------------------|-------------|
| 2018                                    |                |                                           |                         |                         |                             |             |
| Cost                                    |                |                                           |                         |                         |                             |             |
| As at 1 January 2018                    | 4,759          | 5,501                                     | 427                     | 1,547                   | 519                         | 12,753      |
| Additions and disposals                 | –              | 280                                       | (34)                    | –                       | 12                          | 258         |
| Exchange and other movements            | 9              | 54                                        | (4)                     | 83                      | 27                          | 169         |
| As at 31 December 2018                  | 4,768          | 5,835                                     | 389                     | 1,630                   | 558                         | 13,180      |
| Accumulated amortisation and impairment |                |                                           |                         |                         |                             |             |
| As at 1 January 2018                    | (860)          | (2,195)                                   | (313)                   | (1,209)                 | (327)                       | (4,904)     |
| Disposals                               | –              | 530                                       | 101                     | –                       | 13                          | 644         |
| Amortisation charge                     | –              | (669)                                     | (50)                    | (81)                    | (34)                        | (834)       |
| Impairment charge                       | –              | (6)                                       | –                       | –                       | –                           | (6)         |
| Exchange and other movements            | (1)            | (22)                                      | 8                       | (69)                    | (23)                        | (107)       |
| As at 31 December 2018                  | (861)          | (2,362)                                   | (254)                   | (1,359)                 | (371)                       | (5,207)     |
| Net book value                          | 3,907          | 3,473                                     | 135                     | 271                     | 187                         | 7,973       |
| 2017                                    |                |                                           |                         |                         |                             |             |
| Cost                                    |                |                                           |                         |                         |                             |             |
| As at 1 January 2017                    | 4,847          | 4,927                                     | 204                     | 1,708                   | 551                         | 12,237      |
| Additions and disposals                 | –              | 662                                       | 16                      | (15)                    | 13                          | 676         |
| Exchange and other movements            | (88)           | (88)                                      | 207                     | (146)                   | (45)                        | (160)       |
| As at 31 December 2017                  | 4,759          | 5,501                                     | 427                     | 1,547                   | 519                         | 12,753      |
| Accumulated amortisation and impairment |                |                                           |                         |                         |                             |             |
| As at 1 January 2017                    | (930)          | (1,864)                                   | (143)                   | (1,231)                 | (343)                       | (4,511)     |
| Disposals                               | –              | 207                                       | 10                      | 15                      | 24                          | 256         |
| Amortisation charge                     | –              | (546)                                     | (32)                    | (101)                   | (36)                        | (715)       |
| Impairment charge                       | –              | (52)                                      | –                       | –                       | –                           | (52)        |
| Exchange and other movements            | 70             | 60                                        | (148)                   | 108                     | 28                          | 118         |
| As at 31 December 2017                  | (860)          | (2,195)                                   | (313)                   | (1,209)                 | (327)                       | (4,904)     |
| Net book value                          | 3,899          | 3,306                                     | 114                     | 338                     | 192                         | 7,849       |

**Goodwill**  
Goodwill is allocated to business operations according to business segments as follows:

|                                  | 2018<br>£m | 2017<br>£m |
|----------------------------------|------------|------------|
| Barclays UK                      | 3,526      | 3,526      |
| Barclays International           | 334        | 325        |
| Head Office                      | 47         | 48         |
| Total net book value of goodwill | 3,907      | 3,899      |

**Goodwill**  
Testing goodwill for impairment involves a significant amount of judgement. This includes the identification of independent CGUs and the allocation of goodwill to these units based on which units are expected to benefit from the acquisition. The allocation is reviewed following business reorganisations. Cash flow projections necessarily take into account changes in the market in which a business operates including the level of growth, competitive activity, and the impacts of regulatory change. Determining both the expected pre-tax cash flows and the risk adjusted interest rate appropriate to the operating unit requires the exercise of judgement. The estimation of pre-tax cash flows is sensitive to the periods for which detailed forecasts are available and to assumptions regarding long-term sustainable cash flows.

**Other intangible assets**  
Determining the estimated useful lives of intangible assets (such as those arising from contractual relationships) requires an analysis of circumstances. The assessment of whether an asset is exhibiting indicators of impairment as well as the calculation of impairment, which requires the estimate of future cash flows and fair values less costs to sell, also requires the preparation of cash flow forecasts and fair values for assets that may not be regularly bought and sold.

**Impairment testing of goodwill**  
During 2018, the Barclays Group recognised an impairment charge of £nil (2017: £nil).

**Key assumptions**  
The key assumptions used for impairment testing are set out below for each significant goodwill balance. Other goodwill of £560m (2017: £769m) was allocated to multiple CGUs which are not considered individually significant.

Notes to the financial statements

Non-current assets and other investments

22 Goodwill and intangible assets continued

Barclays UK

Goodwill within Personal Banking was £2,718m (2017: £2,718m) of which £2,501m (2017: £2,501m) was attributable to Woolwich and within Business Banking was £629m (2017: £629m), fully attributable to Woolwich. The carrying value of the CGUs have been determined by using net asset values. The recoverable amounts of the CGUs, calculated as value in use, have been determined using cash flow predictions based on financial budgets approved by management, covering a five-year period, with a terminal growth rate of 1.8% (2017: 2.0%) applied thereafter. The forecasted cash flows have been discounted at a pre-tax rate of 13.7% (2017: 13.9%). Based on these assumptions, the total recoverable amount exceeded the carrying amount including goodwill by £7,762m (2017: £5,262m). A one percentage point change in the discount rate or terminal growth rate would increase or decrease the recoverable amount by £1,501m (2017: £1,128m) and £980m (2017: £734m) respectively. A reduction in the forecasted cash flows of 10% per annum would reduce the recoverable amount by £1,828m (2017: £1,409m).

23 Operating leases

Accounting for operating leases

The Barclays Group applies IAS 17 *Leases*, for operating leases. An operating lease is a lease where substantially all of the risks and rewards of the leased assets remain with the lessor. Where the Barclays Group is the lessor, lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate. The Barclays Group holds the leased assets on-balance sheet within property, plant and equipment.

Where the Barclays Group is the lessee, rentals payable are recognised as an expense in the income statement on a straight-line basis over the lease term unless another systematic basis is more appropriate.

Operating lease commitments

The Barclays Group leases various offices, branches and other premises under non-cancellable operating lease arrangements. With such operating lease arrangements, the asset is kept on the lessor's balance sheet and the Barclays Group reports the future minimum lease payments as an expense over the lease term. The leases have various terms, escalation and renewal rights. There are no contingent rents payable.

Operating lease rentals of £329m (2017: £342m) have been included in administration and general expenses.

The future minimum lease payments by the Barclays Group under non-cancellable operating leases are as follows:

|                                            | 2018           |                 | 2017           |                 |
|--------------------------------------------|----------------|-----------------|----------------|-----------------|
|                                            | Property<br>£m | Equipment<br>£m | Property<br>£m | Equipment<br>£m |
| Not more than one year                     | 302            | –               | 332            | 2               |
| Over one year but not more than five years | 786            | –               | 844            | 21              |
| Over five years                            | 1,257          | –               | 1,337          | –               |
| Total                                      | 2,345          | –               | 2,513          | 23              |

Total future minimum sublease payments to be received under non-cancellable subleases was £28m (2017: £53m).

Notes to the financial statements

# Accruals, provisions, contingent liabilities and legal proceedings

The notes included in this section focus on the Barclays Group's accruals, provisions and contingent liabilities. Provisions are recognised for present obligations arising as consequences of past events where it is probable that a transfer of economic benefit will be necessary to settle the obligation, and it can be reliably estimated. Contingent liabilities reflect potential liabilities that are not recognised on the balance sheet.

## 24 Other liabilities

|                                                                   | 2018<br>£m | 2017<br>£m |
|-------------------------------------------------------------------|------------|------------|
| Accruals and deferred income                                      | 3,877      | 3,951      |
| Other creditors                                                   | 3,522      | 4,563      |
| Items in the course of collection due to other banks              | 277        | 446        |
| Obligations under finance leases (refer to Note 20)               | 22         | 20         |
| Insurance contract liabilities, including unit-linked liabilities | 18         | 31         |
| Other liabilities                                                 | 7,716      | 9,011      |

## 25 Provisions

### Accounting for provisions

The Barclays 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 Group has a detailed formal plan for restructuring a business and has raised valid expectations in those affected by the restructuring by announcing its main features or starting to implement the plan. Provision is made for undrawn loan commitments if it is probable that the facility will be drawn and result in the recognition of an asset at an amount less than the amount advanced.

### Critical accounting estimates and judgements

The financial reporting of provisions involves a significant degree of judgement and is complex. Identifying whether a present obligation exists and estimating the probability, timing, nature and quantum of the outflows that may arise from past events requires judgements to be made based on the specific facts and circumstances relating to individual events and often requires specialist professional advice. When matters are at an early stage, accounting judgements and estimates can be difficult because of the high degree of uncertainty involved. Management continues to monitor matters as they develop to re-evaluate on an ongoing basis whether provisions should be recognised, however there can remain a wide range of possible outcomes and uncertainties, particularly in relation to legal, competition and regulatory matters, and as a result it is often not practicable to make meaningful estimates even when matters are at a more advanced stage.

The complexity of such matters often requires the input of specialist professional advice in making assessments to produce estimates. Customer redress and legal, competition and regulatory matters are areas where a higher degree of professional judgement is required. The amount that is recognised as a provision can also be very sensitive to the assumptions made in calculating it. This gives rise to a large range of potential outcomes which require judgement in determining an appropriate provision level. See below for information on payment protection redress and Note 27 for more detail of legal, competition and regulatory matters.

|                              | Onerous contracts<br>£m | Redundancy and restructuring<br>£m | Undrawn contractually committed facilities and guarantees <sup>a</sup><br>£m | Customer redress<br>Payment Protection Insurance<br>£m | Other customer redress<br>£m | Legal, competition and regulatory matters<br>£m | Sundry provisions<br>£m | Total<br>£m |
|------------------------------|-------------------------|------------------------------------|------------------------------------------------------------------------------|--------------------------------------------------------|------------------------------|-------------------------------------------------|-------------------------|-------------|
| As at 1 January 2018         | 225                     | 159                                | 420                                                                          | 1,606                                                  | 639                          | 435                                             | 400                     | 3,884       |
| Additions                    | 74                      | 170                                | 463                                                                          | 400                                                    | 182                          | 1,716                                           | 89                      | 3,094       |
| Amounts utilised             | (135)                   | (102)                              | (11)                                                                         | (1,118)                                                | (328)                        | (1,680)                                         | (86)                    | (3,460)     |
| Unused amounts reversed      | (26)                    | (56)                               | (588)                                                                        | –                                                      | (48)                         | (98)                                            | (42)                    | (858)       |
| Exchange and other movements | 1                       | (2)                                | (13)                                                                         | –                                                      | (1)                          | 41                                              | (34)                    | (8)         |
| As at 31 December 2018       | 139                     | 169                                | 271                                                                          | 888                                                    | 444                          | 414                                             | 327                     | 2,652       |

Note  
a Undrawn contractually committed facilities and guarantees provisions are accounted for under IFRS 9.

Provisions expected to be recovered or settled within no more than 12 months after 31 December 2018 were £2,144m (2017: £2,394m).

### Onerous contracts

Onerous contract provisions comprise an estimate of the costs involved with fulfilling the terms and conditions of contracts net of any expected benefits to be received.

### Redundancy and restructuring

These provisions comprise the estimated cost of restructuring, including redundancy costs where an obligation exists. Additions made during the year relate to formal restructuring plans and have either been utilised, or reversed, where total costs are now expected to be lower than the original provision amount.

Notes to the financial statements

# Accruals, provisions, contingent liabilities and legal proceedings

25 Provisions continued

Undrawn contractually committed facilities and guarantees

Impairment allowance under IFRS 9 considers both the drawn and the undrawn counterparty exposure. For retail portfolios, the total impairment allowance is allocated to the drawn exposure to the extent that the allowance does not exceed the exposure as ECL is not reported separately. Any excess is reported on the liability side of the balance sheet as a provision. For wholesale portfolios, the impairment allowance on the undrawn exposure is reported on the liability side of the balance sheet as a provision. Provisions are made if it is probable that a facility will be drawn and the resulting asset is expected to have a realisable value that is less than the amount advanced.

Customer redress

Customer redress provisions comprise the estimated cost of making redress payments to customers, clients and counterparties for losses or damages associated with inappropriate judgement in the execution of Barclays Group's business activities. Provisions for other customer redress include smaller provisions across the retail and corporate businesses which are likely to be utilised in the next 12 months.

Legal, competition and regulatory matters

The Barclays Group is engaged in various legal proceedings, both in the UK and a number of other overseas jurisdictions, including the US. For further information in relation to legal proceedings and discussion of the associated uncertainties, refer to Note 27.

Sundry provisions

This category includes provisions that do not fit into any of the other categories, such as fraud losses and dilapidation provisions.

Payment Protection Insurance Redress

As at 31 December 2018, Barclays Group had recognised cumulative provisions totalling £9.6bn (2017: £9.2bn), of which £0.4bn was recognised in Q1 2018, against the cost of Payment Protection Insurance (PPI) redress and associated processing costs. Utilisation of the cumulative provisions to date is £8.7bn (2017: £7.6bn), leaving a residual provision of £0.9bn (2017: £1.6bn).

Through to 31 December 2018, 2.4m (2017: 2.1m) customer initiated claims<sup>a</sup> had been received and processed.

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

As at 31 December 2018, the provision of £0.9bn represents Barclays Group's best estimate of expected PPI redress reflecting the complaints deadline implemented by the FCA of 29 August 2019. However, it is possible the eventual outcome may differ from the current estimate. Barclays 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 Group 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 outlines key forecast assumptions used in the provision calculation as at 31 December 2018 and a sensitivity analysis illustrating the impact on the provision if the future expected assumptions prove too high or too low.

| Assumption                                                                | Cumulative<br>actual to<br>31.12.18 | Future<br>expected | Sensitivity<br>analysis<br>increase/<br>decrease in<br>provision |
|---------------------------------------------------------------------------|-------------------------------------|--------------------|------------------------------------------------------------------|
| Customer initiated claims received and processed (thousands) <sup>a</sup> | 2,400                               | 290                | 50k=£117m                                                        |
| Average uphold rate per claim (%) <sup>b</sup>                            | 89                                  | 91                 | 1%=£6m                                                           |
| Average redress per valid claim (£) <sup>c</sup>                          | 2,136                               | 2,233              | £100=£26m                                                        |

Notes

a Total mis-selling claims received directly by Barclays Group, 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.

b Average uphold rate per customer initiated mis-selling claim received directly by Barclays Group 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.

c Average redress stated on a per policy basis for future customer initiated mis-selling complaints received directly by Barclays Group. 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.

26 Contingent liabilities and commitments

Accounting for contingent liabilities

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

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

|                                                                     | 2018<br>£m     | 2017<br>£m     |
|---------------------------------------------------------------------|----------------|----------------|
| Guarantees and letters of credit pledged as collateral security     | 15,805         | 14,275         |
| Performance guarantees, acceptances and endorsements                | 4,498          | 4,737          |
| <b>Total contingent liabilities</b>                                 | <b>20,303</b>  | <b>19,012</b>  |
| <i>Of which: Financial guarantees carried at fair value</i>         | <i>4</i>       |                |
| Documentary credits and other short-term trade related transactions | 1,741          | 812            |
| Standby facilities, credit lines and other commitments <sup>a</sup> | 322,482        | 314,761        |
| <b>Total commitments</b>                                            | <b>324,223</b> | <b>315,573</b> |
| <i>Of which: Loan commitments carried at fair value</i>             | <i>11,723</i>  |                |

Provisions held against contingent liabilities and commitments equal £271m. Post IFRS 9, loan commitments carried at fair value amounted to £18.9bn as at 1 January 2018.

The Financial Services Compensation Scheme (the FSCS) is the UK’s government-backed compensation scheme for customers of authorised institutions that are unable to pay claims. The compensation paid out to customers is funded through loan facilities provided by HM Treasury to the FSCS which at 31 December 2018 has been completely repaid and has nil balance (2017: £4.7bn).

Further details on contingent liabilities relating to legal and competition and regulatory matters can be found in Note 27.

27 Legal, competition and regulatory matters

Members of the Barclays 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. The recognition of provisions in relation to such matters involves critical accounting estimates and judgement in accordance with the relevant accounting policies as described in Note 25, Provisions. We have not disclosed an estimate of the potential financial effect on Barclays of contingent liabilities where it is not currently practicable to do so.

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, a separate subsidiary of Barclays PLC. Although the matters described below are relevant to Barclays PLC either on an individual or on a consolidated basis, certain matters may relate to either or both of Barclays Bank PLC and Barclays Bank UK PLC. Matters are ordered under headings corresponding to the financial statements in which they are disclosed.

1. Barclays PLC and Barclays Bank PLC

Investigations into certain advisory services agreements and other matters and civil action

The UK Serious Fraud Office (SFO), the Financial Conduct Authority (FCA), the US Department of Justice (DoJ) and the US Securities and Exchange Commission (SEC) have been conducting investigations into two advisory services agreements entered into by Barclays Bank PLC. These agreements were entered into with Qatar Holding LLC (Qatar Holding) in June and October 2008 (the Agreements). The FCA commenced an investigation into whether the Agreements may have related to Barclays PLC’s capital raisings in June and November 2008 (the Capital Raisings). The existence of the June 2008 advisory services agreement was disclosed, but the entry into the advisory services agreement in October 2008 and the fees payable under the Agreements, which amounted to a total of £322m payable over a period of five years, were not disclosed in the announcements or public documents relating to the Capital Raisings. The SFO also commenced an investigation into the Agreements and into a \$3bn loan (the Loan) provided by Barclays Bank PLC in November 2008 to the State of Qatar.

SFO Proceedings

In 2017, the SFO charged Barclays PLC with two offences of conspiring with certain former senior officers and employees of Barclays to commit fraud by false representations relating to the Agreements and one offence of unlawful financial assistance in relation to the Loan. In February 2018, the SFO also charged Barclays Bank PLC with the same offence in respect of the Loan. In May 2018, the Crown Court dismissed all charges against Barclays PLC and Barclays Bank PLC, and in October 2018, the High Court denied the SFO’s application to reinstate the charges, which were consequently dismissed.



Notes to the financial statements

Accruals, provisions, contingent liabilities and legal proceedings

27 Legal, competition and regulatory matters continued

FCA Proceedings and other investigations

In 2013, the FCA issued warning notices (the Notices) finding that, while Barclays PLC and Barclays Bank PLC believed at the time of the execution of the Agreements that there should be at least some unspecified and undetermined value to be derived from them, the primary purpose of the Agreements was not to obtain advisory services but to make additional payments, which would not be disclosed, for the Qatari participation in the Capital Raisings. The Notices concluded that Barclays PLC and Barclays Bank PLC were in breach of certain disclosure-related listing rules and Barclays PLC was also in breach of Listing Principle 3 (the requirement to act with integrity towards holders and potential holders of the Company's shares). In this regard, the FCA considers that Barclays PLC and Barclays Bank PLC acted recklessly. The financial penalty provided in the Notices against Barclays is £50m. Barclays PLC and Barclays Bank PLC continue to contest the findings. The FCA action has been stayed due to the SFO proceedings pending against certain former Barclays executives, trial in respect of which commenced in January 2019.

In addition, the DoJ and the SEC have been conducting investigations relating to the Agreements.

Civil Action

In 2016, PCP Capital Partners LLP and PCP International Finance Limited (PCP) served a claim on Barclays Bank PLC seeking damages for fraudulent misrepresentation and deceit, arising from alleged statements made by Barclays Bank PLC to PCP in relation to the terms on which securities were to be issued to potential investors, allegedly including PCP, in the November 2008 capital raising. PCP seeks damages of up to £1,477m (plus interest from November 2017) and costs. Barclays Bank PLC is defending the claim and trial is scheduled to commence in October 2019.

Claimed amounts/Financial impact

It is not currently practicable to provide an estimate of the financial impact of the actions described on Barclays or what effect they might have upon Barclays' operating results, cash flows or financial position in any particular period. The financial penalty provided in the FCA's Notices against Barclays is £50m. PCP has made a claim against Barclays Bank PLC for damages of up to £1,477m plus interest and costs. These amounts do not necessarily reflect Barclays' potential financial exposure in respect of these matters.

Investigations into certain business relationships

In 2012, the DoJ and SEC commenced investigations in relation to whether certain relationships with third parties who assist Barclays PLC to win or retain business are compliant with the US Foreign Corrupt Practices Act. Various regulators in other jurisdictions are also being briefed on the investigations. Separately, Barclays is cooperating with the DoJ and SEC in relation to an investigation into certain of its hiring practices in Asia and elsewhere and is keeping certain regulators in other jurisdictions informed.

Claimed amounts/Financial impact

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

Investigations relating to whistle-blowing systems and controls

In 2017, the FCA and the Prudential Regulation Authority (PRA) commenced investigations into the Barclays Group Chief Executive Officer (CEO), relating to his attempt in 2016 to identify the author of a letter that was treated by Barclays Bank PLC as a whistle-blow, and into Barclays Bank PLC, as to its responsibilities relating to the attempt by the CEO to identify the author of the letter, as well as Barclays' systems and controls and culture relating to whistle-blowing.

In May 2018, the FCA and PRA published final notices confirming their finding that the CEO's actions in relation to this matter represented a breach of Individual Conduct Rule 2 (requirement to act with due skill, care and diligence). There were no findings by the FCA or PRA that the CEO acted with a lack of integrity nor any findings that he lacked fitness and propriety to continue to perform his role as Group Chief Executive Officer.

In respect of its investigation relating to Barclays Bank PLC, the FCA and PRA concluded that they would not take enforcement action in respect of this matter. However, each of Barclays Bank PLC and Barclays Bank UK PLC agreed to be subject to requirements to report to the FCA and PRA on certain aspects of their whistle-blowing programmes.

The New York Department of Financial Services (NYDFS) and the Federal Reserve Bank of New York also conducted their own investigations in respect of this matter. In December 2018, the NYDFS issued a consent order that imposed a \$15m civil penalty on Barclays Bank PLC, which has been paid, for failings in its whistle-blowing programme as well as certain remediation and reporting obligations related to its whistle-blowing programme. All regulatory investigations relating to these events are now concluded.

Claimed amounts/Financial impact

Aside from the settlement discussed above, there is no financial impact on Barclays' operating results, cash flows or financial position.

Investigations into LIBOR and other benchmarks

Regulators and law enforcement agencies, including certain competition authorities, from a number of governments have been conducting investigations relating to Barclays Bank PLC's involvement in manipulating certain financial benchmarks, such as LIBOR and EURIBOR. In 2012, Barclays Bank PLC announced that it had reached settlements with the Financial Services Authority (FSA) (as predecessor to the FCA), the US Commodity Futures Trading Commission (CFTC) and the DoJ in relation to their investigations concerning certain benchmark interest rate submissions, and Barclays Bank PLC paid total penalties of £290m. The settlement with the DoJ was made by entry into a Non-Prosecution Agreement (NPA) which has now expired. Barclays PLC, Barclays Bank PLC and Barclays Capital Inc. (BCI) have reached settlements with certain other regulators and law enforcement agencies. Barclays Bank PLC continues to respond to requests for information from the SFO in relation to its ongoing LIBOR investigation, including in respect of Barclays Bank PLC.

Claimed amounts/Financial impact

Aside from the settlements discussed above, it is not currently practicable to provide an estimate of any further financial impact of the actions described on Barclays or what effect they might have upon Barclays' operating results, cash flows or financial position in any particular period.

LIBOR and other benchmark civil actions

Following settlement of the investigations referred to above in 'Investigations into LIBOR and other benchmarks', various individuals and corporates in a range of jurisdictions have threatened or brought civil actions against Barclays and other banks in relation to LIBOR and/or other benchmarks. While certain cases have been dismissed, settled or settled subject to final approval from the relevant court (and in the case of class actions, the right of class members to opt out of the settlement and to seek to file their own claims), other actions remain pending and their ultimate impact is unclear.







## 27 Legal, competition and regulatory matters continued

### Claimed amounts/Financial impact

Aside from the settlement described above, it is not currently practicable to provide an estimate of any further financial impact of the actions described on Barclays or what effect they might have upon Barclays' operating results, cash flows or financial position in any particular period.

## Metals investigations

Barclays Bank PLC has provided information to the DoJ, the CFTC and other authorities in connection with investigations into metals and metals-based financial instruments.

*Claimed amounts/Financial impact*

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

### Civil actions in respect of the gold and silver fix

A number of civil complaints, each on behalf of a proposed class of plaintiffs, have been consolidated and transferred to the SDNY. The complaints allege that Barclays Bank PLC and other members of The London Gold Market Fixing Ltd. manipulated the prices of gold and gold derivative contracts in violation of the CEA, the Antitrust Act, and state antitrust and consumer protection laws.

Also, in the US, a proposed class of plaintiffs filed a complaint against a number of banks, including Barclays Bank PLC, BCI and Barclays Capital Services Ltd., alleging manipulation of the price of silver in violation of the CEA and antitrust laws. The court has dismissed this action as against the Barclays entities.

Civil actions have also been filed in Canadian courts against Barclays PLC, Barclays Bank PLC, Barclays Capital Canada Inc., BCI and Barclays Capital PLC on behalf of proposed classes of plaintiffs alleging manipulation of gold and silver prices in violation of Canadian law.

*Claimed amounts/Financial impact*

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

## US residential and commercial mortgage-related activity and litigation

There have been various investigations and civil litigation relating to secondary market trading of US Residential Mortgage-Backed Securities (RMBS) and US Commercial Mortgage-Backed Securities (CMBS).

## DoJ Civil Action

In December 2016, the DoJ filed a civil complaint against Barclays Bank PLC, Barclays PLC, BCI, Barclays Group US Inc., Barclays US LLC, BCAP LLC, Securitized Asset Backed Receivables LLC and Sutton Funding LLC, in the US District Court in the Eastern District of New York (EDNY) containing a number of allegations, including mail and wire fraud, relating to mortgage-backed securities sold between 2005 and 2007. In March 2018, Barclays reached a settlement with the DoJ to resolve this complaint. Barclays paid a civil penalty of \$2bn in connection with this settlement.

## RMBS Repurchase Requests

Barclays was the sole provider of various loan-level representations and warranties (R&Ws) with respect to:

- approximately \$5bn of Barclays sponsored securitisations
- approximately \$0.2bn of sales of loans to government sponsored enterprises (GSEs), and
- approximately \$3bn of loans sold to others.

In addition, an entity that Barclays acquired in 2007 (Acquired Subsidiary) provided R&Ws on \$19.4bn of loans it sold to third parties.

R&Ws on the remaining Barclays sponsored securitisations were primarily provided by third-party originators directly to the securitisation trusts with a Barclays subsidiary, such as the depositor for the securitisation, providing more limited R&Ws. There are no stated expiration provisions applicable to most R&Ws made by Barclays, the Acquired Subsidiary or these third parties.

Under certain circumstances, Barclays and/or the Acquired Subsidiary may be required to repurchase the related loans or make other payments related to such loans if the R&Ws are breached.

The unresolved repurchase requests received on or before 31 December 2018 associated with all R&Ws made by Barclays or the Acquired Subsidiary on loans sold to GSEs and others and private-label activities had an original unpaid principal balance of approximately \$2.1bn at the time of such sale. The unresolved repurchase requests discussed above relate to civil actions that have been commenced by the trustees for certain RMBS securitisations in which the trustees allege that Barclays and/or the Acquired Subsidiary must repurchase loans that violated the operative R&Ws. Such trustees and other parties making repurchase requests have also alleged that the operative R&Ws may have been violated with respect to a greater (but unspecified) amount of loans than the amount of loans previously stated in specific repurchase requests made by such trustees. This litigation is ongoing.

In May 2018, the Acquired Subsidiary agreed to a settlement of a civil action relating to claims for indemnification for losses allegedly suffered by a loan purchaser as a result of alleged breaches of R&Ws provided by the Acquired Subsidiary in connection with loan sales to the purchaser during the period 1997 to 2007. The amount paid was not material to Barclays.

*Claimed amounts/Financial impact*

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



Notes to the financial statements

Accruals, provisions, contingent liabilities and legal proceedings

27 Legal, competition and regulatory matters continued

Alternative trading systems

In 2014, the New York State Attorney General (NYAG) filed a complaint (NYAG Complaint) against Barclays PLC and BCI in the Supreme Court of the State of New York alleging, amongst other things, that Barclays PLC and BCI engaged in fraud and deceptive practices in connection with LX, Barclays' SEC-registered alternative trading system (ATS). In February 2016, Barclays reached separate settlement agreements with the SEC and the NYAG to resolve those agencies' claims against Barclays PLC and BCI relating to the operation of LX and paid \$35m to each.

Barclays PLC and BCI were named in a purported class action by an institutional financial services firm under California law based on allegations similar to those in the NYAG Complaint. In October 2016, the federal court in California granted the motion of Barclays PLC and BCI to dismiss the entire complaint. In July 2018, the court of appeals affirmed the dismissal.

Following the filing of the NYAG Complaint, Barclays PLC and BCI were also named in a putative shareholder securities class action along with certain current and former executives. The plaintiffs claim that holders of Barclays American Depositary Receipts (ADRs) suffered damages when the ADRs declined in value as a result of the allegations in the NYAG Complaint. The parties have agreed to a settlement of this action for \$27m, which is subject to final court approval.

*Claimed amounts/Financial impact*

Barclays does not expect the financial impact of the actions described to be material to Barclays' operating results, cash flows or financial position.

Treasury auction securities civil actions and related matters

Various civil actions have been filed against Barclays Bank PLC, BCI and other financial institutions alleging violations of antitrust and other laws relating to the markets for US Treasury securities and Supranational, Sovereign and Agency securities. Certain governmental authorities are also conducting investigations relating to trading of certain government and agency securities in various markets.

Numerous putative class action complaints have been filed in US Federal Court against Barclays Bank PLC, BCI and other financial institutions that have served as primary dealers in US Treasury securities. Those actions have been consolidated and in 2017, plaintiffs in the putative class action filed a consolidated amended complaint in the US Federal Court in New York against the defendants as well as certain corporations that operate electronic trading platforms on which US Treasury securities are traded. The complaint purports to assert claims under US federal antitrust laws and state common law based on allegations that the defendants (i) conspired to manipulate the US Treasury securities market and/or (ii) conspired to prevent the creation of certain platforms by boycotting or threatening to boycott such trading platforms. The defendants have filed a motion to dismiss.

In addition, certain plaintiffs have filed a related, direct action against BCI and certain other financial institutions that have served as primary dealers in US Treasury securities. This complaint alleges that defendants conspired to fix and manipulate the US Treasury securities market in violation of US federal antitrust laws, the CEA and state common law.

Barclays PLC, Barclays Bank PLC, BCI, Barclays Services Limited, Barclays Capital Securities Limited and certain other financial institutions have been named as defendants in a civil antitrust complaint that alleges that the defendants engaged in a conspiracy to fix prices and restrain competition in the market for US dollar-denominated Supranational, Sovereign and Agency bonds (SSA Bonds) from 2009 through 2015. The defendants have moved to dismiss the action. In February 2019, indirect purchasers of SSA Bonds filed a separate but related complaint making similar allegations.

Certain governmental authorities are conducting investigations into activities relating to the trading of certain government and agency securities in various markets and Barclays has been providing information to various authorities on an ongoing basis.

*Claimed amounts/Financial impact*

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

Mexican Government Bond civil action

Barclays PLC, Barclays Bank PLC, BCI, Barclays Capital Securities Limited, Barclays Bank Mexico, S.A., Grupo Financiero Barclays Mexico, S.A. de C.V. and Banco Barclays S.A., together with other financial institutions that allegedly transacted in Mexican government bonds (MGB), are named as defendants in a class action consolidated in the SDNY. The plaintiffs assert antitrust and state law claims arising out of an alleged conspiracy to fix the prices of MGB from 2006 through mid-2017. Defendants have moved to dismiss the consolidated action.

*Claimed amounts/Financial impact*

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

American Depositary Shares

Barclays PLC and Barclays Bank PLC were named as defendants in a securities class action consolidated in the SDNY that alleged misstatements and omissions in offering documents for certain American Depositary Shares issued by Barclays Bank PLC in April 2008 with an original face amount of approximately \$2.5 billion (the April 2008 Offering). The plaintiffs asserted claims under the Securities Act of 1933, alleging misstatements and omissions concerning (amongst other things) Barclays Bank PLC's exposure to mortgage and credit market risk and its financial condition. In 2017, the SDNY granted the defendants' motion for summary judgment on all claims against them, a decision affirmed by the appellate court in November 2018.

*Claimed amounts/Financial impact*

Absent the summary judgment decision being overturned on appeal, Barclays does not expect the financial impact of the action described to be material to Barclays' operating results, cash flows or financial position.





Notes to the financial statements

Accruals, provisions, contingent liabilities and legal proceedings

27 Legal, competition and regulatory matters continued

2. Barclays PLC, Barclays Bank PLC and Barclays Bank UK PLC

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. 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. The FCA has now closed these investigations with no action to be taken against Barclays.

Claimed amounts/Financial impact

There is no financial impact on Barclays' operating results, cash flows or financial position.

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 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 2018, HMRC issued notices that have the effect of removing certain overseas subsidiaries that have operations in the UK from Barclays' UK VAT group, in which group supplies between members are generally free from VAT. The notices have retrospective effect and correspond to assessments of £181m (inclusive of interest), of which Barclays would expect to attribute an amount of approximately £128m to Barclays Bank UK PLC and £53m to Barclays Bank PLC. Barclays has appealed HMRC's decision to the First Tier Tribunal (Tax Chamber).

Claimed amounts/Financial impact

The total amount of the HMRC assessments is approximately £181m, inclusive of interest.

Local authority civil actions concerning LIBOR

Following settlement by Barclays Bank PLC of various governmental investigations concerning certain benchmark interest rate submissions referred to above in 'Investigations into LIBOR and other benchmarks', in the UK, certain local authorities have brought claims against Barclays asserting that they entered into loans in reliance on misrepresentations made by Barclays in respect of its conduct in relation to LIBOR.

Claimed amounts/Financial impact

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

3. Barclays PLC and Barclays Bank UK PLC

CCUK Finance Limited and CIAC Corporation

In May 2017, Barclays was served with a civil claim by CUK 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. The parties have settled the claim.

Claimed amounts/Financial impact

The financial impact of the action described was not material to Barclays' operating results, cash flows or financial position.

General

Barclays is engaged in various other legal, competition and regulatory matters in the UK, the US and a number of other overseas jurisdictions. It 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 management and protection, money laundering, financial crime, employment, environmental and other statutory and common law issues.

Barclays 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 does not expect the ultimate resolution of any of these other matters to have a material adverse effect on its financial position. However, in light of the uncertainties involved in such matters and the matters specifically described in this note, there can be no assurance that the outcome of a particular matter or matters (including formerly active matters or those matters arising after the date of this note) will not be material to Barclays' 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.

Notes to the financial statements

Capital instruments, equity and reserves

The notes included in this section focus on the Barclays Group’s loan capital and shareholders’ equity including issued share capital, retained earnings, other equity balances and interests of minority shareholders in our subsidiary entities (non-controlling interests). For more information on capital management and how the Barclays Group maintains sufficient capital to meet our regulatory requirements refer to page 95.

28 Subordinated liabilities

Accounting for subordinated liabilities

Subordinated liabilities are measured at amortised cost using the effective interest method under IFRS 9.

|                                 | 2018<br>£m | 2017<br>£m |
|---------------------------------|------------|------------|
| Opening balance as at 1 January | 23,826     | 23,383     |
| Issuances                       | 221        | 3,041      |
| Redemptions                     | (3,246)    | (1,378)    |
| Other                           | (242)      | (1,220)    |
| Total subordinated liabilities  | 20,559     | 23,826     |

Redemptions totalling £3,246m include £500m Fixed/Floating Rate Subordinated Callable Notes, €1,750m 6% Fixed Rate Subordinated Notes (£1,532m), \$1,000m 7.75% Contingent Capital Notes (£713m), \$99m 7.7% Undated Subordinated Notes (£72m), €40m Floating Rate Subordinated Notes 2018 (£35m), €235m CMS Linked Subordinated Notes (£206m), £140m 8.25% Undated Subordinated Notes and a number of small redemptions by Barclays Securities Japan Limited totalling £48m.

Other movements include £514m due to the appreciation of USD and JPY against GBP offset by the reclassification of subordinated liabilities to non-controlling interests of £491m and accrued interest of £128m.

Subordinated liabilities include accrued interest and comprise undated and dated subordinated liabilities as follows:

|                                  | 2018<br>£m | 2017<br>£m |
|----------------------------------|------------|------------|
| Undated subordinated liabilities | 3,522      | 4,191      |
| Dated subordinated liabilities   | 17,037     | 19,635     |
| Total subordinated liabilities   | 20,559     | 23,826     |

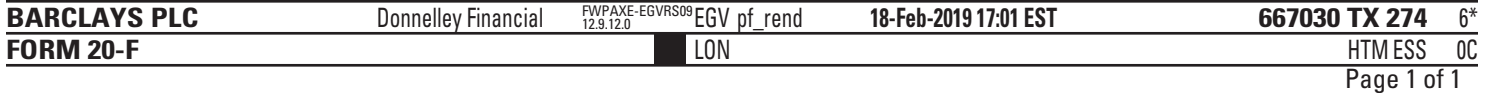
None of the Barclays Group's subordinated liabilities are secured.

Undated subordinated liabilities

|                                                                                 | Initial call date         | 2018<br>£m | 2017<br>£m |
|---------------------------------------------------------------------------------|---------------------------|------------|------------|
| Barclays Bank PLC issued                                                        |                           |            |            |
| Tier One Notes (TONs)                                                           |                           |            |            |
| 6% Callable Perpetual Core Tier One Notes                                       | 2032                      | 16         | 16         |
| 6.86% Callable Perpetual Core Tier One Notes (USD 179m)                         | 2032                      | 199        | 197        |
| Reserve Capital Instruments (RCIs)                                              |                           |            |            |
| 6.3688% Step-up Callable Perpetual Reserve Capital Instruments                  | 2019                      | 34         | 36         |
| 14% Step-up Callable Perpetual Reserve Capital Instruments                      | 2019                      | 3,189      | 3,142      |
| 5.3304% Step-up Callable Perpetual Reserve Capital Instruments                  | 2036                      | 51         | 52         |
| Undated Notes                                                                   |                           |            |            |
| 7.7% Undated Subordinated Notes (USD 99m)                                       | 2018                      | –          | 74         |
| 8.25% Undated Subordinated Notes                                                | 2018                      | –          | 144        |
| 7.125% Undated Subordinated Notes <sup>a</sup>                                  | 2020                      | –          | 182        |
| 6.125% Undated Subordinated Notes <sup>a</sup>                                  | 2027                      | –          | 43         |
| Junior Undated Floating Rate Notes (USD 38m)                                    | Any interest payment date | 30         | 28         |
| Undated Floating Rate Primary Capital Notes Series 3 <sup>a</sup>               | Any interest payment date | –          | 21         |
| Bonds                                                                           |                           |            |            |
| 9.25% Perpetual Subordinated Bonds (ex-Woolwich Plc) <sup>a</sup>               | 2021                      | –          | 87         |
| 9% Permanent Interest Bearing Capital Bonds <sup>a</sup>                        | At any time               | –          | 45         |
| Loans                                                                           |                           |            |            |
| 5.03% Reverse Dual Currency Undated Subordinated Loan (JPY 8,000m) <sup>a</sup> | 2028                      | –          | 51         |
| 5% Reverse Dual Currency Undated Subordinated Loan (JPY 12,000m) <sup>a</sup>   | 2028                      | –          | 73         |
| Total undated subordinated liabilities                                          |                           | 3,522      | 4,191      |

Note

<sup>a</sup> Following a review, these instruments are deemed to have characteristics that would qualify them as equity rather than subordinated liabilities. They have been subsequently reclassified in December 2018 resulting in a £491m movement.



## 28 Subordinated liabilities continued

## Undated subordinated liabilities

Undated subordinated liabilities are issued by Barclays Bank PLC and its subsidiaries for the development and expansion of the business and to strengthen the capital bases. The principal terms of the undated subordinated liabilities are described below:

## Subordination

All undated subordinated liabilities rank behind the claims against the bank of depositors and other unsecured unsubordinated creditors and holders of dated subordinated liabilities in the following order: Junior Undated Floating Rate Notes; other issues of Undated Notes, Bonds and Loans ranking pari passu with each other; followed by TONs and RCLs ranking pari passu with each other.

## Interest

All undated subordinated liabilities bear a fixed rate of interest until the initial call date, with the exception of the 9% Bonds which are fixed for the life of the issue, and the Junior and Series 3 Undated Notes which are floating rate at rates fixed periodically in advance based on the related interbank rate.

After the initial call date, in the event that they are not redeemed, the 7.125%, 6.125% Undated Notes and the 9.25% Bonds will bear interest at rates fixed periodically in advance for five-year periods based on market rates. All other undated subordinated liabilities will bear interest at rates fixed periodically in advance based on London interbank rates.

### Payment of interest

Barclays Bank PLC is not obliged to make a payment of interest on its Undated Notes, Bonds and Loans excluding the 9.25% Bonds if, in the preceding six months, a dividend has not been declared or paid on any class of shares of Barclays PLC or, in certain cases, any class of preference shares of Barclays Bank PLC. Barclays Bank PLC is not obliged to make a payment of interest on its 9.25% Perpetual Subordinated Bonds if, in the immediately preceding 12 month interest period, a dividend has not been paid on any class of its share capital. Interest not so paid becomes payable in each case if such a dividend is subsequently paid or in certain other circumstances. During the year, Barclays Bank PLC declared and paid dividends on its ordinary shares and on all classes of preference shares.

No payment of principal or any interest may be made unless Barclays Bank PLC satisfies a specified solvency test.

Barclays Bank PLC may elect to defer any payment of interest on the RCIs. Any such deferred payment of interest must be paid on the earlier of: (i) the date of redemption of the RCIs, (ii) the coupon payment date falling on or nearest to the tenth anniversary of the date of deferral of such payment, and (iii) in respect of the 14% RCIs only, substitution. While such deferral is continuing, neither Barclays Bank PLC nor Barclays PLC may declare or pay a dividend, subject to certain exceptions, on any of its ordinary shares or preference shares.

Barclays Bank PLC may elect to defer any payment of interest on the TONs if it determines that it is, or such payment would result in it being, in non-compliance with capital adequacy requirements and policies of the PRA. Any such deferred payment of interest will only be payable on a redemption of the TONs. Until such time as Barclays Bank PLC next makes a payment of interest on the TONs, neither Barclays Bank PLC nor Barclays PLC may (i) declare or pay a dividend, subject to certain exceptions, on any of their respective ordinary shares or preference shares, or make payments of interest in respect of Barclays Bank PLC's Reserve Capital Instruments and (ii) certain restrictions on the redemption, purchase or reduction of their respective share capital and certain other securities also apply.

## Repayment

All undated subordinated liabilities are repayable at the option of Barclays Bank PLC, generally in whole, at the initial call date and on any subsequent coupon or interest payment date or in the case of the 7.125%, 6.125% Undated Notes and the 9.25% Bonds on any fifth anniversary after the initial call date. In addition, each issue of undated subordinated liabilities is repayable, at the option of Barclays Bank PLC in whole for certain tax reasons, either at any time, or on an interest payment date. There are no events of default except non-payment of principal or mandatory interest. Any repayments require the prior approval of the PRA.

## Other

All issues of undated subordinated liabilities are non-convertible.



### Dated subordinated liabilities

|                                                                   | Initial<br>call date | Maturity<br>date | 2018<br>£m | 2017<br>£m |
|-------------------------------------------------------------------|----------------------|------------------|------------|------------|
| <b>Barclays PLC issued</b>                                        |                      |                  |            |            |
| 2.625% Fixed Rate Subordinated Callable Notes (EUR 1,250m)        | 2020                 | 2025             | 1,130      | 1,119      |
| 2% Fixed Rate Subordinated Callable Notes (EUR 1,500m)            | 2023                 | 2028             | 1,367      | 1,325      |
| 4.375% Fixed Rate Subordinated Notes (USD 1,250m)                 |                      | 2024             | 982        | 947        |
| 3.75% Fixed Rate Resetting Subordinated Callable Notes (SGD 200m) | 2025                 | 2030             | 116        | 111        |
| 5.20% Fixed Rate Subordinated Notes (USD 2,050m)                  |                      | 2026             | 1,509      | 1,439      |
| 4.836% Fixed Rate Subordinated Callable Notes (USD 2,000m)        | 2027                 | 2028             | 1,523      | 1,471      |
| <b>Barclays Bank PLC issued</b>                                   |                      |                  |            |            |
| Floating Rate Subordinated Notes (EUR 40m)                        |                      | 2018             | —          | 36         |
| 6% Fixed Rate Subordinated Notes (EUR 1,750m)                     |                      | 2018             | —          | 1,643      |
| CMS-Linked Subordinated Notes (EUR 100m)                          |                      | 2018             | —          | 93         |
| CMS-Linked Subordinated Notes (EUR 135m)                          |                      | 2018             | —          | 124        |
| Fixed/Floating Rate Subordinated Callable Notes                   | 2018                 | 2023             | —          | 533        |
| 7.75% Contingent Capital Notes (USD 1,000m)                       | 2018                 | 2023             | —          | 747        |
| Floating Rate Subordinated Notes (EUR 50m)                        |                      | 2019             | 45         | 44         |
| 5.14% Lower Tier 2 Notes (USD 1,094m)                             |                      | 2020             | 851        | 841        |
| 6% Fixed Rate Subordinated Notes (EUR 1,500m)                     |                      | 2021             | 1,474      | 1,484      |
| 9.5% Subordinated Bonds (ex-Woolwich Plc)                         |                      | 2021             | 256        | 273        |
| Subordinated Floating Rate Notes (EUR 100m)                       |                      | 2021             | 89         | 88         |
| 10% Fixed Rate Subordinated Notes                                 |                      | 2021             | 2,194      | 2,261      |
| 10.179% Fixed Rate Subordinated Notes (USD 1,521m)                |                      | 2021             | 1,143      | 1,118      |
| Subordinated Floating Rate Notes (EUR 50m)                        |                      | 2022             | 45         | 44         |
| 6.625% Fixed Rate Subordinated Notes (EUR 1,000m)                 |                      | 2022             | 1,032      | 1,043      |
| 7.625% Contingent Capital Notes (USD 3,000m)                      |                      | 2022             | 2,272      | 2,163      |
| Subordinated Floating Rate Notes (EUR 50m)                        |                      | 2023             | 45         | 44         |
| 5.75% Fixed Rate Subordinated Notes                               |                      | 2026             | 351        | 366        |
| 5.4% Reverse Dual Currency Subordinated Loan (JPY 15,000m)        |                      | 2027             | 107        | 97         |
| 6.33% Subordinated Notes                                          |                      | 2032             | 61         | 62         |
| Subordinated Floating Rate Notes (EUR 68m)                        |                      | 2040             | 61         | 60         |
| <b>External issuances by other subsidiaries</b>                   |                      | 2019–2023        | 384        | 59         |
| <b>Total dated subordinated liabilities</b>                       |                      |                  | 17,037     | 19,635     |

Dated subordinated liabilities are issued by Barclays PLC, Barclays Bank PLC and respective subsidiaries for the development and expansion of their business and to strengthen their respective capital bases. The principal terms of the dated subordinated liabilities are described below:

Dated subordinated liabilities issued by Barclays PLC ranks behind the claims against Barclays PLC of unsecured unsubordinated creditors but before the claims of the holders of its equity.

All dated subordinated liabilities externally issued by Barclays Bank PLC rank behind the claims against the bank of depositors and other unsecured unsubordinated creditors but before the claims of the undated subordinated liabilities and the holders of its equity. The dated subordinated liabilities externally issued by other subsidiaries are similarly subordinated as the external subordinated liabilities issued by Barclays Bank PLC.

Interest on the Floating Rate Notes is fixed periodically in advance, based on the related interbank or local central bank rates.

Interest on the 2.625% Fixed Rate Subordinated Callable Notes, 4.836% Fixed Rate Subordinated Callable Notes, 2% Fixed Rate Subordinated Callable Notes and the 3.75% Fixed Rate Resetting Subordinated Callable Notes are fixed until the call date. After the respective call dates, in the event that they are not redeemed, the interest rates will be reset and fixed until maturity based on a market rate.

Those subordinated liabilities with a call date are repayable at the option of the issuer, on conditions governing the respective debt obligations, some in whole or in part, and some only in whole. The remaining dated subordinated liabilities outstanding at 31 December 2018 are redeemable only on maturity, subject in particular cases to provisions allowing an early redemption in the event of certain changes in tax law, or to certain changes in legislation or regulations.

Any repayments prior to maturity require, in the case of Barclays PLC and Barclays Bank PLC, the prior approval of the PRA, or in the case of the overseas issues, the approval of the local regulator for that jurisdiction and of the PRA in certain circumstances.

There are no committed facilities in existence at the balance sheet date which permit the refinancing of debt beyond the date of maturity.

The 7.625% Contingent Capital Notes will be automatically transferred from investors to Barclays PLC (or another entity within the Barclays Group) for nil consideration in the event the Barclays PLC consolidated CRD IV CET1 ratio (FSA October 2012 transitional statement) falls below 7.0%.



Notes to the financial statements

Capital instruments, equity and reserves

29 Ordinary shares, share premium, and other equity

Called up share capital, allotted and fully paid

|                                                | Number of<br>shares<br>m | Ordinary<br>share<br>capital<br>£m | Ordinary<br>share<br>premium<br>£m | Total share<br>capital and<br>share<br>premium<br>£m | Other<br>equity<br>instruments<br>£m |
|------------------------------------------------|--------------------------|------------------------------------|------------------------------------|------------------------------------------------------|--------------------------------------|
| As at 1 January 2018                           | 17,060                   | 4,265                              | 17,780                             | 22,045                                               | 8,941                                |
| Issued to staff under share incentive plans    | 30                       | 7                                  | 44                                 | 51                                                   | –                                    |
| Issuances relating to Scrip Dividend Programme | 43                       | 11                                 | 77                                 | 88                                                   | –                                    |
| AT1 securities issuance                        | –                        | –                                  | –                                  | –                                                    | 1,925                                |
| AT1 securities redemption                      | –                        | –                                  | –                                  | –                                                    | (1,233)                              |
| Capital reorganisation                         | –                        | –                                  | (17,873)                           | (17,873)                                             | –                                    |
| Other movements                                | –                        | –                                  | –                                  | –                                                    | (1)                                  |
| As at 31 December 2018                         | 17,133                   | 4,283                              | 28                                 | 4,311                                                | 9,632                                |
| As at 1 January 2017                           | 16,963                   | 4,241                              | 17,601                             | 21,842                                               | 6,449                                |
| Issued to staff under share incentive plans    | 46                       | 12                                 | 74                                 | 86                                                   | –                                    |
| Issuances relating to Scrip Dividend Programme | 51                       | 12                                 | 105                                | 117                                                  | –                                    |
| AT1 securities issuance                        | –                        | –                                  | –                                  | –                                                    | 2,490                                |
| Other movements                                | –                        | –                                  | –                                  | –                                                    | 2                                    |
| As at 31 December 2017                         | 17,060                   | 4,265                              | 17,780                             | 22,045                                               | 8,941                                |

**Called up share capital**  
Called up share capital comprises 17,133m (2017: 17,060m) ordinary shares of 25p each.

**Share repurchase**  
At the 2018 AGM on 1 May 2018, Barclays PLC was authorised to repurchase up to an aggregate of 1,706m of its ordinary shares of 25p. The authorisation is effective until the AGM in 2019 or the close of business on 30 June 2019, whichever is the earlier. No share repurchases were made during either 2018 or 2017.

**Capital reorganisation**  
On 11 September 2018, the High Court of Justice in England and Wales confirmed the cancellation of the share premium account of Barclays PLC, with the balance of £17,873m credited to retained earnings.

**Other equity instruments**  
Other equity instruments of £9,632m (2017: £8,941m) include AT1 securities issued by Barclays PLC. The AT1 securities are perpetual securities with no fixed maturity and are structured to qualify as AT1 instruments under CRD IV.

In 2018, there was one issuance of Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities (2017: two issuances), with principal amount totalling \$2.5bn (2017: £2.5bn). There was also one redemption in 2018 (2017: none), with principal amount totalling \$2.0bn.

|                                                                              | Initial<br>call date | 2018<br>£m | 2017<br>£m |
|------------------------------------------------------------------------------|----------------------|------------|------------|
| <b>AT1 equity instruments – Barclays PLC</b>                                 |                      |            |            |
| 8.25% Perpetual Subordinated Contingent Convertible Securities (USD 2,000m)  | 2018                 | –          | 1,233      |
| 7.0% Perpetual Subordinated Contingent Convertible Securities                | 2019                 | 695        | 695        |
| 6.625% Perpetual Subordinated Contingent Convertible Securities (USD 1,211m) | 2019                 | 711        | 711        |
| 6.5% Perpetual Subordinated Contingent Convertible Securities (EUR 1,077m)   | 2019                 | 856        | 856        |
| 8.0% Perpetual Subordinated Contingent Convertible Securities (EUR 1,000m)   | 2020                 | 830        | 830        |
| 7.875% Perpetual Subordinated Contingent Convertible Securities              | 2022                 | 995        | 995        |
| 7.875% Perpetual Subordinated Contingent Convertible Securities (USD 1,500m) | 2022                 | 1,131      | 1,131      |
| 7.25% Perpetual Subordinated Contingent Convertible Securities               | 2023                 | 1,245      | 1,245      |
| 7.75% Perpetual Subordinated Contingent Convertible Securities (USD 2,500m)  | 2023                 | 1,925      | –          |
| 5.875% Perpetual Subordinated Contingent Convertible Securities              | 2024                 | 1,244      | 1,245      |
| Total AT1 equity instruments                                                 |                      | 9,632      | 8,941      |

29 Ordinary shares, share premium, and other equity continued

The principal terms of the AT1 securities are described below:

- AT1 securities rank behind the claims against Barclays PLC of 1) unsubordinated creditors; 2) claims which are expressed to be subordinated to the claims of unsubordinated creditors of Barclays PLC but not further or otherwise; or 3) claims which are, or are expressed to be, junior to the claims of other creditors of Barclays PLC, whether subordinated or unsubordinated, other than claims which rank, or are expressed to rank, pari passu with, or junior to, the claims of holders of the AT1 securities.
- AT1 securities bear a fixed rate of interest until the initial call date. After the initial call date, in the event that they are not redeemed, the AT1 securities will bear interest at rates fixed periodically in advance for five-year periods based on market rates.
- Interest on the AT1 securities will be due and payable only at the sole discretion of Barclays PLC, and Barclays PLC has sole and absolute discretion at all times and for any reason to cancel (in whole or in part) any interest payment that would otherwise be payable on any interest payment date.
- AT1 securities are undated and are redeemable, at the option of Barclays PLC, in whole but not in part at the initial call date, or on any fifth anniversary after the initial call date. In addition, the AT1 securities are redeemable, at the option of Barclays PLC, in whole in the event of certain changes in the tax or regulatory treatment of the securities. Any redemptions require the prior consent of the PRA.

All AT1 securities will be converted into ordinary shares of Barclays PLC, at a pre-determined price, should the fully loaded CET1 ratio of the Barclays Group fall below 7.0%.

30 Reserves

Currency translation reserve

The currency translation reserve represents the cumulative gains and losses on the retranslation of the Barclays Group's net investment in foreign operations, net of the effects of hedging.

Available for sale reserve

Following the adoption of IFRS 9, accumulated fair value changes of £228m previously recognised in the available for sale reserve are now recorded in fair value through other comprehensive income.

Fair value through other comprehensive income reserve

The fair value through other comprehensive income reserve represents the changes in the fair value of fair value through other comprehensive income investments since initial recognition.

Cash flow hedging reserve

The cash flow hedging reserve represents the cumulative gains and losses on effective cash flow hedging instruments that will be recycled to profit or loss when the hedged transactions affect profit or loss.

Own credit reserve

The own credit reserve reflects the cumulative own credit gains and losses on financial liabilities at fair value. Amounts in the own credit reserve are not recycled to profit or loss in future periods.

Other reserves and treasury shares

Other reserves relate to redeemed ordinary and preference shares issued by the Barclays Group.

Treasury shares relate to Barclays PLC shares held in relation to the Barclays Group's various share schemes. These schemes are described in Note 32. Treasury shares are deducted from shareholders' equity within other reserves. A transfer is made to retained earnings in line with the vesting of treasury shares held for the purposes of share-based payments.

|                                                       | 2018<br>£m | 2017<br>£m |
|-------------------------------------------------------|------------|------------|
| Currency translation reserve                          | 3,888      | 3,054      |
| Available for sale reserve                            | –          | 364        |
| Fair value through other comprehensive income reserve | (258)      | –          |
| Cash flow hedging reserve                             | 660        | 1,161      |
| Own credit reserve                                    | (121)      | (179)      |
| Other reserves and treasury shares                    | 984        | 983        |
| Total                                                 | 5,153      | 5,383      |

Notes to the financial statements

Capital instruments, equity and reserves

31 Non-controlling interests

|                                 | Profit attributable to non-controlling interest |            | Equity attributable to non-controlling interest |            | Dividends paid to non-controlling interest |            |
|---------------------------------|-------------------------------------------------|------------|-------------------------------------------------|------------|--------------------------------------------|------------|
|                                 | 2018<br>£m                                      | 2017<br>£m | 2018<br>£m                                      | 2017<br>£m | 2018<br>£m                                 | 2017<br>£m |
| Barclays Bank PLC issued:       |                                                 |            |                                                 |            |                                            |            |
| – Preference shares             | 204                                             | 242        | 529                                             | 1,838      | 204                                        | 242        |
| – Upper Tier 2 instruments      | 22                                              | 3          | 691                                             | 272        | 22                                         | –          |
| Barclays Africa Group Limited   | –                                               | 140        | –                                               | –          | –                                          | 173        |
| Other non-controlling interests | –                                               | 4          | 3                                               | 1          | –                                          | –          |
| Total                           | 226                                             | 389        | 1,223                                           | 2,111      | 226                                        | 415        |

**Barclays Bank PLC**  
Barclays PLC holds 100% of the voting rights of Barclays Bank PLC. As at 31 December 2018, Barclays Bank PLC has in issue preference shares and Upper Tier 2 instruments. In December 2018, Barclays Bank PLC redeemed its 8.125% USD Preference Shares in full. Preference share dividends and redemption are typically at the discretion of Barclays Bank PLC. The payment of Upper Tier 2 instrument coupons and principal are typically at the discretion of Barclays Bank PLC, except for coupon payments that become compulsory where Barclays PLC has declared or paid a dividend on ordinary shares in the preceding six-month period. Preference share and Upper Tier 2 instrument holders typically only have rights to redeem in the event of insolvency.

Following a review of subordinated liabilities issued by Barclays Bank PLC, certain instruments have been deemed to have characteristics that would qualify them as equity and have subsequently been reclassified. These are accounted for as non-controlling interests.

| Instrument                                                     | 2018<br>£m | 2017<br>£m   |
|----------------------------------------------------------------|------------|--------------|
| <b>Preference Shares:</b>                                      |            |              |
| 6.278% non-cumulative callable preference shares               | 318        | 318          |
| 4.75% non-cumulative callable preference shares                | 211        | 211          |
| 8.125% non-cumulative callable preference shares               | –          | 1,309        |
| <b>Total Barclays Bank PLC Preference Shares</b>               | <b>529</b> | <b>1,838</b> |
| <b>Total</b>                                                   | <b>529</b> | <b>1,838</b> |
| <b>Upper Tier 2 Instruments:</b>                               |            |              |
| Undated Floating Rate Primary Capital Notes Series 1           | 93         | 93           |
| Undated Floating Rate Primary Capital Notes Series 2           | 179        | 179          |
| 5.03% Undated Reverse Dual Currency Subordinated Note (JPY8bn) | 39         | –            |
| 5.0% Reverse Dual Currency Subordinated (JPY12bn)              | 53         | –            |
| Undated Floating Rate Primary Capital Notes Series 3 (£145m)   | 20         | –            |
| 9% Permanent Interest Bearing Capital Bonds (£100m)            | 40         | –            |
| 7.125% Undated Subordinated Notes (£525m)                      | 158        | –            |
| 6.125% Undated Subordinated Notes (£550m)                      | 34         | –            |
| 9.25% Perpetual Sub Notes (ex Woolwich) (£150m)                | 75         | –            |
| <b>Total Upper Tier 2 Instruments</b>                          | <b>691</b> | <b>272</b>   |

**Protective rights of non-controlling interests**  
[Barclays Bank PLC](#)  
Barclays Bank PLC also has in issue preference shares, which are non-controlling interests to the Barclays Group. Under the terms of these instruments, Barclays PLC may not pay dividends on ordinary shares until a dividend is next paid on these instruments or the instruments are redeemed or purchased by Barclays Bank PLC. There are no restrictions on Barclays Bank PLC’s ability to remit capital to the Parent as a result of these issued instruments.

Notes to the financial statements

Employee benefits

The notes included in this section focus on the costs and commitments associated with employing our staff.

32 Share-based payments

Accounting for share-based payments

The Barclays Group applies IFRS 2 *Share-based Payments* in accounting for employee remuneration in the form of shares.

Employee incentives include awards in the form of shares and share options, as well as offering employees the opportunity to purchase shares on favourable terms. The cost of the employee services received in respect of the shares or share options granted is recognised in the income statement over the period that employees provide services. The overall cost of the award is calculated using the number of shares and options expected to vest and the fair value of the shares or options at the date of grant.

The number of shares and options expected to vest takes into account the likelihood that performance and service conditions included in the terms of the awards will be met. Failure to meet the non-vesting condition is treated as a cancellation, resulting in an acceleration of recognition of the cost of the employee services.

The fair value of shares is the market price ruling on the grant date, in some cases adjusted to reflect restrictions on transferability. The fair value of options granted is determined using option pricing models to estimate the numbers of shares likely to vest. These take into account the exercise price of the option, the current share price, the risk-free interest rate, the expected volatility of the share price over the life of the option and other relevant factors. Market conditions that must be met in order for the award to vest are also reflected in the fair value of the award, as are any other non-vesting conditions – such as continuing to make payments into a share-based savings scheme.

The charge for the year arising from share-based payment schemes was as follows:

|                            | Charge for the year |            |            |
|----------------------------|---------------------|------------|------------|
|                            | 2018<br>£m          | 2017<br>£m | 2016<br>£m |
| Share Value Plan           | 45                  | 153        | 473        |
| Deferred Share Value Plan  | 217                 | 166        | –          |
| Others                     | 187                 | 186        | 192        |
| Total equity settled       | 449                 | 505        | 665        |
| Cash settled               | 1                   | 3          | 1          |
| Total share-based payments | 450                 | 508        | 666        |

The terms of the main current plans are as follows:

Share Value Plan (SVP)

The SVP was introduced in March 2010 and approved by shareholders (for executive Director participation and use of new issue shares) at the AGM in April 2011. SVP awards are granted to participants in the form of a conditional right to receive Barclays PLC shares or provisional allocations of Barclays PLC shares which vest or are considered for release over a period of three, five or seven years. Participants do not pay to receive an award or to receive a release of shares. The grantor may also make a dividend equivalent payment to participants on release of a SVP award. SVP awards are also made to eligible employees for recruitment purposes. All awards are subject to potential forfeiture in certain leaver scenarios.

Deferred Share Value Plan (DSVP)

The DSVP was introduced in February 2017. The terms of the DSVP are materially the same as the terms of the SVP as described above, save that executive Directors are not eligible to participate in the DSVP and the DSVP operates over market purchase shares only.

Other schemes

In addition to the SVP and DSVP, the Barclays Group operates a number of other schemes settled in Barclays PLC Shares including Sharesave (both UK and Ireland), Sharepurchase (both UK and overseas), and the Barclays Group Long Term Incentive Plan. A delivery of upfront shares to 'Material Risk Takers' can be made as Share Incentive Award.

Notes to the financial statements

Employee benefits

32 Share-based payments continued

Share option and award plans

The weighted average fair value per award granted, weighted average share price at the date of exercise/release of shares during the year, weighted average contractual remaining life and number of options and awards outstanding (including those exercisable) at the balance sheet date are as follows:

|                     | 2018                                                       |                                                                    |                                                   |                                              | 2017                                                       |                                                                    |                                                   |                                              |
|---------------------|------------------------------------------------------------|--------------------------------------------------------------------|---------------------------------------------------|----------------------------------------------|------------------------------------------------------------|--------------------------------------------------------------------|---------------------------------------------------|----------------------------------------------|
|                     | Weighted average fair value per award granted in year<br>£ | Weighted average share price at exercise/ release during year<br>£ | Weighted average remaining contractual life years | Number of options/ awards outstanding (000s) | Weighted average fair value per award granted in year<br>£ | Weighted average share price at exercise/ release during year<br>£ | Weighted average remaining contractual life years | Number of options/ awards outstanding (000s) |
| SVP <sup>a,b</sup>  | 1.90                                                       | 2.11                                                               | <1                                                | 67,898                                       | 2.30                                                       | 2.29                                                               | 1                                                 | 191,610                                      |
| DSVP <sup>a,b</sup> | 1.94                                                       | 2.10                                                               | 1                                                 | 206,571                                      | 2.26                                                       | 2.06                                                               | 1                                                 | 125,399                                      |
| Others <sup>a</sup> | 0.36-2.11                                                  | 1.82-2.11                                                          | 0-3                                               | 217,952                                      | 0.41-2.30                                                  | 1.99-2.30                                                          | 0-3                                               | 210,160                                      |

SVP and DSVP are nil cost awards on which the performance conditions are substantially completed at the date of grant. Consequently, the fair value of these awards is based on the market value at that date.

Movements in options and awards

The movement in the number of options and awards for the major schemes and the weighted average exercise price of options was:

|                                                   | SVP <sup>a,b</sup> |           | DSVP <sup>a,b</sup> |         | Others <sup>a,c</sup> |          |                                |      |
|---------------------------------------------------|--------------------|-----------|---------------------|---------|-----------------------|----------|--------------------------------|------|
|                                                   | Number (000s)      |           | Number (000s)       |         | Number (000s)         |          | Weighted average ex. price (£) |      |
|                                                   | 2018               | 2017      | 2018                | 2017    | 2018                  | 2017     | 2018                           | 2017 |
| Outstanding at beginning of year/acquisition date | 191,610            | 406,016   | 125,399             | –       | 210,160               | 205,129  | 1.41                           | 1.38 |
| Granted in the year                               | 1,425              | 943       | 135,964             | 132,316 | 114,335               | 118,222  | 1.51                           | 1.66 |
| Exercised/released in the year                    | (119,688)          | (200,350) | (43,402)            | (2,275) | (78,771)              | (90,324) | 1.50                           | 1.52 |
| Less: forfeited in the year                       | (5,449)            | (14,999)  | (11,390)            | (4,642) | (25,494)              | (17,733) | 1.54                           | 1.42 |
| Less: expired in the year                         | –                  | –         | –                   | –       | (2,278)               | (5,134)  | 1.80                           | 2.03 |
| Outstanding at end of year                        | 67,898             | 191,610   | 206,571             | 125,399 | 217,952               | 210,160  | 1.41                           | 1.41 |
| Of which exercisable:                             | –                  | 18        | –                   | –       | 23,556                | 24,569   | 1.96                           | 1.59 |

Notes

a Options/award granted over Barclays PLC shares.

b Nil cost award and therefore the weighted average exercise price was nil.

c The number of awards within Others at the end of the year principally relates to Sharesave (number of awards exercisable at end of year was 8,159,542). The weighted average exercise price relates to Sharesave.

Certain of the Barclays Group’s share option plans enable certain Directors and employees to subscribe for new ordinary shares of Barclays PLC. For the accounting of treasury shares refer to Note 32.

There were no significant modifications to the share-based payments arrangements in 2018 and 2017.

As at 31 December 2018, the total liability arising from cash-settled share-based payments transactions was £2m (2017: £2m).

Holdings of Barclays PLC shares

Various employee benefit trusts established by the Barclays Group hold shares in Barclays PLC to meet obligations under the Barclays share-based payment schemes. The total number of Barclays PLC shares held in these employee benefit trusts at 31 December 2018 was 11.4million (2017: 9.9million). Dividend rights have been waived on all these shares. The total market value of the shares held in trust based on the year end share price of £1.51 (2017: £2.03) was £17.2m (2017: £20.1m).



33 Pensions and post-retirement benefits

Accounting for pensions and post-retirement benefits

The Barclays Group operates a number of pension schemes and post-employment benefit schemes.

*Defined contribution schemes* – the Barclays Group recognises contributions due in respect of the accounting period in the income statement. Any contributions unpaid at the balance sheet date are included as a liability.

*Defined benefit schemes* – the Barclays Group recognises its obligations to members of each scheme at the period end, less the fair value of the scheme assets after applying the asset ceiling test.

Each scheme's obligations are calculated using the projected unit credit method. Scheme assets are stated at fair value as at the period end.

Changes in pension scheme liabilities or assets (remeasurements) that do not arise from regular pension cost, net interest on net defined benefit liabilities or assets, past service costs, settlements or contributions to the scheme, are recognised in other comprehensive income. Remeasurements comprise experience adjustments (differences between previous actuarial assumptions and what has actually occurred), the effects of changes in actuarial assumptions, return on scheme assets (excluding amounts included in the interest on the assets) and any changes in the effect of the asset ceiling restriction (excluding amounts included in the interest on the restriction).

*Post-employment benefit schemes* – the cost of providing healthcare benefits to retired employees is accrued as a liability in the financial statements over the period that the employees provide services to the Barclays Group, using a methodology similar to that for defined benefit pension schemes.

Pension schemes

UK Retirement Fund (UKRF)

The UKRF is the Barclays Group's main scheme, representing 97% of the Barclays Group's total retirement benefit obligations. Barclays Bank PLC is the principal employer of the UKRF. The UKRF was closed to new entrants on 1 October 2012, and comprises 10 sections, the two most significant of which are:

- Afterwork, which comprises a contributory cash balance defined benefit element, and a voluntary defined contribution element. The cash balance element is accrued each year and revalued until Normal Retirement Age in line with the increase in Retail Price Index (RPI) (up to a maximum of 5% p.a.). An increase of up to 2% a year may also be added at Barclays' discretion. Between 1 October 2003 and 1 October 2012 the majority of new UK employees (except for the employees of the investment banking business within Barclays International) were eligible to join this section. The costs of ill-health retirements and death in service benefits for Afterwork members are borne by the UKRF. The main risks that Barclays runs in relation to Afterwork are limited although additional contributions are required if pre-retirement investment returns are not sufficient to provide for the benefits.
- The 1964 Pension Scheme. Most employees recruited before July 1997 built up benefits in this non-contributory defined benefit scheme in respect of service up to 31 March 2010. Pensions were calculated by reference to service and pensionable salary. From 1 April 2010, members became eligible to accrue future service benefits in either Afterwork or the Pension Investment Plan (PIP), a historic defined contribution section which is now closed to future contributions. The risks that Barclays runs in relation to the 1964 section are typical of final salary pension schemes, principally that investment returns fall short of expectations, that inflation exceeds expectations, and that retirees live longer than expected.

Barclays Pension Savings Plan (BPSP)

From 1 October 2012, a new UK pension scheme, the BPSP, was established to satisfy Auto Enrolment legislation. The BPSP is a defined contribution scheme (Group Personal Pension) providing benefits for all new UK hires from 1 October 2012, employees of the investment banking business within Barclays International who were in PIP as at 1 October 2012, and also all UK employees who were not members of a pension scheme at that date. As a defined contribution scheme, BPSP is not subject to the same investment return, inflation or life expectancy risks for Barclays that defined benefit schemes are. Members' benefits reflect contributions paid and the level of investment returns achieved.

Other

Apart from the UKRF and the BPSP, Barclays operates a number of smaller pension and long-term employee benefits and post-retirement healthcare plans globally, the largest of which are the US defined benefit schemes. Many of the schemes are funded, with assets backing the obligations held in separate legal vehicles such as trusts. Others are operated on an unfunded basis. The benefits provided, the approach to funding, and the legal basis of the schemes, reflect local environments.

Governance

The UKRF operates under trust law and is managed and administered on behalf of the members in accordance with the terms of the Trust Deed and Rules and all relevant legislation. The Corporate Trustee is Barclays Pension Funds Trustees Limited, a private limited company and a wholly owned subsidiary of Barclays Bank PLC. The Trustee is the legal owner of the assets of the UKRF which are held separately from the assets of the Barclays Group.

The Trustee Board comprises six Management Directors selected by Barclays, of whom three are independent Directors with no relationship with Barclays (and who are not members of the UKRF), plus three Member Nominated Directors selected from eligible active staff and pensioner members who apply for the role.

The BPSP is a Group Personal Pension arrangement which operates as a collection of personal pension plans. Each personal pension plan is a direct contract between the employee and the BPSP provider (Legal & General Assurance Society Limited), and is regulated by the FCA.

Similar principles of pension governance apply to the Barclays Group's other pension schemes, depending on local legislation.

Notes to the financial statements

Employee benefits

33 Pensions and post-retirement benefits continued

Amounts recognised

The following tables include amounts recognised in the income statement and an analysis of benefit obligations and scheme assets for all Barclays Group defined benefit schemes. The net position is reconciled to the assets and liabilities recognised on the balance sheet. The tables include funded and unfunded post-retirement benefits.

| Income statement charge |            |            |            |  |
|-------------------------|------------|------------|------------|--|
|                         | 2018<br>£m | 2017<br>£m | 2016<br>£m |  |
| Current service cost    | 243        | 265        | 243        |  |
| Net finance cost        | (24)       | (12)       | (32)       |  |
| Past service cost       | 134        | (3)        | –          |  |
| Other movements         | 5          | –          | 2          |  |
| Total                   | 358        | 250        | 213        |  |

| Balance sheet reconciliation                                       |             |                                      |             |                                      |
|--------------------------------------------------------------------|-------------|--------------------------------------|-------------|--------------------------------------|
|                                                                    | 2018        |                                      | 2017        |                                      |
|                                                                    | Total<br>£m | Of which<br>relates to<br>UKRF<br>£m | Total<br>£m | Of which<br>relates to<br>UKRF<br>£m |
| Benefit obligation at beginning of the year                        | (30,268)    | (29,160)                             | (33,033)    | (31,847)                             |
| Current service cost                                               | (243)       | (226)                                | (265)       | (245)                                |
| Interest costs on scheme liabilities                               | (705)       | (677)                                | (843)       | (810)                                |
| Past service cost                                                  | (134)       | (140)                                | 3           | –                                    |
| Remeasurement loss – financial                                     | 1,129       | 1,075                                | (387)       | (330)                                |
| Remeasurement (loss)/gain – demographic                            | (241)       | (245)                                | (228)       | (240)                                |
| Remeasurement (loss)/gain – experience                             | (75)        | (94)                                 | (612)       | (614)                                |
| Employee contributions                                             | (4)         | (1)                                  | (5)         | (1)                                  |
| Benefits paid                                                      | 2,205       | 2,167                                | 4,970       | 4,927                                |
| Exchange and other movements                                       | 67          | –                                    | 132         | –                                    |
| Benefit obligation at end of the year                              | (28,269)    | (27,301)                             | (30,268)    | (29,160)                             |
| Fair value of scheme assets at beginning of the year               | 30,922      | 30,112                               | 32,657      | 31,820                               |
| Interest income on scheme assets                                   | 729         | 709                                  | 855         | 831                                  |
| Employer contribution                                              | 754         | 741                                  | 1,152       | 1,124                                |
| Remeasurement – return on scheme assets greater than discount rate | (400)       | (360)                                | 1,333       | 1,263                                |
| Employee contributions                                             | 4           | 1                                    | 5           | 1                                    |
| Benefits paid                                                      | (2,205)     | (2,167)                              | (4,970)     | (4,927)                              |
| Exchange and other movements                                       | (82)        | –                                    | (110)       | –                                    |
| Fair value of scheme assets at end of the year                     | 29,722      | 29,036                               | 30,922      | 30,112                               |
| Net surplus                                                        | 1,453       | 1,735                                | 654         | 952                                  |
| Retirement benefit assets                                          | 1,768       | 1,735                                | 966         | 952                                  |
| Retirement benefit liabilities                                     | (315)       | –                                    | (312)       | –                                    |
| Net retirement benefit assets                                      | 1,453       | 1,735                                | 654         | 952                                  |

Included within the benefit obligation was £757m (2017: £895m) relating to overseas pensions and £204m (2017: £213m) relating to other post-employment benefits.

As at 31 December 2018, the UKRF’s scheme assets were in surplus versus IAS 19 obligations by £1,735m (2017: £952m). The movement for the UKRF was driven by an increase in the discount rate and payment of deficit contributions, offset by lower than assumed asset returns and revised early retirement and cash commutation factors.

The Group has considered all of the implications of the High Court ruling in the Lloyds Banking Group Pension Trustees case on the requirement to equalise pensions in respect of Guaranteed Minimum Pensions (GMP). This resulted in a £140m increase in pension obligation which has been recognised as a Past service cost. Any future clarifications to GMP equalisation leading to a change in financial assumptions are expected to be recognised in equity.

Of the £2,167m (2017: £4,927m) UKRF benefits paid out, £1,420m (2017: £4,151m) related to transfers out of the fund.

Where a scheme’s assets exceed its obligation, an asset is recognised to the extent that it does not exceed the present value of future contribution holidays or refunds of contributions (the asset ceiling). In the case of the UKRF the asset ceiling is not applied as, in certain specified circumstances such as wind-up, the Barclays Group expects to be able to recover any surplus. The Trustee does not have a substantive right to augment benefits, nor do they have the right to wind up the plan except in the dissolution of the Barclays Group or termination of contributions by the Barclays Group. The application of the asset ceiling to other plans is considered on an individual plan basis.

33 Pensions and post-retirement benefits continued

Critical accounting estimates and judgements

Actuarial valuation of the schemes' obligation is dependent upon a series of assumptions. Below is a summary of the main financial and demographic assumptions adopted for the UKRF.

| Key UKRF financial assumptions | 2018<br>% p.a. | 2017<br>% p.a. |
|--------------------------------|----------------|----------------|
| Discount rate                  | 2.71           | 2.46           |
| Inflation rate (RPI)           | 3.25           | 3.22           |

The UKRF discount rate assumption for 2018 was based on a variant of the standard Willis Towers Watson RATE Link model. This variant includes all bonds rated AA by at least one of the four major ratings agencies, and assumes that yields after year 30 are flat. The RPI inflation assumption for 2018 was set by reference to the Bank of England's implied inflation spot curve, assuming the spot curve remains flat after 30 years. The inflation assumption incorporates a deduction of 20 basis points as an allowance for an inflation risk premium. The methodology used to derive the discount rate and price inflation assumptions is consistent with that used at the prior year end.

The UKRF's post-retirement mortality assumptions are based on a best estimate assumption derived from an analysis in 2016 of the Barclays Group own post-retirement mortality experience, and taking account of recent evidence from published mortality surveys. An allowance has been made for future mortality improvements based on the 2017 core projection model published by the Continuous Mortality Investigation Bureau subject to a long-term trend of 1.25% per annum in future improvements. The methodology used is consistent with the prior year end, except that the 2016 core projection model was used at 2017. The table below shows how the assumed life expectancy at 60, for members of the UKRF, has varied over the past three years:

| Assumed life expectancy                                               | 2018 | 2017 | 2016 |
|-----------------------------------------------------------------------|------|------|------|
| Life expectancy at 60 for current pensioners (years)                  |      |      |      |
| – Males                                                               | 27.7 | 27.8 | 27.9 |
| – Females                                                             | 29.4 | 29.4 | 29.7 |
| Life expectancy at 60 for future pensioners currently aged 40 (years) |      |      |      |
| – Males                                                               | 29.2 | 29.3 | 29.7 |
| – Females                                                             | 31.0 | 31.0 | 31.7 |

The assumption for future transfers out has been adjusted to reflect volumes experienced in 2018 which were lower than previously assumed. The revised assumption is that 7.5% of the benefit obligation in respect of deferred members will transfer out during 2019, 5% in 2020, 2.5% in 2021, tapering down to 0% from 2022 onwards (2017:15% of the benefit obligation in respect of deferred members will transfer out during 2019, 10% in 2020, 5% in 2021, tapering down to 0% from 2022 onwards).

Sensitivity analysis on actuarial assumptions

The sensitivity analysis has been calculated by valuing the UKRF liabilities using the amended assumptions shown in the table below and keeping the remaining assumptions the same as disclosed in the table above, except in the case of the inflation sensitivity where other assumptions that depend on assumed inflation have also been amended correspondingly. The difference between the recalculated liability figure and that stated in the balance sheet reconciliation table above is the figure shown. The selection of these movements to illustrate the sensitivity of the defined benefit obligation to key assumptions should not be interpreted as Barclays expressing any specific view of the probability of such movements happening.

| Change in key assumptions | 2018<br>(Decrease)/<br>Increase in<br>UKRF<br>defined<br>benefit<br>obligation<br>£bn | 2017<br>(Decrease)/<br>Increase in<br>UKRF<br>defined<br>benefit<br>obligation<br>£bn |
|---------------------------|---------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| Discount rate             |                                                                                       |                                                                                       |
| 0.5% p.a. increase        | (2.1)                                                                                 | (2.4)                                                                                 |
| 0.25% p.a. increase       | (1.1)                                                                                 | (1.2)                                                                                 |
| 0.25% p.a. decrease       | 1.1                                                                                   | 1.3                                                                                   |
| 0.5% p.a. decrease        | 2.4                                                                                   | 2.8                                                                                   |
| Assumed RPI               |                                                                                       |                                                                                       |
| 0.5% p.a. increase        | 1.3                                                                                   | 1.6                                                                                   |
| 0.25% p.a. increase       | 0.7                                                                                   | 0.8                                                                                   |
| 0.25% p.a. decrease       | (0.6)                                                                                 | (0.7)                                                                                 |
| 0.5% p.a. decrease        | (1.3)                                                                                 | (1.5)                                                                                 |
| Life expectancy at 60     |                                                                                       |                                                                                       |
| One year increase         | 0.9                                                                                   | 1.0                                                                                   |
| One year decrease         | (0.9)                                                                                 | (1.0)                                                                                 |

Notes to the financial statements

Employee benefits

33 Pensions and post-retirement benefits continued

The weighted average duration of the benefit payments reflected in the defined benefit obligation for the UKRF is 17 years.

**Assets**  
A long-term investment strategy has been set for the UKRF, with its asset allocation comprising a mixture of equities, bonds, property and other appropriate assets. This recognises that different asset classes are likely to produce different long-term returns and some asset classes may be more volatile than others. The long-term investment strategy ensures, among other aims, that investments are adequately diversified. Asset managers are permitted some flexibility to vary the asset allocation from the long-term investment strategy within control ranges agreed with the Trustee from time to time.

The UKRF also employs derivative instruments, where appropriate, to achieve a desired exposure or return, or to match assets more closely to liabilities. The value of assets shown reflects the assets held by the scheme, with any derivative holdings reflected on a fair value basis.

The value of the assets of the schemes and their percentage in relation to total scheme assets were as follows:

| Analysis of scheme assets                    | Total       |                                                      | Of which relates to UKRF |                                                      |
|----------------------------------------------|-------------|------------------------------------------------------|--------------------------|------------------------------------------------------|
|                                              | Value<br>£m | % of total<br>fair value of<br>scheme<br>assets<br>% | Value<br>£m              | % of total<br>fair value of<br>scheme<br>assets<br>% |
| As at 31 December 2018                       |             |                                                      |                          |                                                      |
| Equities – quoted                            | 2,916       | 9.8                                                  | 2,787                    | 9.6                                                  |
| Equities – non–quoted                        | 1,995       | 6.7                                                  | 1,995                    | 6.9                                                  |
| Bonds – fixed government <sup>a</sup>        | 4,099       | 13.8                                                 | 3,840                    | 13.2                                                 |
| Bonds – index–linked government <sup>a</sup> | 11,960      | 40.2                                                 | 11,951                   | 41.1                                                 |
| Bonds – corporate and other <sup>a</sup>     | 5,653       | 19.0                                                 | 5,479                    | 18.9                                                 |
| Property – commercial <sup>b</sup>           | 1,712       | 5.8                                                  | 1,702                    | 5.9                                                  |
| Derivatives <sup>b</sup>                     | 266         | 0.9                                                  | 266                      | 0.9                                                  |
| Other <sup>c</sup>                           | 1,121       | 3.8                                                  | 1,016                    | 3.5                                                  |
| Fair value of scheme assets                  | 29,722      | 100.0                                                | 29,036                   | 100.0                                                |
| As at 31 December 2017                       |             |                                                      |                          |                                                      |
| Equities – quoted                            | 4,377       | 14.1                                                 | 4,151                    | 13.8                                                 |
| Equities – non–quoted                        | 2,001       | 6.5                                                  | 2,001                    | 6.6                                                  |
| Bonds – fixed government <sup>a</sup>        | 2,433       | 7.9                                                  | 2,184                    | 7.3                                                  |
| Bonds – index–linked government <sup>a</sup> | 13,089      | 42.3                                                 | 13,078                   | 43.4                                                 |
| Bonds – corporate and other <sup>a</sup>     | 5,195       | 16.8                                                 | 4,999                    | 16.6                                                 |
| Property – commercial <sup>b</sup>           | 1,911       | 6.2                                                  | 1,902                    | 6.3                                                  |
| Derivatives <sup>b</sup>                     | 816         | 2.6                                                  | 816                      | 2.7                                                  |
| Other <sup>c</sup>                           | 1,100       | 3.6                                                  | 981                      | 3.3                                                  |
| Fair value of scheme assets                  | 30,922      | 100.0                                                | 30,112                   | 100.0                                                |

Notes  
a Assets held are predominantly quoted.  
b Assets held are predominantly non-quoted.  
c Assets held are predominantly in Infrastructure Funds.

Included within the fair value of scheme assets were: £nil (2017: £0.1m) relating to shares in Barclays PLC and £nil (2017: £0.6m) relating to bonds issued by Barclays PLC. The UKRF also invests in pooled investment vehicles which may hold shares or debt issued by Barclays PLC.

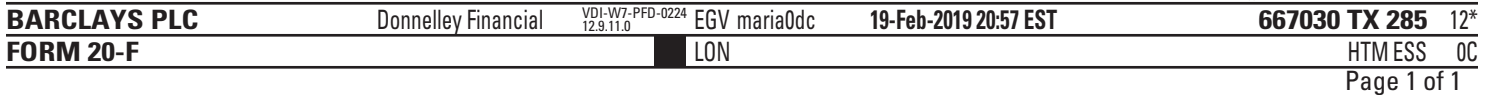
The UKRF scheme assets also include £1m (2017: £15m) relating to UK private equity investments and £1,994m (2017: £1,986m) relating to overseas private equity investments. These are disclosed above within Equities – non-quoted.

Approximately 46% of the UKRF assets are invested in liability-driven investment strategies; primarily UK gilts as well as interest rate and inflation swaps. These are used to better match the assets to its liabilities. The swaps are used to reduce the scheme's inflation and duration risks against its liabilities.

**Funding**  
The Scheme Actuary prepares an annual update of the UKRF funding position in addition to the full triennial actuarial valuation. The latest annual update was carried out as at 30 September 2018 and showed a deficit of £4.04bn and a funding level of 88.4%.

The last triennial actuarial valuation of the UKRF had an effective date of 30 September 2016 and was completed in July 2017. This valuation showed a funding deficit of £7.87bn and a funding level of 81.5%.

The improvement in funding position between 30 September 2016 and 30 September 2018 was largely due to payment of deficit contributions, higher than assumed asset returns, higher Government bond yields, and transfers out of the scheme.



At the 2016 triennial actuarial valuation the Barclays Group and UKRF Trustee agreed a revised scheme-specific funding target, statement of funding principles, schedule of contributions, a recovery plan to seek to eliminate the deficit relative to the funding target and some additional support measures. The agreement with the UKRF Trustee also takes into account the changes to the Barclays Group structure that were implemented as a result of ring-fencing.

The main differences between the funding and IAS 19 assumptions were a different approach to setting the discount rate and a more conservative longevity assumption for funding.

The deficit reduction contributions agreed with the UKRF Trustee as part of the 30 September 2016 valuation recovery plan are shown in the table below.

| Year         | Deficit contributions valuation<br>30 September 2016<br>£m |
|--------------|------------------------------------------------------------|
| 2017         | 740                                                        |
| 2018         | 500                                                        |
| 2019         | 500                                                        |
| 2020         | 500                                                        |
| 2021 to 2026 | 1,000 each year                                            |

The deficit reduction contributions are in addition to the regular contributions to meet the Barclays Group's share of the cost of benefits accruing over each year. The next funding valuation of the UKRF is due to be completed in 2020 with an effective date of 30 September 2019.

Collateral – The UKRF Trustee and Barclays Bank PLC have entered into an arrangement whereby a collateral pool has been put in place to provide security for the UKRF funding deficit as it increases or decreases over time, and associated deficit recovery contributions. The collateral pool is currently made up of government securities. Agreement was made with the Trustee to increase the proportion of the deficit covered from 88.5% to 100% effective from 26 March 2018 with an overall cap remaining of £9.0bn, at which date the collateral pool consisted of government securities only (the Trustee and Barclays Bank PLC may agree alternative eligible collateral in the future). 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. These assets are included within Note 38.

Support from Barclays PLC – 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 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.

Participation – As permitted under the Financial Services and Markets Act 2000 (Banking Reform) (Pensions) Regulations 2015, Barclays Bank UK PLC is a participating employer in the UKRF and will remain so during a transitional phase until September 2025 as set out in a deed of participation. 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 provision has been made to require Barclays Bank UK PLC to become the principal employer of the UKRF. Barclays Bank PLC's Section 75 debt would be triggered by the insolvency (the debt would be calculated after allowing for the payment to the UKRF of the collateral above).

Defined benefit contributions paid with respect to the UKRF were as follows:

| Contributions paid |  | £m    |
|--------------------|--|-------|
| 2018               |  | 741   |
| 2017               |  | 1,124 |
| 2016               |  | 634   |

There were £nil (2017: £153m; 2016: £112m) Section 75 contributions included within the Barclays Group's contributions paid as no participating employers left the UKRF scheme in 2018.

The Barclays Group's expected contribution to the UKRF in respect of defined benefits in 2019 is £725m (2018: £716m). In addition, the expected contributions to UK defined contribution schemes in 2019 is £34m (2018: £35m) to the UKRF and £168m (2018: £146m) to the BPSP.



Notes to the financial statements

Scope of consolidation

The section presents information on the Barclays Group's investments in subsidiaries, joint ventures and associates and its interests in structured entities. Detail is also given on securitisation transactions the Barclays Group has entered into and arrangements that are held off-balance sheet.

34 Principal subsidiaries

The Barclays Group applies IFRS 10 Consolidated Financial Statements. The consolidated financial statements combine the financial statements of the Barclays Group and all its subsidiaries. Subsidiaries are entities over which the Barclays Group has control. Under IFRS 10, this is when the Barclays Group is exposed or has rights to variable returns from its involvement in the entity and has the ability to affect those returns through its power over the entity.

The Barclays Group reassesses whether it controls an entity if facts and circumstances indicate that there have been changes to its power, its rights to variable returns or its ability to use its power to affect the amount of its returns.

Intra-group transactions and balances are eliminated on consolidation and consistent accounting policies are used throughout the Barclays Group for the purposes of the consolidation. Changes in ownership interests in subsidiaries are accounted for as equity transactions if they occur after control has been obtained and they do not result in loss of control.

The significant judgements used in applying this policy are set out below.

Accounting for investment in subsidiaries

In the individual financial statements of Barclays PLC, investments in subsidiaries are stated at cost less impairment.

Principal subsidiaries for the Barclays Group are set out below. This includes those subsidiaries that are most significant in the context of the Barclays Group's business, results or financial position.

| Company name                        | Principal place of business or incorporation | Nature of business       | Percentage of voting rights held % | Non-controlling interests – proportion of ownership interests | Non-controlling interests – proportion of voting interests |
|-------------------------------------|----------------------------------------------|--------------------------|------------------------------------|---------------------------------------------------------------|------------------------------------------------------------|
|                                     |                                              |                          |                                    | %                                                             | %                                                          |
| Barclays Bank PLC                   | England                                      | Banking, holding Company | 100                                | 3                                                             | –                                                          |
| Barclays Bank UK PLC                | England                                      | Banking, holding Company | 100                                | –                                                             | –                                                          |
| Barclays Bank Ireland PLC           | Ireland                                      | Banking, holding Company | 100                                | –                                                             | –                                                          |
| Barclays Services Limited           | England                                      | Service Company          | 100                                | –                                                             | –                                                          |
| Barclays Capital Inc.               | United States                                | Securities dealing       | 100                                | –                                                             | –                                                          |
| Barclays Capital Securities Limited | England                                      | Securities dealing       | 100                                | –                                                             | –                                                          |
| Barclays Securities Japan Limited   | Japan                                        | Securities dealing       | 100                                | –                                                             | –                                                          |
| Barclays Bank Delaware              | United States                                | Credit card issuer       | 100                                | –                                                             | –                                                          |

The country of registration or incorporation is also the principal area of operation of each of the above subsidiaries.

Ownership interests are in some cases different to voting interests due to the existence of non-voting equity interests, such as preference shares. Refer to Note 31 for more information.

Determining whether the Barclays Group has control of an entity is generally straightforward based on ownership of the majority of the voting capital. However, in certain instances, this determination will involve judgement, particularly in the case of structured entities where voting rights are often not the determining factor in decisions over the relevant activities. This judgement will involve assessing the purpose and design of the entity. It will also often be necessary to consider whether the Barclays Group, or another involved party with power over the relevant activities, is acting as a principal in its own right or as an agent on behalf of others.

There is also often considerable judgement involved in the ongoing assessment of control over structured entities. In this regard, where market conditions have deteriorated such that the other investors' exposures to the structure's variable returns have been substantively eliminated, the Barclays Group may conclude that the managers of the structured entity are acting as its agent and therefore will consolidate the structured entity.

An interest in equity voting rights exceeding 50% would typically indicate that the Barclays Group has control of an entity. However, the entity set out below is excluded from consolidation because the Barclays Group does not have exposure to its variable returns.

| Country of registration or incorporation | Company name     | Percentage of voting rights held % | Equity shareholders' funds | Retained profit for the year |
|------------------------------------------|------------------|------------------------------------|----------------------------|------------------------------|
|                                          |                  |                                    | £m                         | £m                           |
| Cayman Islands                           | Palomino Limited | 100                                | –                          | –                            |

This entity is managed by an external counterparty and consequently is not controlled by the Barclays Group. Interests relating to this entity are included in Note 35.

34 Principal subsidiaries continued

Significant restrictions

As is typical for a Group of its size and international scope, there are restrictions on the ability of Barclays PLC to obtain distributions of capital, access the assets or repay the liabilities of members of its Group due to the statutory, regulatory and contractual requirements of its subsidiaries and due to the protective rights of non-controlling interests. These are considered below.

Regulatory requirements

Barclays' principal subsidiary companies have assets and liabilities before intercompany eliminations of £1,399bn (2017: £1,407bn) and £1,330bn (2017: £1,341bn) respectively. The assets and liabilities are subject to prudential regulation and regulatory capital requirements in the countries in which they are regulated. These require entities to maintain minimum capital levels which cannot be returned to the Parent company, Barclays PLC on a going concern basis.

In order to meet capital requirements, subsidiaries may issue certain equity-accounted and debt-accounted financial instruments and non-equity instruments such as Tier 1 and Tier 2 capital instruments and other forms of subordinated liabilities. Refer to Note 28 and Note 29 for particulars of these instruments. These instruments may be subject to cancellation clauses or preference share restrictions that would limit the ability of the entity to repatriate the capital on a timely basis.

Liquidity requirements

Regulated subsidiaries of the Barclays Group are required to meet applicable PRA or local regulatory requirements pertaining to liquidity. Some of the regulated subsidiaries include Barclays Bank PLC, Barclays Bank UK PLC, Barclays Capital Inc. and Barclays Bank Delaware. See pages 137 to 150 for further details of liquidity requirements, including those of the Barclays Group's significant subsidiaries.

Statutory requirements

The Barclays Group's subsidiaries are subject to statutory requirements not to make distributions of capital and unrealised profits and generally to maintain solvency. These requirements restrict the ability of subsidiaries to make remittances of dividends to Barclays PLC, the ultimate parent, except in the event of a legal capital reduction or liquidation. In most cases, the regulatory restrictions referred to above exceed the statutory restrictions.

Contractual requirements

Asset encumbrance

The Barclays Group uses its financial assets to raise finance in the form of securitisations and through the liquidity schemes of central banks, as well as to provide security to the UK Retirement Fund. Once encumbered, the assets are not available for transfer around the Barclays Group. The assets typically affected are disclosed in Note 38.

Assets held by consolidated structured entities

None of the assets (2017: £nil) included in the Barclays Group's balance sheet relate to consolidated investment funds, held to pay return and principal to the holders of units in the funds.

Other restrictions

The Barclays Group is required to maintain balances with central banks and other regulatory authorities, and these amounted to £4,717m (2017: £3,360m).

35 Structured entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well-defined objective with restrictions around their ongoing activities.

Depending on the Barclays Group's power over the activities of the entity and its exposure to and ability to influence its own returns, it may consolidate the entity. In other cases, it may sponsor or have exposure to such an entity but not consolidate it.

Consolidated structured entities

The Barclays Group has contractual arrangements which may require it to provide financial support to the following types of consolidated structured entities:

Securitisation vehicles

The Barclays Group uses securitisation as a source of financing and a means of risk transfer. Refer to Note 37 for further detail.

The Barclays Group, in previous periods, has provided liquidity facilities to certain securitisation vehicles. At 31 December 2018, there were no outstanding loan commitments to these entities (2017: £nil).

Commercial paper (CP) and medium-term note conduits

The Barclays Group provided £11.7bn (2017: £10.2bn) in undrawn contractual backstop liquidity facilities to CP conduits.

Fund management entities

In previous periods, the Barclays Group had contractually guaranteed the performance of certain cash investments in a number of managed investment funds which resulted in their consolidation. As at 31 December 2018, the notional value of the guarantees were £nil (2017: £nil) as the European Wealth Funds associated with these guarantees were either closed or ownership has been transferred outside the Barclays Group and they are no longer consolidated.

Notes to the financial statements

Scope of consolidation

35 Structured entities continued

Employee benefit and other trusts

Barclays PLC provides capital contributions to employee benefit trusts to enable them to meet obligations to the employees of Barclays PLC in relation to the Barclays Group's share-based remuneration arrangements. During 2018, the Barclays Group provided undrawn liquidity facilities of £2.6bn (2017: £1.8bn) to certain trusts.

Unconsolidated structured entities in which the Barclays Group has an interest

An interest in a structured entity is any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the entity for the Barclays Group. Such interests include holdings of debt or equity securities, derivatives that transfer financial risks from the entity to the Barclays Group, lending, loan commitments, financial guarantees and investment management agreements.

Interest rate swaps, foreign exchange derivatives that are not complex and which expose the Barclays Group to insignificant credit risk by being senior in the payment waterfall of a securitisation and derivatives that are determined to introduce risk or variability to a structured entity are not considered to be an interest in an entity and have been excluded from the disclosures below.

The nature and extent of the Barclays Group's interests in structured entities is summarised below:

| Summary of interests in unconsolidated structured entities      |                         |                                   |                          |                       |             |
|-----------------------------------------------------------------|-------------------------|-----------------------------------|--------------------------|-----------------------|-------------|
|                                                                 | Secured financing<br>£m | Short-term traded interests<br>£m | Traded derivatives<br>£m | Other interests<br>£m | Total<br>£m |
| As at 31 December 2018                                          |                         |                                   |                          |                       |             |
| Assets                                                          |                         |                                   |                          |                       |             |
| Trading portfolio assets                                        | –                       | 12,206                            | –                        | –                     | 12,206      |
| Financial assets at fair value through the income statement     | 32,359                  | –                                 | –                        | 2,598                 | 34,957      |
| Derivative financial instruments                                | –                       | –                                 | 5,236                    | –                     | 5,236       |
| Loans and advances at amortised cost                            | –                       | –                                 | –                        | 17,341                | 17,341      |
| Other assets                                                    | –                       | –                                 | –                        | 33                    | 33          |
| Total assets                                                    | 32,359                  | 12,206                            | 5,236                    | 19,972                | 69,773      |
| Liabilities                                                     |                         |                                   |                          |                       |             |
| Derivative financial instruments                                | –                       | –                                 | 6,438                    | 2,586                 | 9,024       |
| As at 31 December 2017                                          |                         |                                   |                          |                       |             |
| Assets                                                          |                         |                                   |                          |                       |             |
| Trading portfolio assets                                        | –                       | 10,788                            | –                        | 699                   | 11,487      |
| Financial assets at fair value through the income statement     | 31,520                  | –                                 | –                        | 2,721                 | 34,241      |
| Derivative financial instruments                                | –                       | –                                 | 4,380                    | –                     | 4,380       |
| Loans and advances at amortised cost                            | 5,481                   | –                                 | –                        | 17,386                | 22,867      |
| Reverse repurchase agreements and other similar secured lending | 753                     | –                                 | –                        | –                     | 753         |
| Other assets                                                    | –                       | –                                 | –                        | 509                   | 509         |
| Total assets                                                    | 37,754                  | 10,788                            | 4,380                    | 21,315                | 74,237      |
| Liabilities                                                     |                         |                                   |                          |                       |             |
| Derivative financial instruments                                | –                       | –                                 | 5,193                    | 3,356                 | 8,549       |

Secured financing arrangements, short-term traded interests and traded derivatives are typically managed under market risk management policies described on page 93 which includes an indication of the change of risk measures compared to last year. For this reason, the total assets of these entities are not considered meaningful for the purposes of understanding the related risks and so have not been presented. Other interests include conduits and lending where the interest is driven by normal customer demand.

Secured financing

The Barclays Group routinely enters into reverse repurchase contracts, stock borrowing and similar arrangements on normal commercial terms where the counterparty to the arrangement is a structured entity. Due to the nature of these arrangements, especially the transfer of collateral and ongoing margining, the Barclays Group has minimal exposure to the performance of the structured entity counterparty. This includes margin lending which is presented under financial assets at fair value through the income statement to align to the balance sheet presentation.

Short-term traded interests

The Barclays Group buys and sells interests in structured entities as part of its trading activities, for example, retail mortgage-backed securities, collateralised debt obligations and similar interests. Such interests are typically held individually or as part of a larger portfolio for no more than 90 days. In such cases, the Barclays Group typically has no other involvement with the structured entity other than the securities it holds as part of trading activities and its maximum exposure to loss is restricted to the carrying value of the asset.

As at 31 December 2018, £8,436m (2017: £9,645m) of the Barclays Group's £12,206m (2017: £10,788m) short-term traded interests were comprised of debt securities issued by asset securitisation vehicles.

35 Structured entities continued

Traded derivatives

The Barclays Group enters into a variety of derivative contracts with structured entities which reference market risk variables such as interest rates, foreign exchange rates and credit indices among other things. The main derivative types which are considered interests in structured entities include index-based and entity specific credit default swaps, balance guaranteed swaps, total return swaps, commodities swaps, and equity swaps. A description of the types of derivatives and the risk management practices are detailed in Note 14. The risk of loss may be mitigated through ongoing margining requirements as well as a right to cash flows from the structured entity which are senior in the payment waterfall. Such margining requirements are consistent with market practice for many derivative arrangements and in line with the Barclays Group's normal credit policies.

Derivative transactions require the counterparty to provide cash or other collateral under margining agreements to mitigate counterparty credit risk. The Barclays Group is mainly exposed to settlement risk on these derivatives which is mitigated through daily margining. Total notionals amounted to £1,477,753m (2017: £1,680,615m).

Except for credit default swaps where the maximum exposure to loss is the swap notional amount, it is not possible to estimate the maximum exposure to loss in respect of derivative positions as the fair value of derivatives is subject to changes in market rates of interest, exchange rates and credit indices which by their nature are uncertain. In addition, the Barclays Group's losses would be subject to mitigating action under its traded market risk and credit risk policies that require the counterparty to provide collateral in cash or other assets in most cases.

Other interests in unconsolidated structured entities

The Barclays Group's interests in structured entities not held for the purposes of short-term trading activities are set out below, summarised by the purpose of the entities and limited to significant categories, based on maximum exposure to loss.

| Nature of interest                                          | Multi-seller<br>conduit<br>programmes<br>£m | Lending<br>£m | Investment<br>funds and<br>trusts<br>£m | Others<br>£m | Total<br>£m |
|-------------------------------------------------------------|---------------------------------------------|---------------|-----------------------------------------|--------------|-------------|
| As at 31 December 2018                                      |                                             |               |                                         |              |             |
| Financial assets at fair value through the income statement |                                             |               |                                         |              |             |
| – Debt securities                                           | 444                                         | –             | –                                       | 114          | 558         |
| – Loans and advances                                        | –                                           | –             | –                                       | 2,040        | 2,040       |
| Loans and advances at amortised cost                        | 6,100                                       | 9,140         | –                                       | 2,101        | 17,341      |
| Other assets                                                | 9                                           | 3             | 21                                      | –            | 33          |
| Total on-balance sheet exposures                            | 6,553                                       | 9,143         | 21                                      | 4,255        | 19,972      |
| Total off-balance sheet notional amounts                    | 11,671                                      | 4,327         | –                                       | 431          | 16,429      |
| Maximum exposure to loss                                    | 18,224                                      | 13,470        | 21                                      | 4,686        | 36,401      |
| Total assets of the entity                                  | 73,109                                      | 196,865       | 9,341                                   | 28,163       | 307,478     |
| As at 31 December 2017                                      |                                             |               |                                         |              |             |
| Trading portfolio assets                                    |                                             |               |                                         |              |             |
| – Debt securities                                           | –                                           | –             | –                                       | 699          | 699         |
| Financial assets at fair value through the income statement |                                             |               |                                         |              |             |
| – Loans and advances                                        | –                                           | –             | –                                       | 2,721        | 2,721       |
| Loans and advances at amortised cost                        | 5,424                                       | 11,497        | –                                       | 465          | 17,386      |
| Other assets                                                | 468                                         | 11            | 8                                       | 22           | 509         |
| Total on-balance sheet exposures                            | 5,892                                       | 11,508        | 8                                       | 3,907        | 21,315      |
| Total off-balance sheet notional amounts                    | 6,270                                       | 6,337         | –                                       | 446          | 13,053      |
| Maximum exposure to loss                                    | 12,162                                      | 17,845        | 8                                       | 4,353        | 34,368      |
| Total assets of the entity                                  | 103,057                                     | 179,994       | 11,137                                  | 22,669       | 316,857     |

Maximum exposure to loss

Unless specified otherwise below, the Barclays Group's maximum exposure to loss is the total of its on-balance sheet positions and its off-balance sheet arrangements, being loan commitments and financial guarantees. Exposure to loss is mitigated through collateral, financial guarantees, the availability of netting and credit protection held.

Multi-seller conduit programme

The multi-seller conduit engages in providing financing to various clients and holds whole or partial interests in pools of receivables or similar obligations. These instruments are protected from loss through over-collateralisation, seller guarantees, or other credit enhancements provided to the conduit. The Barclays Group's off-balance sheet exposure included in the table above represents liquidity facilities that are provided to the conduit for the benefit of the holders of the commercial paper issued by the conduit and will only be drawn where the conduit is unable to access the commercial paper market. If these liquidity facilities are drawn, the Barclays Group is protected from loss through over-collateralisation, seller guarantees, or other credit enhancements provided to the conduit.

Notes to the financial statements

Scope of consolidation

35 Structured entities continued

Lending

The portfolio includes lending provided by the Barclays Group to unconsolidated structured entities in the normal course of its lending business to earn income in the form of interest and lending fees and includes loans to structured entities that are generally collateralised by property, equipment or other assets. All loans are subject to the Barclays Group's credit sanctioning process. Collateral arrangements are specific to the circumstances of each loan with additional guarantees and collateral sought from the sponsor of the structured entity for certain arrangements. During the period the Barclays Group incurred an impairment of £67m (2017: £11m) against such facilities.

Investment funds and trusts

In the course of its fund management activities, the Barclays Group establishes pooled investment funds that comprise investments of various kinds, tailored to meet certain investors' requirements. The Barclays Group's interest in funds is generally restricted to a fund management fee, the value of which is typically based on the performance of the fund.

The Barclays Group acts as trustee to a number of trusts established by or on behalf of its clients. The purpose of the trusts, which meet the definition of structured entities, is to hold assets on behalf of beneficiaries. The Barclays Group's interest in trusts is generally restricted to unpaid fees which, depending on the trust, may be fixed or based on the value of the trust assets. The Barclays Group has no other risk exposure to the trusts.

Other

This includes fair value loans with structured entities where the market risk is materially hedged with corresponding derivative contracts, interests in debt securities issued by securitisation vehicles and drawn and undrawn loan facilities to these entities.

Assets transferred to sponsored unconsolidated structured entities

Assets transferred to sponsored unconsolidated structured entities were immaterial.

36 Investments in associates and joint ventures

Accounting for associates and joint ventures

The Barclays Group applies IAS 28 Investments in Associates and IFRS 11 Joint Arrangements. Associates are entities in which the Barclays Group has significant influence, but not control, over the operating and financial policies. Generally the Barclays Group holds more than 20%, but less than 50%, of their voting shares. Joint ventures are arrangements where the Barclays Group has joint control and rights to the net assets of the entity.

The Barclays Group's investments in associates and joint ventures are initially recorded at cost and increased (or decreased) each year by the Barclays Group's share of the post acquisition profit/(loss). The Barclays Group ceases to recognise its share of the losses of equity accounted associates when its share of the net assets and amounts due from the entity have been written off in full, unless it has a contractual or constructive obligation to make good its share of the losses. In some cases, investments in these entities may be held at fair value through profit or loss, for example, those held by private equity businesses.

There are no individually significant investments in joint ventures or associates held by the Barclays Group.

|                                           | 2018             |                      |             | 2017             |                      |             |
|-------------------------------------------|------------------|----------------------|-------------|------------------|----------------------|-------------|
|                                           | Associates<br>£m | Joint ventures<br>£m | Total<br>£m | Associates<br>£m | Joint ventures<br>£m | Total<br>£m |
| Equity accounted                          | 481              | 281                  | 762         | 402              | 316                  | 718         |
| Held at fair value through profit or loss | –                | 509                  | 509         | –                | 447                  | 447         |
| Total                                     | 481              | 790                  | 1,271       | 402              | 763                  | 1,165       |

Summarised financial information for the Barclays Group's equity accounted associates and joint ventures is set out below. The amounts shown are the net income of the investees, not just the Barclays Group's share for the year ended 31 December 2018, with the exception of certain undertakings for which the amounts are based on accounts made up to dates not earlier than three months before the balance sheet date.

|                                                       | Associates |            | Joint ventures |            |
|-------------------------------------------------------|------------|------------|----------------|------------|
|                                                       | 2018<br>£m | 2017<br>£m | 2018<br>£m     | 2017<br>£m |
| Profit from continuing operations                     | 173        | 117        | 54             | 77         |
| Other comprehensive income / (expense)                | 28         | –          | 32             | (15)       |
| Total comprehensive income from continuing operations | 201        | 117        | 86             | 62         |

Unrecognised shares of the losses of individually immaterial associates and joint ventures were £nil (2017: £nil).

The Barclays Group's associates and joint ventures are subject to statutory or contractual requirements such that they cannot make remittances of dividends or make loan repayments to Barclays PLC without agreement from the external parties.

The Barclays Group's share of commitments and contingencies of its associates and joint ventures comprised unutilised credit facilities provided to customers of £1,715 m (2017: £1,712m). In addition, the Barclays Group has made commitments to finance or otherwise provide resources to its joint ventures and associates of £318 m (2017: £304m).





Notes to the financial statements

Scope of consolidation

37 Securitisations continued

Continuing involvement in financial assets that have been derecognised

In some cases, the Barclays Group may have transferred a financial asset in its entirety but may have continuing involvement in it. This arises in asset securitisations where loans and asset backed securities were derecognised as a result of the Barclays Group’s involvement with commercial mortgage backed securities. Continuing involvement largely arises from providing financing into these structures in the form of retained notes, which do not bear first losses.

The table below shows the potential financial implications of such continuing involvement:

| Type of transfer                      | Continuing involvement <sup>a</sup> |                  |                                | Gain/(loss) from continuing involvement |                                 |
|---------------------------------------|-------------------------------------|------------------|--------------------------------|-----------------------------------------|---------------------------------|
|                                       | Carrying amount<br>£m               | Fair value<br>£m | Maximum exposure to loss<br>£m | For the year ended<br>£m                | Cumulative to 31 December<br>£m |
|                                       |                                     |                  |                                |                                         |                                 |
| 2018                                  |                                     |                  |                                |                                         |                                 |
| Commercial mortgage backed securities | 135                                 | 135              | 135                            | 2                                       | 3                               |
| 2017                                  |                                     |                  |                                |                                         |                                 |
| Commercial mortgage backed securities | 94                                  | 94               | 94                             | 1                                       | 1                               |

Note  
a Assets which represent the Barclays Group’s continuing involvement in derecognised assets are recorded in Loans and advances at amortised cost.

38 Assets pledged

Assets are pledged as collateral to secure liabilities under repurchase agreements, securitisations and stock lending agreements or as security deposits relating to derivatives. Assets pledged as collateral include all assets categorised as encumbered in the disclosure on page 142 (unaudited), other than those held in commercial paper conduits. In these transactions, Barclays Group will be required to step in to provide financing itself under a liquidity facility if the vehicle cannot access the commercial paper market. The following table summarises the nature and carrying amount of the assets pledged as security against these liabilities:

|                                                                   | 2018<br>£m | 2017<br>£m |
|-------------------------------------------------------------------|------------|------------|
| Cash collateral                                                   | 55,532     | 56,351     |
| Loans and advances at amortised cost                              | 42,683     | 41,772     |
| Trading portfolio assets                                          | 63,143     | 73,899     |
| Financial assets at fair value through the income statement       | 7,450      | 4,798      |
| Financial investments                                             | –          | 15,058     |
| Financial assets at fair value through other comprehensive income | 10,354     | –          |
| Assets pledged                                                    | 179,162    | 191,878    |

Barclays Group has an additional £10bn (2017: £9bn) of loans and advances within its asset backed funding programmes that can readily be used to raise additional secured funding and are available to support future issuances.

Total assets pledged includes a collateral pool put in place to provide security for the UKRF funding deficit. Refer to Note 33 for further details.

Collateral held as security for assets

Under certain transactions, including reverse repurchase agreements and stock borrowing transactions, the Barclays Group is allowed to resell or re-pledge the collateral held. The fair value at the balance sheet date of collateral accepted and re-pledged to others was as follows:

|                                                                    | 2018<br>£m | 2017<br>£m |
|--------------------------------------------------------------------|------------|------------|
| Fair value of securities accepted as collateral                    | 598,348    | 608,412    |
| Of which fair value of securities re-pledged/transferred to others | 528,957    | 547,637    |

Notes to the financial statements

Other disclosure matters

The notes included in this section focus on related party transactions, Auditors' remuneration and Directors' remuneration. Related parties include any subsidiaries, associates, joint ventures and Key Management Personnel.

39 Related party transactions and Directors' remuneration

Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, or one other party controls both.

Subsidiaries

Transactions between Barclays PLC and its subsidiaries meet the definition of related party transactions. Where these are eliminated on consolidation, they are not disclosed in the Barclays Group's financial statements. Transactions between Barclays PLC and its subsidiaries are fully disclosed in Barclays PLC's financial statements. A list of the Barclays Group's principal subsidiaries is shown in Note 34.

Associates, joint ventures and other entities

The Barclays Group provides banking services to its associates, joint ventures and the Barclays Group pension funds (principally the UK Retirement Fund), providing loans, overdrafts, interest and non-interest bearing deposits and current accounts to these entities as well as other services. Barclays Group companies also provide investment management and custodian services to the Barclays Group pension schemes. All of these transactions are conducted on the same terms as third party transactions. Summarised financial information for the Barclays Group's investments in associates and joint ventures is set out in Note 36.

Amounts included in the Barclays Group's financial statements, in aggregate, by category of related party entity are as follows:

|                                                                | Associates<br>£m | Joint ventures<br>£m | Pension funds<br>£m |
|----------------------------------------------------------------|------------------|----------------------|---------------------|
| <strong>For the year ended and as at 31 December 2018</strong> |                  |                      |                     |
| Total income                                                   | –                | 7                    | 4                   |
| Credit impairment and other provisions                         | –                | –                    | –                   |
| Operating expenses                                             | (27)             | (7)                  | –                   |
| Total assets                                                   | 12               | 1,288                | 3                   |
| Total liabilities                                              | 85               | 2                    | 139                 |
| <strong>For the year ended and as at 31 December 2017</strong> |                  |                      |                     |
| Total income                                                   | (20)             | 61                   | 4                   |
| Credit impairment and other provisions                         | 2                | –                    | –                   |
| Operating expenses                                             | –                | (23)                 | –                   |
| Total assets                                                   | 2                | 1,048                | 2                   |
| Total liabilities                                              | 75               | 2                    | 162                 |
| <strong>For the year ended and as at 31 December 2016</strong> |                  |                      |                     |
| Total income                                                   | (20)             | 32                   | 4                   |
| Credit impairment and other provisions                         | (13)             | –                    | –                   |
| Operating expenses                                             | –                | (25)                 | –                   |
| Total assets                                                   | 72               | 2,244                | –                   |
| Total liabilities                                              | 94               | 95                   | 260                 |

Guarantees, pledges or commitments given in respect of these transactions in the year were £20m (2017: £27m) predominantly relating to joint ventures. No guarantees, pledges or commitments were received in the year. Derivatives transacted on behalf of the pensions funds were £3m (2017: £3m).

Key Management Personnel

Key Management Personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of Barclays PLC (directly or indirectly) and comprise the Directors and Officers of Barclays PLC, certain direct reports of the Group Chief Executive and the heads of major business units and functions.

There were no material related party transactions with entities under common directorship where a member of Key Management Personnel (or any connected person) is also a member of Key Management Personnel (or any connected person) of Barclays PLC.

The Barclays Group provides banking services to Key Management Personnel and persons connected to them. Transactions during the year and the balances outstanding were as follows:

| Loans outstanding                            | 2018<br>£m           | 2017<br>£m |
|----------------------------------------------|----------------------|------------|
| <strong>As at 1 January</strong>             | <strong>4.8</strong> | 9.2        |
| Loans issued during the year <sup>a</sup>    | 4.2                  | 0.5        |
| Loan repayments during the year <sup>b</sup> | (1.8)                | (4.9)      |
| <strong>As at 31 December</strong>           | <strong>7.2</strong> | 4.8        |

Notes  
a Includes loans issued to existing Key Management Personnel and new or existing loans issued to newly appointed Key Management Personnel.  
b Includes loan repayments by existing Key Management Personnel and loans to former Key Management Personnel.

Notes to the financial statements

Other disclosure matters

39 Related party transactions and Directors' remuneration continued

No allowances for impairment were recognised in respect of loans to Key Management Personnel (or any connected person).

| Deposits outstanding                           | 2018<br>£m | 2017<br>£m |
|------------------------------------------------|------------|------------|
| As at 1 January                                | 6.9        | 7.3        |
| Deposits received during the year <sup>a</sup> | 24.8       | 25.7       |
| Deposits repaid during the year <sup>b</sup>   | (24.8)     | (26.1)     |
| As at 31 December                              | 6.9        | 6.9        |

Notes  
a Includes deposits received from existing Key Management Personnel and new or existing deposits received from newly appointed Key Management Personnel.  
b Includes deposits repaid by existing Key Management Personnel and deposits of former Key Management Personnel.

Total commitments outstanding

Total commitments outstanding refers to the total of any undrawn amounts on credit cards and/or overdraft facilities provided to Key Management Personnel. Total commitments outstanding as at 31 December 2018 were £0.9m (2017: £0.3m).

All loans to Key Management Personnel (and persons connected to them), (a) were made in the ordinary course of business, (b) were made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other persons and (c) did not involve more than a normal risk of collectability or present other unfavourable features.

Remuneration of Key Management Personnel

Total remuneration awarded to Key Management Personnel below represents the awards made to individuals that have been approved by the Board Remuneration Committee as part of the latest remuneration decisions, and is consistent with the approach adopted for disclosures set out on pages 53 to 80. Costs recognised in the income statement reflect the accounting charge for the year included within operating expenses. The difference between the values awarded and the recognised income statement charge principally relates to the recognition of deferred costs for prior year awards. Figures are provided for the period that individuals met the definition of Key Management Personnel.

|                                                                                   | 2018<br>£m | 2017<br>£m |
|-----------------------------------------------------------------------------------|------------|------------|
| Salaries and other short-term benefits                                            | 33.0       | 33.9       |
| Pension costs                                                                     | –          | 0.1        |
| Other long-term benefits                                                          | 7.6        | 18.4       |
| Share-based payments                                                              | 16.2       | 26.8       |
| Employer social security charges on emoluments                                    | 7.5        | 9.6        |
| Costs recognised for accounting purposes                                          | 64.3       | 88.8       |
| Employer social security charges on emoluments                                    | (7.5)      | (9.6)      |
| Other long-term benefits – difference between awards granted and costs recognised | 2.8        | (9.8)      |
| Share-based payments – difference between awards granted and costs recognised     | 0.7        | (11.7)     |
| Total remuneration awarded                                                        | 60.3       | 57.7       |

Disclosure required by the Companies Act 2006

The following information regarding the Barclays PLC Board of Directors is presented in accordance with the Companies Act 2006:

|                                       | 2018<br>£m | 2017<br>£m |
|---------------------------------------|------------|------------|
| Aggregate emoluments <sup>a</sup>     | 9.0        | 8.5        |
| Amounts paid under LTIPs <sup>b</sup> | 0.9        | 1.1        |
|                                       | 9.9        | 9.6        |

Notes  
a The aggregate emoluments include amounts paid for the 2018 year. In addition, deferred share awards for 2018 with a total value at grant of £1m (2017: £1m) will be made to James E Staley and Tushar Morzaria which will only vest subject to meeting certain conditions.  
b The figure above for 'Amounts paid under LTIPs' in 2018 relates to an LTIP award that was released to Tushar Morzaria in 2018. Dividend shares released on the award are excluded. The LTIP figure in the single total figure table for executive Directors' 2018 remuneration in the Directors' Remuneration report relates to the award that is scheduled to be released in 2019 in respect of the 2016–2018 LTIP cycle.

There were no pension contributions paid to defined contribution schemes on behalf of Directors (2017: nil). There were no notional pension contributions to defined contribution schemes.

As at 31 December 2018, there were no Directors accruing benefits under a defined benefit scheme (2017: nil).

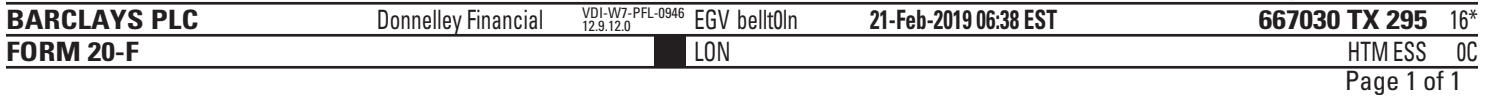
Directors' and Officers' shareholdings and options

The beneficial ownership of ordinary share capital of Barclays PLC by all Directors and Officers of Barclays PLC (involving 24 persons) at 31 December 2018 amounted to 18,884,023 (2017: 12,460,877) ordinary shares of 25p each (0.11% of the ordinary share capital outstanding).

As at 31 December 2018, executive Directors and Officers of Barclays PLC (involving 11 persons) held options to purchase a total of 6,000 (2017: 6,000) Barclays PLC ordinary shares of 25p each at a price of 120p under Sharesave.

Advances and credit to Directors and guarantees on behalf of Directors

In accordance with Section 413 of the Companies Act 2006, the total amount of advances and credits made available in 2018 to persons who served as Directors during the year was £0.4m (2017: £0.2m). The total value of guarantees entered into on behalf of Directors during 2018 was nil (2017: nil).



Auditors' remuneration is included within consultancy, legal and professional fees in administration and general expenses and comprises:

Notes

a Comprises the fees for the statutory audit of subsidiaries both inside and outside the UK and fees for work performed by associates of KPMG or PwC in respect of the consolidated financial statements of the Company.

b Comprises services in relation to statutory and regulatory filings. These include audit services for the review of the interim financial information under the Listing Rules of the UK listing authority.

c Includes consultation on tax matters, tax advice relating to transactions and other tax planning and advice.

KPMG became the Barclays Group's principal Auditor in 2017. PwC was the principal Auditor in 2016.

The figures shown in the above table relate to fees paid to KPMG or PwC as principal Auditor, of which the fees paid in relation to discontinued operations were £nil (KPMG 2017: £4m, PwC 2016: £12m).

Under SEC regulations, the remuneration of our auditors is required to be presented as follows: audit fees £45m (2017: £42m, 2016: £44m), audit-related fees £5m (2017: £4m, 2016: £1m), tax fees £nil (2017: £nil, 2016: £nil), and all other fees £1m (2017: £2m, 2016: £4m).

The Barclays Group applies IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction rather than continuing use. In order to be classified as held for sale, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary and the sale must be highly probable. Non-current assets (or disposal groups) held for sale are measured at the lower of carrying amount and fair value less cost to sell.

A component of the Barclays Group that has either been disposed of or is classified as held for sale is presented as a discontinued operation if it represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of the separate major line or geographical area of operations, or if it is a subsidiary acquired exclusively with a view to re-sale.

Following the reduction of the Barclays Group's interest in BAGL in 2017, the Barclays Group's remaining holding of 14.9%, as at 31 December 2018 is reported as a financial asset at fair value through other comprehensive income in the Head Office division, with the Barclays Group's share of BAGL's dividend recognised in the Head Office income statement.

Prior to the disposal of shares on 1 June 2017, BAGL met the requirements for presentation as a discontinued operation. As such, the results, which have been presented as the profit after tax and non-controlling interest in respect of the discontinued operation on the face of the Barclays Group's income statement, are analysed in the income statement below. The income statement, statement of other comprehensive income and cash flow statement below represent five months of results as a discontinued operation to 31 May 2017, compared to the full year ended 31 December 2016.



Notes to the financial statements

Other disclosure matters

41 Discontinued operations and assets included in disposal groups classified as held for sale and associated liabilities continued

| Barclays Africa disposal group income statement            |      |         |         |
|------------------------------------------------------------|------|---------|---------|
|                                                            | 2018 | 2017    | 2016    |
|                                                            | £m   | £m      | £m      |
| For the year ended 31 December                             |      |         |         |
| Net interest income                                        | —    | 1,024   | 2,169   |
| Net fee and commission income                              | —    | 522     | 1,072   |
| Net trading income                                         | —    | 149     | 281     |
| Net investment income                                      | —    | 30      | 45      |
| Other income                                               | —    | 145     | 370     |
| Total income                                               | —    | 1,870   | 3,937   |
| Net claims and benefits incurred on insurance contracts    | —    | (84)    | (191)   |
| Total income net of insurance claims                       | —    | 1,786   | 3,746   |
| Credit impairment charges and other provisions             | —    | (177)   | (445)   |
| Net operating income                                       | —    | 1,609   | 3,301   |
| Staff costs                                                | —    | (586)   | (1,186) |
| Administration and general expenses <sup>a</sup>           | —    | (1,634) | (1,224) |
| Operating expenses                                         | —    | (2,220) | (2,410) |
| Share of post-tax results of associates and joint ventures | —    | 5       | 6       |
| (Loss)/profit before tax                                   | —    | (606)   | 897     |
| Taxation                                                   | —    | (154)   | (306)   |
| (Loss)/profit after tax <sup>b</sup>                       | —    | (760)   | 591     |
|                                                            |      |         |         |
| Attributable to:                                           |      |         |         |
| Equity holders of the parent                               | —    | (900)   | 189     |
| Non-controlling interests                                  | —    | 140     | 402     |
| (Loss)/profit after tax <sup>b</sup>                       | —    | (760)   | 591     |

Notes

a Includes impairment of £nil (2017: £1,090m, 2016: £nil).

b Total loss in respect of the discontinued operation incurred in 2017, was £2,195m which included the £60m loss on sale and £1,375m loss on recycling of other comprehensive loss on reserves.

Other comprehensive income relating to discontinued operations is as follows:

|                                                                            | 2018 | 2017 | 2016  |
|----------------------------------------------------------------------------|------|------|-------|
|                                                                            | £m   | £m   | £m    |
| For the year ended 31 December                                             |      |      |       |
| Available for sale assets                                                  | —    | (3)  | (9)   |
| Currency translation reserves                                              | —    | (38) | 1,451 |
| Cash flow hedge reserves                                                   | —    | 19   | 89    |
| Other comprehensive (loss)/income, net of tax from discontinued operations | —    | (22) | 1,531 |

The cash flows attributed to the discontinued operation are as follows:

|                                                       | 2018 | 2017  | 2016  |
|-------------------------------------------------------|------|-------|-------|
|                                                       | £m   | £m    | £m    |
| For the year ended 31 December                        |      |       |       |
| Net cash flows from operating activities              | —    | 540   | 1,164 |
| Net cash flows from investing activities              | —    | (245) | (691) |
| Net cash flows from financing activities              | —    | (165) | (105) |
| Effect of exchange rates on cash and cash equivalents | —    | (29)  | 37    |
| Net increase in cash and cash equivalents             | —    | 101   | 405   |

42 Transition disclosures

Impairment allowance reconciliations

Reconciliation from IAS 39 to IFRS 9 – financial assets under IFRS 9 subject to an increase in impairment allowance

The table below reconciles the closing impairment allowances for financial assets in accordance with IAS 39, and provisions for loan commitments and financial guarantee contracts in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as at 31 December 2017, and the opening impairment allowances determined in accordance with IFRS 9 as at 1 January 2018.

Reconciliation of impairment allowance and provisions

|                                                                                                     | As at<br>31 December<br>2017                                                   |                                  |                                                    | As at<br>1 January<br>2018                    |
|-----------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|----------------------------------|----------------------------------------------------|-----------------------------------------------|
|                                                                                                     | Impairment<br>allowance under<br>IAS 39 or<br>provisions<br>under IAS 37<br>£m | Reclassification<br>impact<br>£m | Additional IFRS 9<br>impairment<br>allowance<br>£m | Impairment<br>allowance<br>under IFRS 9<br>£m |
| Loans and advances at amortised cost and other assets <sup>a</sup>                                  | 4,652                                                                          | (52)                             | 2,508                                              | 7,108                                         |
| Available for sale investments/financial assets at fair value through other<br>comprehensive income | 38                                                                             | (38)                             | 3                                                  | 3                                             |
| <b>Total on-balance sheet</b>                                                                       | 4,690                                                                          | (90)                             | 2,511                                              | 7,111                                         |
| Provision for undrawn contractually committed facilities and guarantee contracts                    | 79                                                                             | –                                | 341                                                | 420                                           |
| <b>Total impairment and provision</b>                                                               | 4,769                                                                          | (90)                             | 2,852                                              | 7,531                                         |

Note  
a Includes impairment of £5m for cash collateral and settlement balances and £1m for other assets.

- The introduction of IFRS 9 increased the total impairment allowance held by Barclays by £2.76bn, from £4.8bn as at 31 December 2017 to £7.5bn as at 1 January 2018, as a result of earlier recognition of impairment allowances.
- The reclassification impact is due to assets moving to a fair value through income statement treatment that do not have an impairment allowance under IFRS 9.

Notes to the financial statements

Other disclosure matters

42 Transition disclosures continued

Balance sheet movement – impact of transition to IFRS 9 and IFRS 15

The table below presents the impact of the changes to balance sheet presentation and of the transition to IFRS 9 and IFRS 15 on Barclays PLC's balance sheet showing separately the changes arising from reclassification and any associated remeasurement, and the impact of increased impairment.

|                                                                          |                                   |                                   | As at 31<br>December<br>2017                    |                                                        | As at 31<br>December<br>2017                  |                         |                                             |                                                      |                                      | As at<br>1 January<br>2018         |
|--------------------------------------------------------------------------|-----------------------------------|-----------------------------------|-------------------------------------------------|--------------------------------------------------------|-----------------------------------------------|-------------------------|---------------------------------------------|------------------------------------------------------|--------------------------------------|------------------------------------|
|                                                                          | IAS 39<br>measurement<br>category | IFRS 9<br>measurement<br>category | Published<br>IAS 39<br>carrying<br>amount<br>£m | Balance<br>sheet<br>present-<br>ation<br>changes<br>£m | Revised<br>IAS 39<br>carrying<br>amount<br>£m | IFRS 15<br>impact<br>£m | IFRS 9<br>present-<br>ation<br>change<br>£m | IFRS 9<br>classification<br>and<br>measurement<br>£m | IFRS 9<br>impairment<br>change<br>£m | IFRS 9<br>carrying<br>amount<br>£m |
| Assets                                                                   |                                   |                                   |                                                 |                                                        |                                               |                         |                                             |                                                      |                                      |                                    |
| Cash and balances at central banks                                       | Amortised cost                    | Amortised cost                    | 171,082                                         | –                                                      | 171,082                                       | –                       | –                                           | –                                                    | –                                    | 171,082                            |
| Items in the course of collection from other banks                       | Amortised cost                    | Amortised cost                    | 2,153                                           | (2,153)                                                | –                                             | –                       | –                                           | –                                                    | –                                    | –                                  |
| Loans and advances to banks                                              | Amortised cost                    | Amortised cost                    | 35,663                                          | (35,663)                                               | –                                             | –                       | –                                           | –                                                    | –                                    | –                                  |
| Loans and advances to customers                                          | Amortised cost                    | Amortised cost                    | 365,552                                         | (365,552)                                              | –                                             | –                       | –                                           | –                                                    | –                                    | –                                  |
| Cash collateral and settlement balances                                  | Amortised cost                    | Amortised cost                    | –                                               | 77,168                                                 | 77,168                                        | –                       | –                                           | (2,389)                                              | (5)                                  | 74,774                             |
| Loans and advances at amortised cost                                     | Amortised cost                    | Amortised cost                    | –                                               | 324,048                                                | 324,048                                       | –                       | 5,109                                       | (9,467)                                              | (2,502)                              | 317,188                            |
| Reverse repurchase agreements and other similar secured lending          | Amortised cost                    | Amortised cost                    | 12,546                                          | –                                                      | 12,546                                        | –                       | –                                           | (11,949)                                             | –                                    | 597                                |
| Trading portfolio assets                                                 | FVTPL                             | FVTPL                             | 113,760                                         | –                                                      | 113,760                                       | –                       | –                                           | 413                                                  | –                                    | 114,173                            |
| Financial assets designated at fair value                                | FVTPL                             | FVTPL                             | 116,281                                         | (116,281)                                              | –                                             | –                       | –                                           | –                                                    | –                                    | –                                  |
| Financial assets at fair value through the income statement <sup>a</sup> | FVTPL                             | FVTPL                             | –                                               | 116,281                                                | 116,281                                       | –                       | –                                           | 23,930                                               | –                                    | 140,211                            |
| Derivative financial instruments                                         | FVTPL                             | FVTPL                             | 237,669                                         | –                                                      | 237,669                                       | –                       | –                                           | –                                                    | –                                    | 237,669                            |
| Financial investments                                                    | AFS – debt instruments            | FVOCI                             | 52,020                                          | –                                                      | 52,020                                        | –                       | (50,886)                                    | (1,134)                                              | –                                    | –                                  |
| Financial investments                                                    | AFS – equity instruments          | FVOCI                             | 1,787                                           | –                                                      | 1,787                                         | –                       | (1,419)                                     | (367)                                                | –                                    | –                                  |
| Financial investments                                                    | Amortised cost                    | Amortised cost                    | 5,109                                           | –                                                      | 5,109                                         | –                       | (5,109)                                     | –                                                    | –                                    | –                                  |
| Financial assets at fair value through other comprehensive income        | AFS                               | FVOCI                             | –                                               | –                                                      | –                                             | –                       | 52,305                                      | 936                                                  | –                                    | 53,241                             |
| Investments in associates and joint ventures                             | N/A                               | N/A                               | 718                                             | –                                                      | 718                                           | –                       | –                                           | (19)                                                 | –                                    | 699                                |
| Goodwill and intangible assets                                           | N/A                               | N/A                               | 7,849                                           | –                                                      | 7,849                                         | –                       | –                                           | –                                                    | –                                    | 7,849                              |
| Property, plant and equipment                                            | N/A                               | N/A                               | 2,572                                           | –                                                      | 2,572                                         | –                       | –                                           | –                                                    | –                                    | 2,572                              |
| Current tax assets                                                       | N/A                               | N/A                               | 482                                             | –                                                      | 482                                           | –                       | –                                           | –                                                    | –                                    | 482                                |
| Deferred tax assets                                                      | N/A                               | N/A                               | 3,457                                           | –                                                      | 3,457                                         | (22)                    | –                                           | –                                                    | 649                                  | 4,084                              |
| Retirement benefit assets                                                | N/A                               | N/A                               | 966                                             | –                                                      | 966                                           | –                       | –                                           | –                                                    | –                                    | 966                                |
| Prepayments, accrued income and other assets                             | Amortised cost                    | Amortised cost                    | 2,389                                           | (2,389)                                                | –                                             | –                       | –                                           | –                                                    | –                                    | –                                  |
| Other assets                                                             | Amortised cost                    | Amortised cost                    | –                                               | 4,542                                                  | 4,542                                         | 89                      | –                                           | 31                                                   | (1)                                  | 4,661                              |
| Assets included in disposal groups classified as held for sale           | N/A                               | N/A                               | 1,193                                           | –                                                      | 1,193                                         | –                       | –                                           | –                                                    | –                                    | 1,193                              |
| Total assets                                                             |                                   |                                   | 1,133,248                                       | –                                                      | 1,133,248                                     | 67                      | –                                           | (15)                                                 | (1,859)                              | 1,131,441                          |

Note  
a Comprised of mandatory fair value assets of £130.2bn and designated fair value assets of £10.0bn.



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42 Transition disclosures continued

|                                                              |                                   |                                   | As at 31<br>December<br>2017                    |                                                        | As at 31<br>December<br>2017                  |                         |                                             |                                                      |                                      | As at<br>1 January<br>2018         |
|--------------------------------------------------------------|-----------------------------------|-----------------------------------|-------------------------------------------------|--------------------------------------------------------|-----------------------------------------------|-------------------------|---------------------------------------------|------------------------------------------------------|--------------------------------------|------------------------------------|
|                                                              | IAS 39<br>measurement<br>category | IFRS 9<br>measurement<br>category | Published<br>IAS 39<br>carrying<br>amount<br>£m | Balance<br>sheet<br>present-<br>ation<br>changes<br>£m | Revised<br>IAS 39<br>carrying<br>amount<br>£m | IFRS 15<br>impact<br>£m | IFRS 9<br>present-<br>ation<br>change<br>£m | IFRS 9<br>classification<br>and<br>measurement<br>£m | IFRS 9<br>impairment<br>change<br>£m | IFRS 9<br>carrying<br>amount<br>£m |
| <b>Liabilities</b>                                           |                                   |                                   |                                                 |                                                        |                                               |                         |                                             |                                                      |                                      |                                    |
| Deposits from banks                                          | Amortised<br>cost                 | Amortised<br>cost                 | 37,723                                          | (37,723)                                               | —                                             | —                       | —                                           | —                                                    | —                                    | <b>379,841</b>                     |
| Deposits at amortised cost                                   | Amortised<br>cost                 | Amortised<br>cost                 | —                                               | 398,701                                                | 398,701                                       | —                       | —                                           | (18,860)                                             | —                                    |                                    |
| Items in the course of collection<br>due to other banks      | Amortised<br>cost                 | Amortised<br>cost                 | 446                                             | (446)                                                  | —                                             | —                       | —                                           | —                                                    | —                                    |                                    |
| Customer accounts                                            | Amortised<br>cost                 | Amortised<br>cost                 | 429,121                                         | (429,121)                                              | —                                             | —                       | —                                           | —                                                    | —                                    |                                    |
| Cash collateral and settlement<br>balances                   | Amortised<br>cost                 | Amortised<br>cost                 | —                                               | 68,143                                                 | 68,143                                        | —                       | —                                           | (2,218)                                              | —                                    | <b>65,925</b>                      |
| Repurchase agreements and other<br>similar secured borrowing | Amortised<br>cost                 | Amortised<br>cost                 | 40,338                                          | —                                                      | 40,338                                        | —                       | —                                           | (25,285)                                             | —                                    | <b>15,053</b>                      |
| Debt securities in issue                                     | Amortised<br>cost                 | Amortised<br>cost                 | 73,314                                          | —                                                      | 73,314                                        | —                       | —                                           | —                                                    | —                                    | <b>73,314</b>                      |
| Subordinated liabilities                                     | Amortised<br>cost                 | Amortised<br>cost                 | 23,826                                          | —                                                      | 23,826                                        | —                       | —                                           | —                                                    | —                                    | <b>23,826</b>                      |
| Trading portfolio liabilities                                | FVTPL                             | FVTPL                             | 37,351                                          | —                                                      | 37,351                                        | —                       | —                                           | —                                                    | —                                    | <b>37,351</b>                      |
| Financial liabilities designated at fair<br>value            | FVTPL                             | FVTPL                             | 173,718                                         | —                                                      | 173,718                                       | —                       | —                                           | 46,365                                               | —                                    | <b>220,083</b>                     |
| Derivative financial instruments                             | FVTPL                             | FVTPL                             | 238,345                                         | —                                                      | 238,345                                       | —                       | —                                           | —                                                    | —                                    | <b>238,345</b>                     |
| Current tax liabilities                                      | N/A                               | N/A                               | 586                                             | —                                                      | 586                                           | —                       | —                                           | —                                                    | —                                    | <b>586</b>                         |
| Deferred tax liabilities                                     | N/A                               | N/A                               | 44                                              | —                                                      | 44                                            | —                       | —                                           | —                                                    | —                                    | <b>44</b>                          |
| Retirement benefit liabilities                               | N/A                               | N/A                               | 312                                             | —                                                      | 312                                           | —                       | —                                           | —                                                    | —                                    | <b>312</b>                         |
| Accruals, deferred income and<br>other liabilities           | Amortised<br>cost                 | Amortised<br>cost                 | 8,565                                           | (8,565)                                                | —                                             | —                       | —                                           | —                                                    | —                                    | —                                  |
| Other liabilities                                            | Amortised<br>cost                 | Amortised<br>cost                 | —                                               | 9,011                                                  | 9,011                                         | —                       | —                                           | —                                                    | —                                    | <b>9,011</b>                       |
| Provisions                                                   | N/A                               | N/A                               | 3,543                                           | —                                                      | 3,543                                         | —                       | —                                           | —                                                    | 341                                  | <b>3,884</b>                       |
| <b>Total liabilities</b>                                     |                                   |                                   | 1,067,232                                       | —                                                      | 1,067,232                                     | —                       | —                                           | 2                                                    | 341                                  | <b>1,067,575</b>                   |
| <b>Equity</b>                                                |                                   |                                   |                                                 |                                                        |                                               |                         |                                             |                                                      |                                      |                                    |
| Called up share capital and share<br>premium                 | N/A                               | N/A                               | 22,045                                          | —                                                      | 22,045                                        | —                       | —                                           | —                                                    | —                                    | <b>22,045</b>                      |
| Other reserves                                               | N/A                               | N/A                               | 5,383                                           | —                                                      | 5,383                                         | —                       | —                                           | (139)                                                | 3                                    | <b>5,247</b>                       |
| Retained earnings                                            | N/A                               | N/A                               | 27,536                                          | —                                                      | 27,536                                        | 67                      | —                                           | 122                                                  | (2,203)                              | <b>25,522</b>                      |
| Other equity instruments                                     | N/A                               | N/A                               | 8,941                                           | —                                                      | 8,941                                         | —                       | —                                           | —                                                    | —                                    | <b>8,941</b>                       |
| Total equity excluding non-<br>controlling interests         | N/A                               | N/A                               | 63,905                                          | —                                                      | 63,905                                        | 67                      | —                                           | (17)                                                 | (2,200)                              | <b>61,755</b>                      |
| Non-controlling interests                                    |                                   | N/A                               | 2,111                                           | —                                                      | 2,111                                         | —                       | —                                           | —                                                    | —                                    | 2,111                              |
| <b>Total equity</b>                                          |                                   |                                   | 66,016                                          | —                                                      | 66,016                                        | 67                      | —                                           | (17)                                                 | (2,200)                              | <b>63,866</b>                      |
|                                                              |                                   |                                   |                                                 |                                                        |                                               |                         |                                             |                                                      |                                      |                                    |
| <b>Total liabilities and equity</b>                          |                                   |                                   | 1,133,248                                       | —                                                      | 1,133,248                                     | 67                      | —                                           | (15)                                                 | (1,859)                              | <b>1,131,441</b>                   |

Balance sheet and IFRS 9 presentation changes

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 noted below:

- 'Items in the course of collection from other banks' and 'prepayments, accrued income and other assets' are reported in 'other assets'. Equally, 'items in the course of collection due to other banks' and 'accruals, deferred income and other liabilities' are reported in 'other liabilities'
- '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'
- 'Deposits from banks' and 'customer accounts' have been disaggregated and are now reported in 'deposits at amortised cost' and 'cash collateral and settlement balances'
- 'Financial assets designated at fair value' are now reported within 'financial assets at fair value through the income statement'
- The majority of available for sale assets which were previously reported in 'financial investments' are now reported in 'financial assets at fair value through other comprehensive income'
- Held to maturity assets which were previously reported in 'financial investments' are now reported in 'loans and advances at amortised cost'.

Notes to the financial statements

Other disclosure matters

42 Transition disclosures continued

IFRS 15 impact

On adoption of IFRS 15, Barclays Group changed its accounting treatment in relation to certain costs incurred in obtaining contracts with credit card customers. The costs of acquiring such contracts had previously been recognised as operating expenses when they were incurred. The adoption of IFRS 15 has resulted in the costs being capitalised as a cost to obtain an asset and recognised within 'other assets' on the balance sheet. The asset will be amortised over the expected life of the customer relationship, with the corresponding expense recognised in the income statement. The cumulative effect of the change as of 1 January 2018 was an increase to retained earnings of £67m and the recognition of an asset of £89m. There were no other material changes to fee recognition from the adoption of IFRS 15.

IFRS 9 classification and measurement

This column represents the changes to the balance sheet from classification and measurement. The net effect is a decrease in shareholders' equity of £17m, with no significant offsetting movements. The classification changes include the transfer of certain Barclays International Prime Services and Equities business positions from an amortised cost to a fair value approach.

There are no other changes in measurement category.

IFRS 9 impairment change

Additional impairment from the adoption of IFRS 9 is shown in the impairment change column. The increase in impairment results in the recognition of a deferred tax asset. The post-tax impact is a reduction in shareholders' equity of £2.2bn. Impairment allowance under IFRS 9 considers both the drawn and the undrawn counterparty exposure. For retail portfolios, the total impairment allowance is allocated to the drawn exposure to the extent that the allowance does not exceed the exposure. Any excess is reported on the liability side of the balance sheet as a provision. For wholesale portfolios the impairment allowance on the undrawn exposure is reported on the liability side of the balance sheet as a provision.

Impact of IFRS 9 per financial statement line

The narrative below provides further granularity on the impact of changes to the balance sheet from the transition to IFRS 9 and IFRS 15 on Barclays PLC's balance sheet as presented in the tables on pages 300 to 304. The analysis shows transfers between balance sheet lines arising from reclassification and any associated remeasurement, and the impact of increased impairment. Further details are provided for balance sheet lines with multiple impacts.

Assets

Cash collateral and settlement balances – measured on an amortised cost basis

Transfer out: Balances of £2,389m are reclassified to 'Financial assets at fair value through the income statement' as a result of the assessment of the business model. Balances are reclassified from amortised cost to fair value through profit and loss as the business model is classified as 'Other' rather than 'Hold to Collect' as the portfolio is risk managed on a fair value basis.

Expected credit losses have decreased the balances by £5m.

Loans and advances at amortised cost

Transfer in: Held to maturity assets of £5,109m which were previously reported in 'Financial Investments' are reported in this balance sheet line. 'Financial investments' (available for sale) balances of £653m, 'Financial assets designated at fair value' balances of £485m, and 'Trading portfolio assets' of £73m are reclassified to this balance sheet line following the assessment of the business model which is classified as 'Hold to Collect' and meets the SPPI test. There has been a remeasurement impact of £29m due to reclassification to an amortised cost line from 'Financial assets designated at fair value'.

Transfer out: Balances of £9,279m are reclassified to 'Financial assets mandatory at fair value', balances of £478m moved to 'Trading portfolio assets', and balances of £15m reclassified to 'Financial assets designated at fair value' as a result of the assessment of the business model which is classified as 'Other' rather than 'Hold to Collect'. The balances are subsequently measured on a fair value basis rather than amortised cost. In addition, balances of £936m are reclassified to 'Financial assets at fair value through other comprehensive income' as a result of the assessment of the business model which is classified as 'Hold to Collect and Sell' and meets the SPPI test.

Expected credit losses have decreased the balance by £2,502m.

|                                                                        | As at<br>31 December<br>2017               |                         |                                         |                                |                             |                                      | As at<br>1 January<br>2018         |
|------------------------------------------------------------------------|--------------------------------------------|-------------------------|-----------------------------------------|--------------------------------|-----------------------------|--------------------------------------|------------------------------------|
|                                                                        | Revised IAS 39<br>carrying<br>amount<br>£m | IFRS 15<br>impact<br>£m | IFRS 9<br>presentation<br>changes<br>£m | IFRS 9<br>classification<br>£m | IFRS 9<br>measurement<br>£m | IFRS 9<br>impairment<br>change<br>£m | IFRS 9<br>carrying<br>amount<br>£m |
| Loans and advances at amortised cost                                   |                                            |                         |                                         |                                |                             |                                      |                                    |
| Opening balance                                                        | 324,048                                    |                         |                                         |                                |                             |                                      | 324,048                            |
| Transfer in:                                                           |                                            |                         |                                         |                                |                             |                                      |                                    |
| – From financial investments (held to maturity)                        | –                                          | –                       | 5,109                                   | –                              | –                           | –                                    | 5,109                              |
| – From financial investments (available for sale)                      | –                                          | –                       | –                                       | 653                            | –                           | –                                    | 653                                |
| – From financial assets designated at fair value                       | –                                          | –                       | –                                       | 485                            | 29                          | –                                    | 514                                |
| – From trading portfolio assets                                        | –                                          | –                       | –                                       | 73                             | –                           | –                                    | 73                                 |
| Transfer out:                                                          |                                            |                         |                                         |                                |                             |                                      |                                    |
| – To financial assets mandatory at fair value                          | –                                          | –                       | –                                       | (9,279)                        | –                           | –                                    | (9,279)                            |
| – To financial assets at fair value through other comprehensive income | –                                          | –                       | –                                       | (936)                          | –                           | –                                    | (936)                              |
| – To trading portfolio assets                                          | –                                          | –                       | –                                       | (478)                          | –                           | –                                    | (478)                              |
| – To financial assets designated at fair value                         | –                                          | –                       | –                                       | (15)                           | –                           | –                                    | (15)                               |
| Increase in expected credit losses                                     | –                                          | –                       | –                                       | –                              | –                           | (2,502)                              | (2,502)                            |
| Total loans and advances at amortised cost                             | 324,048                                    | –                       | 5,109                                   | (9,497)                        | 29                          | (2,502)                              | 317,188                            |





42 Transition disclosures continued

Reverse repurchase agreements and other similar secured lending – measured on an amortised cost basis

Transfer out: Balances of £11,949m are reclassified to 'Financial assets at fair value through the income statement' as a result of the assessment of the business model which is classified as 'Other' rather than 'Hold to Collect'. The balances are subsequently measured on a fair value basis rather than amortised cost.

Trading portfolio assets – measured on a fair value basis

Transfer in: Balances from 'Loans and advances at amortised cost' of £478m, 'Financial Investments' of £10m, and 'Financial assets mandatory at fair value' of £9m are reclassified to this balance sheet line as a result of the assessment of the business model in accordance with IFRS 9. There has been a remeasurement impact of £11m due to reclassification from an amortised cost basis.

Transfer out: Balances of £73m are reclassified to 'Loans and advances at amortised cost' as a result of the assessment of the business model which is classified as 'Hold to Collect' and meets the SPPI test.

Financial assets at fair value through the income statement

Balances of £105,844m are moved to 'Financial assets mandatory at fair value' for presentational purposes and in accordance with IFRS 9.

Transfer in: Balances of £15m from 'Loans and advances at amortised cost' are elected to 'Financial assets designated at fair value'. 'Reverse repurchase agreements and other similar secured lending' balances of £11,949m, 'Loans and advances at amortised cost' balances of £9,279m and 'Cash collateral and settlement balances' of £2,389m are reclassified to this balance sheet line as a result of the assessment of the business model which is classified as 'Other' rather than 'Hold to Collect'. The balances are subsequently measured on a fair value basis rather than amortised cost. There has been a remeasurement impact of £14m due to reclassification from an amortised cost basis. Balances of £838m are reclassified from 'Financial investments (available for sale)' as a result of the assessment of the business model which is classified as 'Other' rather than 'Hold to Collect and Sell'. The balances are subsequently measured on a fair value basis rather than amortised cost.

Transfer out: Balances of £485m are reclassified to 'Loans and advances at amortised cost' as a result of the assessment of the business model which is classified as 'Hold to Collect' and meets the SPPI test. In addition, balances of £31m and £9m are reclassified to 'Other assets' and 'Trading portfolio assets' as a result of the assessment of the business model in accordance with IFRS 9.

|                                                                   | As at<br>31 December<br>2017               |                         |                                         |                                |                             |                                      |                                    | As at<br>1 January<br>2018 |
|-------------------------------------------------------------------|--------------------------------------------|-------------------------|-----------------------------------------|--------------------------------|-----------------------------|--------------------------------------|------------------------------------|----------------------------|
|                                                                   | Revised IAS 39<br>carrying<br>amount<br>£m | IFRS 15<br>impact<br>£m | IFRS 9<br>presentation<br>changes<br>£m | IFRS 9<br>classification<br>£m | IFRS 9<br>measurement<br>£m | IFRS 9<br>impairment<br>change<br>£m | IFRS 9<br>carrying<br>amount<br>£m |                            |
| Financial assets at fair value through the income statement       |                                            |                         |                                         |                                |                             |                                      |                                    |                            |
| Financial assets designated at fair value                         |                                            |                         |                                         |                                |                             |                                      |                                    |                            |
| Opening balance                                                   | 116,281                                    |                         |                                         |                                |                             |                                      | 116,281                            |                            |
| Transfer in:                                                      |                                            |                         |                                         |                                |                             |                                      |                                    |                            |
| – From loans and advances at amortised cost                       | –                                          | –                       | –                                       | 15                             | –                           | –                                    | 15                                 |                            |
| Transfer out:                                                     |                                            |                         |                                         |                                |                             |                                      |                                    |                            |
| – To financial assets mandatory at fair value                     | –                                          | –                       | (105,844)                               | –                              | –                           | –                                    | (105,844)                          |                            |
| – To loans and advances at amortised cost                         | –                                          | –                       | –                                       | (485)                          | –                           | –                                    | (485)                              |                            |
| Financial assets mandatory at fair value                          |                                            |                         |                                         |                                |                             |                                      |                                    |                            |
| Transfer in:                                                      |                                            |                         |                                         |                                |                             |                                      |                                    |                            |
| – From financial assets designated at fair value                  | –                                          | –                       | 105,844                                 | –                              | –                           | –                                    | 105,844                            |                            |
| – From reverse repurchase agreements                              | –                                          | –                       | –                                       | 11,949                         | –                           | –                                    | 11,949                             |                            |
| – From loans and advances at amortised cost                       | –                                          | –                       | –                                       | 9,279                          | (14)                        | –                                    | 9,265                              |                            |
| – From cash collateral and settlement balances                    | –                                          | –                       | –                                       | 2,389                          | –                           | –                                    | 2,389                              |                            |
| – From financial investments (available for sale)                 | –                                          | –                       | –                                       | 838                            | –                           | –                                    | 838                                |                            |
| Transfer out:                                                     |                                            |                         |                                         |                                |                             |                                      |                                    |                            |
| – To other assets                                                 | –                                          | –                       | –                                       | (31)                           | –                           | –                                    | (31)                               |                            |
| – To trading portfolio assets                                     | –                                          | –                       | –                                       | (9)                            | –                           | –                                    | (9)                                |                            |
| Total financial assets at fair value through the income statement | 116,281                                    | –                       | –                                       | 23,944                         | (14)                        | –                                    | 140,211                            |                            |

Financial investments

Transfer out: The Barclays Group has elected to apply the fair value through other comprehensive income option under IFRS 9 for the value of £52,305m with balances moving to 'Financial assets at fair value through other comprehensive income'. Balances of £838m are reclassified to 'Financial assets at fair value through the income statement' and balances of £10m reclassified to 'Trading portfolio assets' as a result of the assessment of the business model which is classified as 'Other' rather than 'Hold to Collect'. Balances of £653m are reclassified to 'Loans and advances at amortised cost' as a result of the assessment of the business model which is classified as 'Hold to Collect' and meets the SPPI test.

Notes to the financial statements

Other disclosure matters

42 Transition disclosures continued

From a presentational basis, Held to maturity assets of £5,109m are now reported in ‘Loans and advances at amortised cost’.

|                                                                        | As at<br>31 December<br>2017               |                         |                                         |                                |                             |                                      | As at<br>1 January<br>2018         |
|------------------------------------------------------------------------|--------------------------------------------|-------------------------|-----------------------------------------|--------------------------------|-----------------------------|--------------------------------------|------------------------------------|
|                                                                        | Revised IAS 39<br>carrying<br>amount<br>£m | IFRS 15<br>impact<br>£m | IFRS 9<br>presentation<br>changes<br>£m | IFRS 9<br>classification<br>£m | IFRS 9<br>measurement<br>£m | IFRS 9<br>impairment<br>change<br>£m | IFRS 9<br>carrying<br>amount<br>£m |
| Financial investments                                                  |                                            |                         |                                         |                                |                             |                                      |                                    |
| Available for sale (measured at fair value)                            |                                            |                         |                                         |                                |                             |                                      |                                    |
| Opening balance                                                        | 53,807                                     |                         |                                         |                                |                             |                                      | 53,807                             |
| Transfer out:                                                          |                                            |                         |                                         |                                |                             |                                      |                                    |
| – To financial assets at fair value through other comprehensive income | –                                          | –                       | (52,305)                                | –                              | –                           | –                                    | (52,305)                           |
| – To other financial assets at fair value through the income statement | –                                          | –                       | –                                       | (838)                          | –                           | –                                    | (838)                              |
| – To trading portfolio assets                                          | –                                          | –                       | –                                       | (10)                           | –                           | –                                    | (10)                               |
| – To loans and advances at amortised cost                              | –                                          | –                       | –                                       | (653)                          | –                           | –                                    | (653)                              |
| Held to maturity (measured at amortised cost)                          |                                            |                         |                                         |                                |                             |                                      |                                    |
| Opening balance                                                        | 5,109                                      |                         |                                         |                                |                             |                                      | 5,109                              |
| Transfer out:                                                          |                                            |                         |                                         |                                |                             |                                      |                                    |
| – To loans and advances at amortised cost                              | –                                          | –                       | (5,109)                                 | –                              | –                           | –                                    | (5,109)                            |
| Total financial investments                                            | 58,916                                     | –                       | (57,414)                                | (1,501)                        | –                           | –                                    | –                                  |

Financial assets at fair value through other comprehensive income

Transfer in: As above, Barclays has applied the fair value through other comprehensive income option under IFRS 9 for the value of £52,305m. Balances of £936m are reclassified from ‘Loans and advances at amortised cost’ as a result of the assessment of the business model which is classified as ‘Hold to Collect and Sell’ and meets the SPPI test.

Investments in associates and joint ventures

The adoption of IFRS 9 on associates and joint ventures results in a lower Barclays Group share of profit and loss, thereby decreasing the investment by £19m.

Deferred tax assets

The balance has increased by £627m due to the tax impact of expected credit losses of £649m, offset by £22m due to the impact of IFRS 15.

Other assets

Transfer in: Balances of £31m reclassified from ‘Financial assets at fair value through the income statement’ as a result of the assessment of the business model which is classified as ‘Hold to Collect’ and meets the SPPI test.

In addition, the balance increased by £89m due to the impact of IFRS 15.

Expected credit losses have decreased the balance by £1m.

Liabilities

Deposits at amortised cost

Transfer out: Balances of £18,860m are reclassified to ‘Financial liabilities designated at fair value’ as a result of trades that are linked to assets for accounting symmetry.

Cash collateral and settlement balances – measured on an amortised cost basis

Transfer out: Balances of £2,218m are reclassified to ‘Financial liabilities designated at fair value’ as a result of trades that are linked to assets for accounting symmetry.

Repurchase agreements and other similar secured borrowing – measured on an amortised cost basis

Transfer out: Balances of £25,285m are reclassified to ‘Financial liabilities designated at fair value’ as a result of trades that are linked to assets for accounting symmetry.

Financial liabilities designated at fair value

Transfer in: ‘Repurchase agreements and other similar secured borrowing’ balances of £25,285m, ‘Deposits at amortised cost’ balances of £18,860m, and ‘Cash collateral and settlement balances’ of £2,218m reclassified to this balance sheet line as a result of trades that are linked to assets for accounting symmetry. There has been a remeasurement impact of £2m due to reclassification from ‘Repurchase agreements and other similar secured borrowing’ on an amortised cost basis.

42 Transition disclosures continued

|                                                                  | As at<br>31 December<br>2017               |                         |                                         |                                |                             |                                      | As at<br>1 January<br>2018         |
|------------------------------------------------------------------|--------------------------------------------|-------------------------|-----------------------------------------|--------------------------------|-----------------------------|--------------------------------------|------------------------------------|
|                                                                  | Revised IAS 39<br>carrying<br>amount<br>£m | IFRS 15<br>impact<br>£m | IFRS 9<br>presentation<br>changes<br>£m | IFRS 9<br>classification<br>£m | IFRS 9<br>measurement<br>£m | IFRS 9<br>impairment<br>change<br>£m | IFRS 9<br>carrying<br>amount<br>£m |
| <b>Financial liabilities designated at fair value</b>            |                                            |                         |                                         |                                |                             |                                      |                                    |
| Opening balance                                                  | 173,718                                    |                         |                                         |                                |                             |                                      | 173,718                            |
| Transfers in:                                                    |                                            |                         |                                         |                                |                             |                                      |                                    |
| – From repurchase agreements and other similar secured borrowing | –                                          | –                       | –                                       | 25,285                         | 2                           | –                                    | 25,287                             |
| – From deposits at amortised cost                                | –                                          | –                       | –                                       | 18,860                         | –                           | –                                    | 18,860                             |
| – From cash collateral and settlement balances                   | –                                          | –                       | –                                       | 2,218                          | –                           | –                                    | 2,218                              |
| <b>Total financial liabilities designated at fair value</b>      | 173,718                                    | –                       | –                                       | 46,363                         | 2                           | –                                    | 220,083                            |

Provisions

The balance has increased by £341m due to expected credit losses on off balance sheet provisions.

Equity

The adoption of IFRS 9 results in a credit moving from the Fair value through other comprehensive income reserve (formerly available for sale reserve) to Retained earnings to reflect the cumulative impairment recognised in profit or loss in accordance with IFRS 9 (net of impairment losses previously recognised in profit or loss under IAS 39). The amount transferred from ‘Other reserves’ to ‘Retained earnings’ was £139m. In addition, a £3m increase relates to expected credit losses on ‘Fair value through other comprehensive income’. The cumulative remeasurement due to reclassification was £17m. The cumulative expected credit losses (post-tax) recognised in ‘Retained earnings’ was £2,203m.

In addition, the balance increased by £67m due to the impact of IFRS 15.

|                                    | As at<br>31 December<br>2017               |                         |                                         |                                |                             |                                      | As at<br>1 January<br>2018         |
|------------------------------------|--------------------------------------------|-------------------------|-----------------------------------------|--------------------------------|-----------------------------|--------------------------------------|------------------------------------|
|                                    | Revised IAS 39<br>carrying<br>amount<br>£m | IFRS 15<br>impact<br>£m | IFRS 9<br>presentation<br>changes<br>£m | IFRS 9<br>classification<br>£m | IFRS 9<br>measurement<br>£m | IFRS 9<br>impairment<br>change<br>£m | IFRS 9<br>carrying<br>amount<br>£m |
| <b>Other reserves</b>              |                                            |                         |                                         |                                |                             |                                      |                                    |
| Opening balance                    | 5,383                                      |                         |                                         |                                |                             |                                      | 5,383                              |
| Transfers out:                     |                                            |                         |                                         |                                |                             |                                      |                                    |
| – To retained earnings             | –                                          | –                       | –                                       | (139)                          | –                           | –                                    | (139)                              |
| Increase in expected credit losses | –                                          | –                       | –                                       | –                              | –                           | 3                                    | 3                                  |
| <b>Total other reserves</b>        | 5,383                                      | –                       | –                                       | (139)                          | –                           | 3                                    | 5,247                              |

|                                        | As at<br>31 December<br>2017               |                         |                                         |                                |                             |                                      | As at<br>1 January<br>2018         |
|----------------------------------------|--------------------------------------------|-------------------------|-----------------------------------------|--------------------------------|-----------------------------|--------------------------------------|------------------------------------|
|                                        | Revised IAS 39<br>carrying<br>amount<br>£m | IFRS 15<br>impact<br>£m | IFRS 9<br>presentation<br>changes<br>£m | IFRS 9<br>classification<br>£m | IFRS 9<br>measurement<br>£m | IFRS 9<br>impairment<br>change<br>£m | IFRS 9<br>carrying<br>amount<br>£m |
| <b>Retained earnings</b>               |                                            |                         |                                         |                                |                             |                                      |                                    |
| Opening balance                        | 27,536                                     |                         |                                         |                                |                             |                                      | 27,536                             |
| Increases/(decreases):                 |                                            |                         |                                         |                                |                             |                                      |                                    |
| From other reserves                    | —                                          | —                       | —                                       | 139                            | —                           | —                                    | 139                                |
| Remeasurement due to reclassifications | —                                          | —                       | —                                       | (17)                           | —                           | —                                    | (17)                               |
| Increases due to IFRS 15               | —                                          | 67                      | —                                       | —                              | —                           | —                                    | 67                                 |
| Impairment (after tax)                 | —                                          | —                       | —                                       | —                              | —                           | (2,203)                              | (2,203)                            |
| <b>Total retained earnings</b>         | 27,536                                     | 67                      | —                                       | 122                            | —                           | (2,203)                              | 25,522                             |

Reclassification to amortised cost

The following table shows the effects of the reclassification of financial assets and financial liabilities from IAS 39 categories into the amortised cost category under IFRS 9. The table shows the fair value gains or losses that would have been recognised had these balances not been reclassified to amortised cost.

Notes to the financial statements

Other disclosure matters

42 Transition disclosures continued

|                                                                                                                                                                     | Total<br>£m |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| As at 31 December 2018                                                                                                                                              |             |
| From available for sale financial assets under IAS 39                                                                                                               |             |
| Fair value as at 31 December 2018                                                                                                                                   | 490         |
| Fair value loss that would have been recognised for the year ended 31 December 2018 in other comprehensive income if the financial assets had not been reclassified | (1)         |
| From financial assets at fair value through the income statement under IAS 39                                                                                       |             |
| Fair value as at 31 December 2018                                                                                                                                   | 489         |
| Fair value gain that would have been recognised for the year ended 31 December 2018 in profit or loss if the financial assets had not been reclassified             | 4           |
| Effective interest rate determined on the date of initial application                                                                                               | 1.81%       |
| Interest income recognised for the year ended 31 December 2018                                                                                                      | 9           |

- The balance as at 31 December 2018 of £490m reflects a decrease since transition due to disposals of assets of £162m during the year and a fair value decrease of £1m (1 January 2018: £653m). The majority of the balance is related to the Municipals portfolio that contains highly rated floating rate bonds measured at par with no fair value impact. The fair value loss that would have been recognised is £1m related to collateralised mortgage obligations.
- The balance as at 31 December 2018 of £489m is mainly related to the ESHLA portfolio. The fair value gain that would have been recognised for the period was £4m (1 January 2018: £485).

43 Barclays PLC (the Parent company)

Total income

Dividends received from subsidiaries

Dividends received from subsidiaries of £15,360m (2017: £674m, 2016: £621m) primarily includes a dividend in specie, representing the transfer of the holding in Barclays Bank UK PLC from Barclays Bank PLC to Barclays PLC, as well as ordinary dividends from subsidiaries.

Other income

Other income of £923m (2017: £690m, 2016: £334m) includes £752m (2017: £639m, 2016: £457m) of income received from gross coupon payments on Barclays Bank PLC and Barclays Bank UK PLC issued AT1 securities.

Non-current assets and liabilities

Investment in subsidiaries

The investment in subsidiaries of £57,374m (2017: £39,354m) predominantly relates to investments made into Barclays Bank PLC and Barclays Bank UK PLC. This further includes investments in AT1 securities of £9,666m (2017: £8,986m). The increase of £18,020m during the year was predominantly driven by the £14,025m holding in Barclays Bank UK PLC, capital contributions into Barclays Bank PLC totalling £3,046m and a net increase in AT1 securities of £680m.

Subordinated liabilities and debt securities in issue

During the period, Barclays PLC issued \$7,000m of Fixed and Floating Rate Senior Notes, €1,805m Fixed Rate Senior Notes, £1,500m Fixed Rate Senior Notes, ¥147,600m Fixed Rate Bonds, AUD 600m Fixed and Floating Rate Senior Debt and CHF175m Fixed Rate Senior Debt within the debt securities in issue balance of £32,373m (2017: £22,110m). Barclays PLC did not issue any subordinated liabilities in the period.

Financial assets at fair value through the income statement

The financial assets at fair value through the income statement relate to loans made to subsidiaries of the Barclays Group. These include a feature that allows for the loan to be written down in whole or in part by the borrower only in the event that the liabilities of the subsidiary would otherwise exceed its assets. Following the implementation of IFRS 9 on 1 January 2018, loans that were treated as available for sale assets were reclassified as financial assets held at fair value through the income statement.

Derivative financial instruments

The derivative financial instrument of £168m (2017: £161m) held by the Parent company represents Barclays PLC's right to receive a Capital Note for no additional consideration, in the event the Barclays PLC consolidated CRD IV CET1 ratio (FSA October 2012 transitional statement) falls below 7% at which point the notes are automatically assigned by the holders to Barclays PLC.

Management of internal investments, loans and advances

Barclays PLC retains the discretion to manage the nature of its internal investments in its subsidiaries according to their regulatory and business needs. Barclays PLC may invest capital and funding into Barclays Bank PLC, Barclays Bank UK PLC and other Barclays Group subsidiaries such as the Group Service Company and the US Intermediate Holding Company (IHC). In June 2018 the Bank of England published its updated statement of policy on "The Bank of England's approach to setting a minimum requirement for own funds and eligible liabilities (MREL)". Accordingly, during the course of December 2018, Barclays restructured certain investments in subsidiaries, including subordinating internal MREL instruments beneath operating liabilities, to the extent required to achieve compliance with internal MREL requirements which are in effect from 1 January 2019.

Total equity

Called up share capital and share premium of Barclays PLC was £4,311m (2017: £22,045m). Other equity instruments of £9,633m (2017: £8,943m) comprises AT1 securities. For further details, refer to Note 29.

Share premium

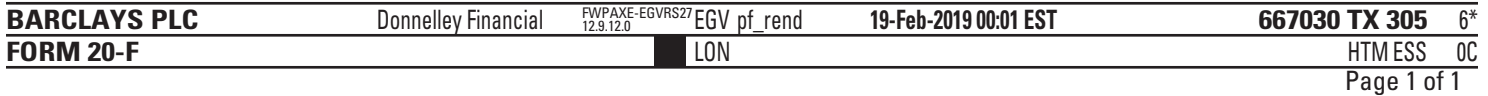
On 11 September 2018, the High Court of Justice in England and Wales confirmed the cancellation of the share premium account of Barclays PLC, with the balance of £17,873m credited to retained earnings.

Other reserves

As a result of the adoption of IFRS 9 on 1 January 2018, the available for sale reserve of £86m has been transferred to retained earnings.

Retained earnings

Following the capital reorganisation and receipt of a dividend in specie from Barclays Bank PLC representing its holding in Barclays Bank UK PLC, retained earnings have increased from £7,737m to £39,842m in the period.



## Shareholder information

## Additional shareholder information

## Articles of Association

Barclays PLC (the “Company”) is a public limited company registered in England and Wales under company number 48839. Barclays, originally named Barclay & Company Limited, was incorporated in England and Wales on 20 July 1896 under the Companies Acts 1862 to 1890 as a company limited by shares. The company name was changed to Barclays Bank Limited on 17 February 1917 and it was registered on 15 February 1982 as a public limited company under the Companies Acts 1948 to 1980. On 1 January 1985, the company changed its name to Barclays PLC.

Under the Companies Act 2006 a company's Memorandum of Association now need only contain the names of the subscribers and the number of shares each subscriber has agreed to take. For companies in existence as of 1 October 2009, all other provisions which were contained in the company's Memorandum of Association, including the company's objects, are now deemed to be contained in the company's articles. The Companies Act 2006 also states that a company's objects are unrestricted unless the company's articles provide otherwise.

The Articles of Association were adopted at the Company's Annual General Meeting ("AGM") on 30 April 2010 and amended at the AGM of the Company on 25 April 2013.

The following is a summary and explanation of the current Articles of Association, which are available for inspection.

## Directors

(i) The minimum number of Directors (excluding alternate Directors) is five. There is no maximum limit. There is no age limit for Directors.

(ii) Excluding executive remuneration and any other entitlement to remuneration for extra services (including service on board committees) under the Articles, a Director is entitled to a fee at a rate determined by the Board but the aggregate fees paid to all Directors shall not exceed £2,000,000 per annum or such higher amount as may be approved by an ordinary resolution of the Company. Each Director is entitled to reimbursement for all reasonable travelling, hotel and other expenses properly incurred by him/her in or about the performance of his/her duties.

(iii) No Director may act (either himself/herself or through his/her firm) as an auditor of the Company. A Director may hold any other office of the Company on such terms as the Board shall determine.

(iv) At each AGM of the Company, one third of the Directors (rounded down) are required under the Articles of Association to retire from office by rotation and may offer themselves for re-election. The Directors so retiring are first, those who wish to retire and not offer themselves for re-election, and, second those who have been longest in office (and in the case of equality of service length are selected by lot). Other than a retiring Director, no person shall (unless recommended by the Board) be eligible for election unless a member notifies the Company Secretary in advance of his/her intention to propose a person for election. It is Barclays' practice that all Directors offer themselves for re-election annually in accordance with the UK Corporate Governance Code.

(v) The Board has the power to appoint additional Directors or to fill a casual vacancy amongst the Directors. Any Director so appointed holds office until the next AGM, when he/she may offer himself/herself for reappointment. He/she is not taken into account in determining the number of Directors retiring by rotation.

(vi) The Board may appoint any Director to any executive position or employment in the Company on such terms as they determine.



Additional information

(vii)The Company may by ordinary resolution remove a Director before the expiry of his/her period of office (without prejudice to a claim for damages for breach of contract or otherwise) and may by ordinary resolution appoint another person who is willing to act to be a Director in his/her place.

(viii) A Director may appoint either another Director or some other person approved by the Board to act as his/her alternate with power to attend Board meetings and generally to exercise the functions of the appointing Director in his/her absence (other than the power to appoint an alternate).

(ix) The Board may authorise any matter in relation to which a Director has, or can have, a direct interest that conflicts, or possibly may conflict with, the Company’s interests. Only Directors who have no interest in the matter being considered will be able to authorise the relevant matter and they may impose limits or conditions when giving authorisation if they think this is appropriate.

(x) A Director may hold positions with or be interested in other companies and, subject to legislation applicable to the Company and the FCA’s requirements, may contract with the Company or any other company in which the Company is interested. A Director may not vote or count towards the quorum on any resolution concerning any proposal in which he/she (or any person connected with him/her) has a material interest (other than by virtue of his/her interest in securities of the Company) or if he/she has a duty which conflicts or may conflict with the interests of the Company, unless the resolution relates to any proposal:

(a) to indemnify a Director or provide him/her with a guarantee or security in respect of money lent by him/her to, or any obligation incurred by him/her or any other person for the benefit of (or at the request of), the Company (or any other member of the Group);

(b) to indemnify or give security or a guarantee to a third party in respect of a debt or obligation of the Company (or any other member of the Group) for which the Director has personally assumed responsibility;

(c) to obtain insurance for the benefit of Directors;

(d) involving the acquisition by a Director of any securities of the Company (or any other member of the Group) pursuant to an offer to existing holders of securities or to the public;

(e) that the Director underwrite any issue of securities of the Company (or any other member of the Group);

(f) concerning any other company in which the Director is interested as an officer or creditor or Shareholder but, broadly, only if he/she (together with his/her connected persons) is directly or indirectly interested in less than 1% of either any class of the issued equity share capital or of the voting rights of that company; and

(g) concerning any other arrangement for the benefit of employees of the Company (or any other member of the Group) under which the Director benefits or stands to benefit in a similar manner to the employees concerned and which does not give the Director any advantage which the employees to whom the arrangement relates would not receive.

(xi) A Director may not vote or be counted in the quorum on any resolution which concerns his/her own employment or appointment to any office of the Company or any other company in which the Company is interested.

(xii) Subject to applicable legislation, the provisions described in sub-paragraphs (x) and (xi) may be relaxed or suspended by an ordinary resolution of the members of the Company or any applicable governmental or other regulatory body.

(xiii) A Director is required to hold an interest in ordinary shares having a nominal value of at least £500, which currently equates to 2,000 Ordinary Shares unless restricted from acquiring or holding such interest by any applicable law or regulation or any applicable governmental or other regulatory body. A Director may act before acquiring those shares but must acquire the qualification shares within two months from his/her appointment. Where a Director is unable to acquire the requisite number of shares within that time owing to law, regulation or requirement of any governmental or other relevant authority, he/she must acquire the shares as soon as reasonably practicable once the restriction(s) end.

Additional information

(xiv) The Board may exercise all of the powers of the Company to borrow money, to mortgage or charge its undertaking, property and uncalled capital and to issue debentures and other securities.

Classes of Shares

The Company only has Ordinary Shares in issue. The Articles of Association also provide for pound sterling preference shares of £100 each, US dollar preference shares of US\$100 each, US dollar preference shares of \$0.25 each, euro preference shares of €100 each and yen preference shares of ¥10,000 each (together, the “Preference Shares”). In accordance with the authority granted at the AGM on 25 April 2013, Preference Shares may be issued by the Board from time to time in one or more series with such rights and subject to such restrictions and limitations as the Board may determine. No Preference Shares have been issued to date.

Dividends

Subject to the provisions of the Articles and applicable legislation, the Company in general meeting may declare dividends on the Ordinary Shares by ordinary resolution, but any such dividend may not exceed the amount recommended by the Board. The Board may also pay interim or final dividends if it appears they are justified by the Company’s financial position.

Each Preference Share confers the right to a preferential dividend (“Preference Dividend”) payable in such currency at such rates (whether fixed or calculated by reference to or in accordance with a specified procedure or mechanism), on such dates and on such other terms as may be determined by the Board prior to allotment thereof.

The Preference Shares rank in regard to payment of dividends in priority to the holders of Ordinary Shares and any other class of shares in the Company ranking junior to the Preference Shares.

Dividends may be paid on the Preference Shares if, in the opinion of the Board, the Company has sufficient distributable profits, after payment in full or the setting aside of a sum to provide for all dividends payable on (or in the case of shares carrying a cumulative right to dividends, before) the relevant dividend payment date on any class of shares in the Company ranking pari passu with or in priority to the relevant series of Preference Shares as regards participation in the profits of the Company.

If the Board considers that the distributable profits of the Company available for distribution are insufficient to cover the payment in full of Preference Dividends, Preference Dividends shall be paid to the extent of the distributable profits on a pro rata basis.

Notwithstanding the above, the Board may, at its absolute discretion, determine that any Preference Dividend which would otherwise be payable may either not be payable at all or only payable in part.

If any Preference Dividend on a series of Preference Shares is not paid, or is only paid in part, for the reasons described above, holders of Preference Shares will not have a claim in respect of such non-payment.

If any dividend on a series of Preference Shares is not paid in full on the relevant dividend payment date, a dividend restriction shall apply. The dividend restriction means that, subject to certain exceptions, neither the Company nor Barclays Bank may (a) pay a dividend on, or (b) redeem, purchase, reduce or otherwise acquire, any of their respective ordinary shares, other preference shares or other share capital ranking equal or junior to the relevant series of Preference Shares until the earlier of such time as the Company next pays in full a dividend on the relevant series of Preference Shares or the date on which all of the relevant series of Preference Shares are redeemed.

All unclaimed dividends payable in respect of any share may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. If a dividend is not claimed after 12 years of it becoming payable, it is forfeited and reverts to the Company.



## Additional information

The Board may, with the approval of an ordinary resolution of the Company, offer Shareholders the right to choose to receive an allotment of additional fully paid Ordinary Shares instead of cash in respect of all or part of any dividend. The Company currently provides a scrip dividend programme pursuant to an authority granted at the AGM held on 25 April 2013.

## Redemption and Purchase

Subject to applicable legislation and the rights of the other shareholders, any share may be issued on terms that it is, at the option of the Company or the holder of such share, redeemable. The Directors are authorised to determine the terms, conditions and manner of redemption of any such shares under the Articles of Association.

## Calls on capital

The Directors may make calls upon the members in respect of any monies unpaid on their shares. A person upon whom a call is made remains liable even if the shares in respect of which the call is made have been transferred. Interest will be chargeable on any unpaid amount called at a rate determined by the Board (of not more than 20% per annum).

If a member fails to pay any call in full (following notice from the Board that such failure will result in forfeiture of the relevant shares), such shares (including any dividends declared but not paid) may be forfeited by a resolution of the Board, and will become the property of the Company. Forfeiture shall not absolve a previous member for amounts payable by him/her (which may continue to accrue interest).

The Company also has a lien over all partly paid shares of the Company for all monies payable or called on that share and over the debts and liabilities of a member to the Company. If any monies which are the subject of the lien remain unpaid after a notice from the Board demanding payment, the Company may sell such shares.

## Annual and other general meetings

The Company is required to hold an AGM in addition to such other general meetings as the Directors think fit. The type of the meeting will be specified in the notice calling it. Under the Companies Act 2006, the AGM must be held within six months of the financial year end. A general meeting may be convened by the Board on requisition in accordance with the applicable legislation.

In the case of an AGM, a minimum of 21 'clear days' notice is required. The notice must be in writing and must specify the place, the day and the hour of the meeting, and the general nature of the business to be transacted. A notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as such. The accidental failure to give notice of a general meeting or the non-receipt of such notice will not invalidate the proceedings at such meeting.

Subject as noted above, all Shareholders are entitled to attend and vote at general meetings. The Articles do, however, provide that arrangements may be made for simultaneous attendance at a satellite meeting place or, if the meeting place is inadequate to accommodate all members and proxies entitled to attend, another meeting place may be arranged to accommodate such persons other than that specified in the notice of meeting, in which case Shareholders may be excluded from the principal place.

Holders of Preference Shares have no right to receive notice of, attend or vote at, any general meetings of the Company as a result of holding Preference Shares.

## Notices

A document or information may be sent by the Company in hard copy form, electronic form, by being made available on a website, or by another means agreed with the recipient, in accordance with the provisions set out in the Companies Act 2006. Accordingly, a document or information may only be sent in electronic form to a person who has agreed to receive it in that form or, in the case of a company, who has been deemed to have so agreed pursuant to applicable legislation. A document or information may only be sent by being made available on a website if the recipient has agreed to receive it in that form or has been deemed to have so agreed pursuant to applicable legislation, and has not revoked that agreement.

Additional information

In respect of joint holdings, documents or information shall be sent to the joint holder whose name stands first in the register.

A member who (having no registered address within the UK) has not supplied an address in the UK at which documents or information may be sent in hard copy form, or an address to which notices, documents or information may be sent or supplied by electronic means, is not entitled to have documents or information sent to him/her.

In addition, the Company may cease to send notices to any member who has been sent documents on two consecutive occasions over a period of at least 12 months and when each of those documents is returned undelivered or notification is received that they have not been delivered.

Capitalisation of profits

The Company may, by ordinary resolution, upon the recommendation of the Board capitalise all or any part of an amount standing to the credit of a reserve or fund to be set free for distribution provided that amounts from the share premium account, capital redemption reserve or any profits not available for distribution should be applied only in paying up unissued shares to be allotted to members credited as fully paid and no unrealised profits shall be applied in paying up debentures of the Company or any amount unpaid on any share in the capital of the Company.

Indemnity

Subject to applicable legislation, every current and former Director or other officer of the Company (other than any person engaged by the company as auditor) shall be indemnified by the Company against any liability in relation to the Company, other than (broadly) any liability to the Company or a member of the Group, or any criminal or regulatory fine.

|                       |                                                 | Date of Appointment as Officer |
|-----------------------|-------------------------------------------------|--------------------------------|
| Officers of the Group |                                                 |                                |
| Ashok Vaswani         | Chief Executive Officer, Barclays UK            | 2012                           |
| Bob Hoyt              | Group General Counsel                           | 2013                           |
| Tushar Morzaria       | Group Finance Director                          | 2013                           |
| James E Staley        | Group Chief Executive Officer                   | 2015                           |
| Tristram Roberts      | Group Human Resources Director                  | 2015                           |
| Paul Compton          | Group Chief Operating Officer                   | 2016                           |
| C S Venkatakrishnan   | Group Chief Risk Officer                        | 2016                           |
| Tim Throsby           | Chief Executive Officer, Barclays International | 2017                           |
| Stephen Shapiro       | Company Secretary                               | 2017                           |
| Laura Padovani        | Group Chief Compliance Officer                  | 2017                           |

Additional information

Dividends on the ordinary shares of Barclays PLC

The dividends declared for each of the last five years were:

| Pence per 25p ordinary share |      |      |      |      |      |
|------------------------------|------|------|------|------|------|
|                              | 2018 | 2017 | 2016 | 2015 | 2014 |
| Half year                    | 2.50 | 1.00 | 1.00 | 3.00 | 3.00 |
| Full year                    | 4.00 | 2.00 | 2.00 | 3.50 | 3.50 |
| Total                        | 6.50 | 3.00 | 3.00 | 6.50 | 6.50 |

| US Dollars per 25p ordinary share |      |      |      |      |      |
|-----------------------------------|------|------|------|------|------|
|                                   | 2018 | 2017 | 2016 | 2015 | 2014 |
| Half year                         | 0.03 | 0.01 | 0.01 | 0.05 | 0.05 |
| Full year                         | 0.05 | 0.02 | 0.02 | 0.05 | 0.05 |
| Total                             | 0.08 | 0.03 | 0.03 | 0.10 | 0.10 |

The gross dividends applicable to an American Depositary Share (ADS) representing four ordinary shares, before deduction of withholding tax, are as follows:

| US Dollars per American Depositary Share |      |      |      |      |      |
|------------------------------------------|------|------|------|------|------|
|                                          | 2018 | 2017 | 2016 | 2015 | 2014 |
| Half year                                | 0.13 | 0.05 | 0.05 | 0.18 | 0.18 |
| Full year                                | 0.21 | 0.10 | 0.10 | 0.20 | 0.22 |
| Total                                    | 0.34 | 0.15 | 0.15 | 0.38 | 0.40 |

The final dividends shown above are expressed in Dollars translated at the closing spot rate for Pounds Sterling as determined by Bloomberg at 5pm in New York City (the ‘Closing Spot Rate’) on the latest practicable date for inclusion in this report. No representation is made that Pounds Sterling amounts have been, or could have been, or could be, converted into Dollars at these rates.

Trading market for ordinary shares of Barclays PLC

The principal trading market for Barclays PLC ordinary shares is the London Stock Exchange. At the close of business on 31 December 2018 17,132,806,284 ordinary shares were in issue.

Ordinary share listings were also obtained on the New York Stock Exchange (NYSE) with effect from 9 September 1986. Trading on the NYSE is in the form of ADSs under the symbol ‘BCS’. Each ADS represents four ordinary shares and is evidenced by an American Depositary Receipt (ADR). The ADR depositary is JP Morgan Chase Bank, N.A. Details of trading activity are published in the stock tables of leading daily newspapers in the US.

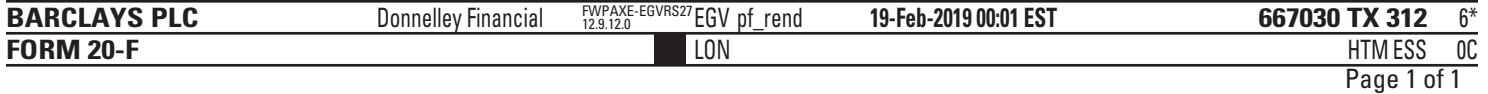
There were 461 ADR holders and 1,640 recorded holders of ordinary shares with US addresses at 31 December 2018, whose shareholdings represented approximately 4.29% of total outstanding ordinary shares on that date. Since a certain number of the ordinary shares and ADRs were held by brokers or other nominees, the number of recorded holders in the US may not be representative of the number of beneficial holders or of their country of residence.



Additional information

| Shareholdings at 31 December 2018 <sup>a</sup> |                           |                          |                |                          |
|------------------------------------------------|---------------------------|--------------------------|----------------|--------------------------|
|                                                | Number of<br>shareholders | Percentage of<br>holders | Shares held    | Percentage of<br>capital |
| Classification of shareholders                 |                           |                          |                |                          |
| Personal Holders                               | 243,169                   | 97.39%                   | 420,035,551    | 2.45%                    |
| Banks and Nominees                             | 2,529                     | 1.02%                    | 14,950,398,238 | 87.26%                   |
| Other Companies                                | 3,978                     | 1.59%                    | 1,762,366,845  | 10.29%                   |
| Insurance Companies                            | 1                         | 0.00%                    | 208            | 0.00%                    |
| Pension Funds                                  | 4                         | 0.00%                    | 5,442          | 0.00%                    |
| Total                                          | 249,681                   | 100.00%                  | 17,132,806,284 | 100.00%                  |
| Shareholding range                             |                           |                          |                |                          |
| 1 - 100                                        | 17,199                    | 6.68%                    | 635,426        | 0.00%                    |
| 101 - 250                                      | 52,139                    | 20.89%                   | 10,607,176     | 0.06%                    |
| 251 - 500                                      | 68,473                    | 27.43%                   | 23,932,140     | 0.14%                    |
| 501 - 1,000                                    | 39,907                    | 15.98%                   | 28,216,955     | 0.16%                    |
| 1,001 - 5,000                                  | 50,942                    | 20.40%                   | 112,827,747    | 0.66%                    |
| 5,001 - 10,000                                 | 11,096                    | 4.44%                    | 77,897,801     | 0.45%                    |
| 10,001 - 25,000                                | 6,644                     | 2.66%                    | 100,383,101    | 0.59%                    |
| 25,001 - 50,000                                | 1,556                     | 0.62%                    | 52,951,616     | 0.31%                    |
| 50,001 and over                                | 1,805                     | 0.72%                    | 16,725,354,322 | 97.63%                   |
| Total                                          | 249,681                   | 100.00%                  | 17,132,806,284 | 100.00%                  |
| United States Holdings                         | 1,640                     | 0.31%                    | 3,976,699      | 0.02%                    |

Note  
a These figures do not include Barclays Sharestore members.



## Taxation of UK holders

The following is a summary of certain UK tax issues which are likely to be material to the holding and disposal of Ordinary Shares of Barclays PLC or ADSs representing such Ordinary Shares (the 'Shares').

It is based on the current laws of England and Wales, UK tax law and the practice of Her Majesty's Revenue and Customs ('HMRC'), each of which may be subject to change, possibly with retrospective effect. It is a general guide for information purposes and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser, holder or disposer of Shares. In particular, save where expressly stated to the contrary, this summary deals with shareholders who are resident and, in the case of individuals, domiciled in (and only in) the UK for UK tax purposes, who hold their Shares as investments (other than under an individual savings account) and who are the absolute beneficial owners of their Shares and any dividends paid on them.

The statements are not addressed to: (i) shareholders who own (or are deemed to own) 10 per cent. or more of the voting power of Barclays PLC; (ii) shareholders who hold Shares as part of hedging transactions; (iii) investors who have (or are deemed to have) acquired their Shares by virtue of an office or employment; and (iv) shareholders who hold Shares in connection with a trade, profession or vocation carried on in the UK (whether through a branch or agency or, in the case of a corporate shareholder, through a permanent establishment, or otherwise). It does not discuss the tax treatment of classes of shareholder subject to special rules, such as dealers in securities.

Persons who are in any doubt as to their tax position should consult their professional advisers. Persons who may be liable to taxation in jurisdictions other than the UK in respect of their acquisition, holding or disposal of Shares are particularly advised to consult their professional advisers as to whether they are so liable.

### (i) Taxation of dividends

In accordance with UK law, Barclays PLC pays dividends on the Shares without any deduction or withholding for or on account of any taxes imposed by the UK government or any UK taxing authority.

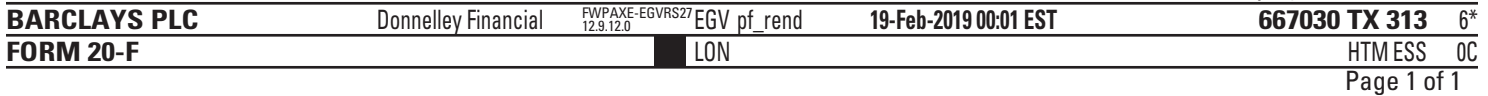
The total dividends (including any dividends paid by Barclays PLC) paid to a UK resident individual shareholder in a tax year (the 'Total Dividend Income') will generally form part of that shareholder's total income for UK income tax purposes, and will be subject to UK income tax at the rates discussed below.

For dividends paid on or after 6 April 2016, the rate of UK income tax applicable to the Total Dividend Income will depend on the amount of the Total Dividend Income and the UK income tax band(s) that the Total Dividend Income falls within when included as part of the shareholder's total income for UK income tax purposes for that tax year.

For the tax year from 6 April 2018 to 5 April 2019 (inclusive), a nil rate of UK income tax applies to the first £2,000 of Total Dividend Income received by an individual shareholder in that tax year (the 'Nil Rate Amount'). For the 2016-2017 and 2017-2018 tax years, the Nil Rate Amount was £5,000.

Where the Total Dividend Income received by an individual shareholder in a tax year exceeds the relevant Nil Rate Amount for that tax year, the excess amount (the 'Remaining Dividend Income') will be subject to UK income tax at the following rates:

- (a) at the rate of 7.5% on any portion of the Remaining Dividend Income that falls within the basic tax band;
- (b) at the rate of 32.5% on any portion of the Remaining Dividend Income that falls within the higher tax band; and
- (c) at the rate of 38.1% on any portion of the Remaining Dividend Income that falls within the additional tax band.



In determining the tax band, the Remaining Dividend Income falls within for a tax year, the individual shareholder's Total Dividend Income for the tax year in question (including the portion comprising the Nil Rate Amount) will be treated as the top slice of the shareholder's total income for UK income tax purposes.

Subject to special rules for small companies, UK resident shareholders within the charge to UK corporation tax will be subject to UK corporation tax on the dividends paid on the Shares unless the dividend falls within an exempt class and certain conditions are met.

Where a shareholder elects to purchase shares using their cash dividend as part of the Scrip Dividend Programme, such shareholders will generally be liable for UK income tax or corporation tax (as the case may be) on dividends reinvested in the Scrip Dividend Programme on the same basis as if they had received the cash and arranged the investment themselves. They should accordingly include the dividend received in their UK tax return in the normal way.

The disposal of Shares may, depending on the shareholder's circumstances, give rise to a liability to UK tax on chargeable capital gains.

Where Shares are sold, a liability to UK tax may result if the proceeds from that sale exceed the sum of the base cost of the Shares sold and any other allowable deductions such as share dealing costs and, in certain circumstances, indexation relief (discussed further below). To arrive at the total base cost of any Barclays PLC shares held, in appropriate cases the amount subscribed for rights taken up in 1985, 1988 and 2013 must be added to the cost of all such shares held. For this purpose, current legislation permits the market valuation at 31 March 1982 to be substituted for the original cost of shares purchased before that date. Shareholders other than those within the charge to UK corporation tax should note that, following the Finance Act 2008, no indexation allowance will be available. Following the Finance Act 2018, Shareholders within the charge to UK corporation tax may be eligible for indexation allowance for the period of ownership of their Shares up to December 2017, but no indexation allowance will be available in respect of the period of ownership starting on or after 1 January 2018.

Chargeable capital gains may also arise from the gifting of Shares to connected parties such as relatives (although not spouses or civil partners) and family trusts.

The calculations required to compute chargeable capital gains may be complex. Shareholders are advised to consult their personal financial adviser if further information regarding a possible tax liability in respect of their holdings of shares is required.

Dealings in Shares will generally be subject to UK stamp duty or stamp duty reserve tax (although see the comments below as regards ADSs in the section 'Taxation of US holders – (vi) UK stamp duty and stamp duty reserve tax'). The transfer on sale of Shares will generally be liable to stamp duty at 0.5% of the consideration paid for that transfer. An unconditional agreement to transfer Shares, or any interest therein, will generally be subject to stamp duty reserve tax at 0.5% of the consideration given. Such liability to stamp duty reserve tax will be cancelled, or a right to a repayment (generally with interest) in respect of the stamp duty reserve tax liability will arise, if the agreement is completed by a duly stamped transfer within six years of the agreement having become unconditional. Both stamp duty and stamp duty reserve tax are normally the liability of the transferee.

Paperless transfers of Shares within CREST are liable to stamp duty reserve tax rather than stamp duty.

Stamp duty reserve tax on transactions settled within the CREST system or reported through it for regulatory purposes will be collected by CREST.

Special rules apply to certain categories of person, including intermediaries, market makers, brokers, dealers and persons connected with depositary arrangements and clearance services.

Additional information

(v) Inheritance tax

An individual may be liable to inheritance tax on the transfer of Shares. Where an individual is so liable, inheritance tax may be charged on the amount by which the value of his or her estate is reduced as a result of any transfer by way of gift or other gratuitous transaction made by them or treated as made by them.

Taxation of US holders

The following is a summary of the principal US federal income tax consequences and certain UK tax consequences for US holders (as defined below) of Ordinary Shares of Barclays PLC or ADSs representing such Ordinary Shares, who own the shares or ADSs as capital assets for tax purposes. It is not, however, a comprehensive analysis of all the potential US or UK tax consequences for such holders and it does not discuss the tax consequences of members of special classes of holders subject to special rules, including (i) dealers in securities, (ii) traders in securities that elect to use a mark-to-market method of accounting for securities holdings, (iii) tax-exempt organisations, (iv) life insurance companies, (v) holders that actually or constructively own 10 per cent or more of the stock of Barclays PLC measured either by voting power or value, (vi) holders that hold shares or ADSs as part of a straddle or a hedging or conversion transaction, (vii) holders that purchase or sell shares or ADSs as part of a wash sale, (viii) holders whose functional currency is not the US dollar, or (ix) holders who are resident, or (in the case of individuals) ordinarily resident, or who are carrying on a trade, in the UK. The summary also does not address any aspect of US federal taxation other than US federal income taxation (such as the estate and gift tax, the alternative minimum tax or the Medicare tax on net investment income). Investors are advised to consult their tax advisers regarding the tax implications of their particular holdings, including the consequences under applicable state and local law, and in particular whether they are eligible for the benefits of the Treaty, as defined below.

This section is also based on the Internal Revenue Code of 1986, as amended (the ‘Code’), its legislative history, existing and proposed regulations, published rulings and court decisions, and on the Double Taxation Convention between the UK and the US as entered into force in March 2003 (the ‘Treaty’), and, in respect of UK tax, the Estate and Gift Tax Convention between the UK and the US as entered into force on 11 November 1979 (the ‘Estate and Gift Tax Convention’), the current UK tax law and the practice of HMRC, all of which are subject to change, possibly on a retroactive basis. This section is based in part upon the representations of the ADR Depositary and the assumption that each obligation of the Deposit Agreement and any related agreement will be performed in accordance with its terms.

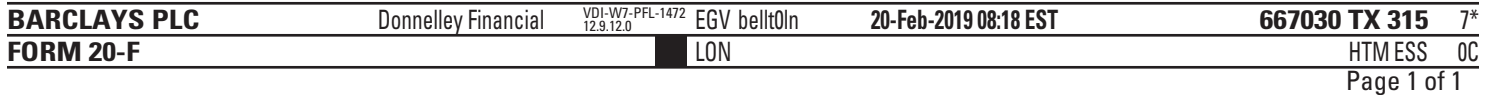
A “US holder” is a beneficial owner of shares or ADSs that is, for US federal income tax purposes, (i) a citizen or resident of the US, (ii) a US domestic corporation, (iii) an estate whose income is subject to US federal income tax regardless of its source, or (iv) a trust if a US court can exercise primary supervision over the trust’s administration and one or more US persons are authorised to control all substantial decisions of the trust. If a partnership holds the shares or ADSs, the US federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the shares or ADSs should consult its tax adviser with regard to the US federal income tax treatment of an investment in the shares or ADSs.

For the purposes of the Treaty, the Estate and Gift Tax Convention, and the Code, the holders of ADRs evidencing ADSs will be treated as owners of the underlying Ordinary. Generally, exchanges of shares for ADRs and ADRs for shares will not be subject to US federal income tax or to UK capital gains tax.

(i) Taxation of dividends

Subject to the PFIC rules discussed below, a US holder is subject to US federal income taxation on the gross amount of any dividend paid by Barclays PLC, as applicable, out of its current or accumulated earnings and profits (as determined for US federal income tax purposes).

Dividends paid by Barclays PLC with respect to the Ordinary Shares or ADSs will generally be qualified dividend income. Dividends paid to a non-corporate US holder that constitute qualified dividend income will be taxable to the holder at preferential rates, provided that the holder has a holding period of the shares or ADSs of more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meets certain other holding period requirements. A US holder will not be subject to UK withholding tax. Dividends must be included in income when the US holder, in the case of shares, or the Depositary, in the case of ADSs, actually or constructively receives the dividend, and will not be eligible for the dividends-received deduction generally allowed to US corporations in respect of dividends received from other US corporations. For foreign tax credit purposes, dividends will generally be income from sources outside the US and will generally be ‘passive’ income for purposes of computing the foreign tax credit allowable to a US holder.



The amount of the dividend distribution includable in income will be the US Dollar value of the Pound Sterling payments made, determined at the spot Pound Sterling/US Dollar rate on the date the dividend distribution is includable in income, regardless of whether the payment is in fact converted into US Dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend payment is includable in income to the date the payment is converted into US Dollars will be treated as ordinary income or loss and, for foreign tax credit limitation purposes, from sources within the US, and will not be eligible for the special tax rates applicable to qualified dividend income.

Distributions in excess of current or accumulated earnings and profits, as determined for US federal income tax purposes, will be treated as a return of capital to the extent of the US holder's basis in the shares or ADSs and thereafter as capital gain. Because Barclays PLC does not currently maintain calculations of earnings and profits for US federal income tax purposes, it is expected that distributions with respect to the shares and ADSs will generally be reported to US holders as dividends.

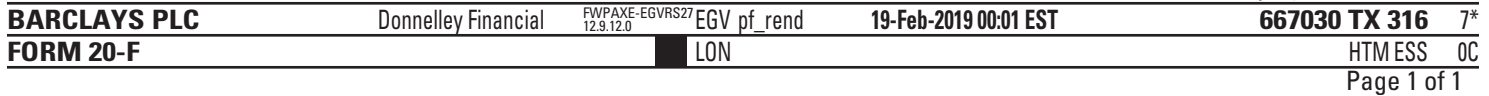
Subject to the PFIC rules discussed below, generally, US holders will not be subject to UK tax, but will be subject to US tax on capital gains realised on the sale or other disposition of Ordinary Shares or ADSs. Generally, a US holder will recognise capital gain or loss for US federal income tax purposes equal to the difference between the US Dollar value of the amount realised and a US holder's tax basis, determined in US Dollars, in its shares or ADSs. Capital gain of a noncorporate US holder is generally taxed at preferential rates where the holder has a holding period of greater than one year. The gain or loss will generally be income or loss from sources within the US for foreign tax credit limitation purposes.

a refund of tax will be available under the Treaty in respect of any premium paid on a purchase of Ordinary Shares by Barclays PLC. For US tax purposes, premium generally will be treated as an additional amount realised in respect of the sale. A purchase of the Ordinary Shares by Barclays PLC will be treated for US federal income tax purposes as a sale of the Ordinary Shares that is taxable as described above under “—Taxation of capital gains”, if: (i) as is likely in most cases, the purchase is “not essentially equivalent to a dividend”; (ii) the ratio which the Ordinary Shares owned (actually or constructively) by the US holder immediately after the redemption bears to all of the Ordinary Shares of Barclays PLC at such time is less than 80% of the ratio which the Ordinary Shares owned (actually or constructively) by the US holder immediately before the redemption bears to all the Ordinary Shares of Barclays PLC at such time; or (iii) the US holder does not hold any actual or constructive interest that is classified as equity of Barclays PLC subsequent to the purchase. If none of these tests are satisfied, then a payment for the purchase of the Ordinary Shares will generally be treated as a distribution subject to the tax treatment described above under “—Taxation of dividends”.

Barclays PLC believes that its shares and ADSs should not be treated as stock of a PFIC for US federal income tax purposes, but this conclusion is a factual determination that is made annually and thus may be subject to change. If Barclays PLC were to be treated as a PFIC, then the gain realised on the sale or other disposition of the shares or ADSs would in general not be treated as capital gain. Instead, unless a US holder elects to be taxed annually on a mark-to-market basis with respect to its shares or ADSs, such gain and certain 'excess distributions' would be treated as having been realised ratably over a US holder's holding period for the shares or ADSs and generally would be taxed at the highest tax rate in effect for each such year to which the gain was allocated, together with an interest charge in respect of the tax attributable to each such year.

With certain exceptions, a US holder's shares or ADSs will be treated as stock in a PFIC if Barclays PLC was a PFIC at any time during such holder's holding period in its shares or ADSs. Dividends that a US holder receives will not be eligible for the special tax rates applicable to qualified dividend income if Barclays PLC is treated as a PFIC with respect to such US holder either in the taxable year of the distribution or the preceding taxable year, but instead will be taxable at rates applicable to ordinary income.





### (v) Certain Reporting Requirements

US holders should consult their tax advisers regarding any tax reporting or filing requirements that may apply to receiving payments on or with respect to, acquiring, owning, or disposing of the shares or ADSs. Failure to comply with certain reporting obligations could result in the imposition of substantial penalties.

**(vi) UK stamp duty and stamp duty reserve tax**

No obligation to pay UK stamp duty will arise on the transfer on sale of an ADS, provided that any instrument of transfer is not executed in, and remains at all times outside, the UK. No UK stamp duty reserve tax is payable in respect of an agreement to transfer an ADS. For the UK stamp duty and stamp duty reserve tax implications of dealings in shares, see the section “Taxation of UK holders – (iv) Stamp duty and stamp duty reserve tax” above.

(vii) UK estate and gift tax

Under the Estate and Gift Tax Convention, a US holder generally is not subject to UK inheritance tax.

## FATCA Risk Factor

certain circumstances, shares or ADSs may be subject to US "passthru" withholding tax starting on the date that is two years after the date on which final regulations defining this concept are adopted in the US. The US has enacted rules, commonly referred to as 'FATCA', that generally impose a new reporting and withholding regime with respect to certain US source payments (including dividends and interest) and certain payments made by, and financial accounts held with, entities that are classified as financial institutions under FATCA. The US has entered into an intergovernmental agreement regarding the implementation of FATCA with the UK (the "UK IGA"). Under the UK IGA, as currently drafted, it is not expected that Barclays PLC will be required to withhold tax under FATCA on payments made with respect to the shares or ADSs. However, significant aspects of when and how FATCA will apply remain unclear, and no assurance can be given that withholding under FATCA will not become relevant with respect to payments made on or with respect to the shares or ADS in the future. Investors should consult their own tax advisers regarding the potential impact of FATCA.

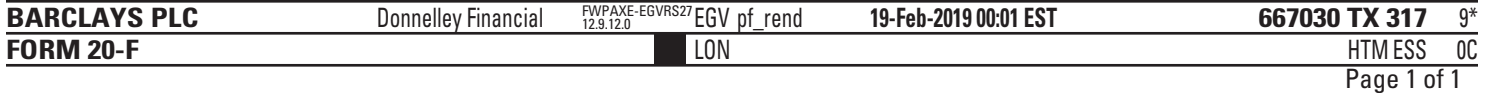
The Barclays Group has registered with the Internal Revenue Service ('IRS') for FATCA. The Global Intermediary Identification Number (GIIN) for the Bank in the United Kingdom is E1QAZN.00001.ME.826 and it is a Reporting Model 1 FFI. The GIINs for other parts of the Barclays Group or Barclays branches outside of the UK may be obtained from your usual Barclays contact on request. The IRS list of registered Foreign Financial Institutions is publicly available at <https://apps.irs.gov/app/fatcaFflList/flu.jsf>.

## Exchange controls and other limitations affecting security holders

Other than certain economic sanctions which may be in force from time to time, there are currently no UK laws, decrees or regulations which would affect the transfer of capital or remittance of dividends, interest and other payments to holders of Barclays securities who are not residents of the UK. There are also no restrictions under the Articles of Association of Barclays PLC, or (subject to the effect of any such economic sanctions) under current UK laws, which relate only to non-residents of the UK, and which limit the right of such non-residents to hold Barclays securities or, when entitled to vote, to do so.

## Documents on display

It is possible to read and copy documents that have been filed by Barclays PLC with the US Securities and Exchange Commission via commercial document retrieval services, and from the website maintained by the US Securities and Exchange Commission at **[www.sec.gov](http://www.sec.gov)**.



## Fees and charges payable by a holder of ADSs

The ADR depositary collects fees for delivery and surrender of ADSs directly from investors depositing ordinary shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them.

The charges of the ADR depositary payable by investors are as follows:

| Type of service                                                            | ADR depositary actions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Fee                                                                                                                                                                  |
|----------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ADR depositary or substituting the underlying shares                       | <p>Issuance of ADSs against the deposit of ordinary shares, including deposits and issuances in respect of:</p> <ul style="list-style-type: none"> <li>– Share distributions, stock splits, rights issues, mergers</li> <li>– Exchange of securities or other transactions or event or other distribution affecting the ADSs or deposited securities</li> </ul>                                                                                                                                                                                                                   | \$5.00 or less per 100 ADSs (or portion thereof) evidenced by the new ADSs delivered                                                                                 |
| Receiving or distributing cash dividends                                   | Distribution of cash dividends                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | \$0.04 or less per ADS <sup>a</sup>                                                                                                                                  |
| Selling or exercising rights                                               | Distribution or sale of securities, the fee being in an amount equal to the fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities                                                                                                                                                                                                                                                                                                                                                                                | \$5.00 or less per each 100 ADSs (or portion thereof)                                                                                                                |
| Withdrawing an underlying ordinary share                                   | Acceptance of ADSs surrendered for withdrawal of deposited ordinary shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | \$5.00 or less for each 100 ADSs (or portion thereof)                                                                                                                |
| General depositary services, particularly those charged on an annual basis | Other services performed by the ADR depositary in administering the ADS program                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | No fee currently payable                                                                                                                                             |
| Expenses of the ADR depositary                                             | <p>Expenses incurred on behalf of Holders in connection with:</p> <ul style="list-style-type: none"> <li>– Expenses of the ADR depositary in connection with the conversion of foreign currency into US dollars (which are paid out of such foreign currency)</li> <li>– Taxes and other governmental charges</li> <li>– Cable, telex and facsimile transmission/delivery</li> <li>– Transfer or registration fees, if applicable, for the registration of transfers or underlying ordinary shares</li> <li>– Any other charge payable by ADR depositary or its agents</li> </ul> | Expenses payable at the sole discretion of the ADR depositary by billing Holders or by deducting charges from one or more cash dividends or other cash distributions |

a The fee in relation to the distribution of cash dividends was \$0.006302 per ADS in respect of dividends paid in the year ended 31 December 2018.



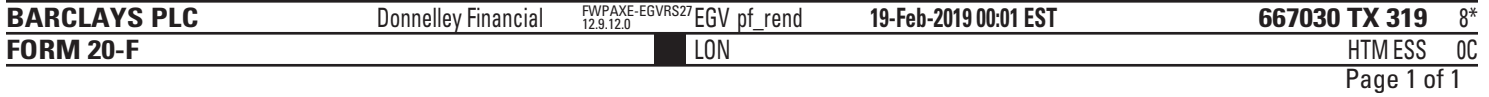
Additional information

Fees and payments made by the ADR depositary to Barclays

The ADR depositary has agreed to provide Barclays with an amount based on the cash dividend, issuance and cancellations fees charged during each twelve-month period for expenses incurred by Barclays in connection with the ADS program. Barclays is entitled to \$1,114,603 for the year ended 31 December 2018, though such amount has not yet been paid to Barclays by the ADR depositary.

Under certain circumstances, including non-routine corporate actions, removal of the ADR depositary or termination of the ADS program by Barclays, Barclays may be charged by the ADR depositary certain fees (including in connection with depositary services, certain expenses paid on behalf of Barclays, an administrative fee, fees for non-routine services and corporate actions and any other reasonable fees/expenses incurred by the ADR depositary).

The ADR depositary has agreed to waive certain of its fees chargeable to Barclays with respect to standard costs associated with the administration of the ADS program.



## External auditor objectivity and independence: non-audit services

The Board Audit Committee oversees compliance with the Policy and considers and, if appropriate, approves requests to use the Auditor for non-audit work. Allowable services are pre-approved up to but not including £100,000. The Group Finance Director and the Company Secretary and their teams deal with day-to-day administration of the Policy, facilitating requests for approval.

Details of the services that are prohibited and allowed under the Policy are set out below:

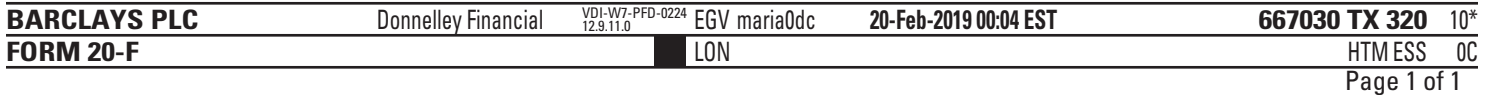
Services that are prohibited include:

- bookkeeping;
- design and implementation of financial information systems;
- design or implementation of internal controls or risk management services related to financial information;
- \*appraisal or valuation services;
- fairness opinions or contribution-in-kind reports;
- \*actuarial services;
- internal audit;
- management and Human Resources functions;
- broker or dealer, investment advisor or investment banking services;
- legal, expert and certain \*tax services or personal services to persons in a financial reporting role; and
- transaction-related and restructuring services.

\*these may be permissible subject to compliance with certain requirements.

Allowable services that the Board Audit Committee considers for approval include:

- statutory audit and audit related services and regulatory non-audit services;
- other attest and assurance services;
- training, surveys and software;
- risk management and controls advice;
- transaction support;
- tax compliance services;
- business support and recoveries; and
- translation services.



## NYSE Corporate Governance Statement

As our main listing is on the London Stock Exchange, we follow the UK Corporate Governance Code. However, as Barclays also has American Depositary Receipts listed on the New York Stock Exchange (NYSE), we are also subject to the NYSE's Corporate Governance Rules (NYSE Rules). We are exempt from most of the NYSE Rules, which US domestic companies must follow, because we are a non-US company listed on the NYSE. However, we are required to provide an Annual Written Affirmation to the NYSE of our compliance with the applicable NYSE Rules and must also disclose any significant differences between our corporate governance practices and those followed by domestic US companies listed on the NYSE. Key differences between the Code and NYSE Rules are set out here:

## Director Independence

NYSE Rules require the majority of the Board to be independent. The Code requires at least half of the Board (excluding the Chairman) to be independent. The NYSE Rules contain different tests from the Code for determining whether a Director is independent. We follow the Code's recommendations as well as developing best practices among other UK public companies. The independence of our non-executive Directors is reviewed by the Board on an annual basis and it takes into account the guidance in the Code and the criteria we have established for determining independence, which are described on page 39.

## Board Committees

We have a Board Nominations Committee and a Board Remuneration Committee, both of which are broadly similar in purpose and constitution to the Committees required by the NYSE Rules and whose terms of reference comply with the Code's requirements. The NYSE Rules state that both Committees must be composed entirely of independent Directors. As the Group Chairman was independent on appointment, the Code permits him to chair the Board Nominations Committee. Except for this appointment, both Committees are composed solely of non-executive Directors, whom the Board has determined to be independent. We comply with the NYSE Rules requirement that we have a Board Audit Committee comprised solely of independent non-executive Directors. However, we follow the Code recommendations, rather than the NYSE Rules, regarding the responsibilities of the Board Audit Committee (except for applicable mandatory responsibilities under the Sarbanes-Oxley Act), although both are broadly comparable. Although the NYSE Rules state that the Board Audit Committee is to take responsibility for risk oversight, Barclays has additional Board Committees which address different areas of risk management. To enhance Board governance of risk, Barclays has two risk committees; the Board Risk Committee and the Board Reputation Committee. A full description of each Board Committee can be found in the Governance section.

## Corporate Governance Guidelines

The NYSE Rules require domestic US companies to adopt and disclose corporate governance guidelines. There is no equivalent recommendation in the Code but the Board Nominations Committee has developed corporate governance guidelines, 'Corporate Governance in Barclays', which have been approved and adopted by the Board.

## Code of Ethics

The NYSE Rules require that domestic US companies adopt and disclose a code of business conduct and ethics for Directors, officers and employees. *The Barclays Way* was introduced in 2013, this is a Code of Conduct which outlines the Values and Behaviours which govern our way of working across our business globally. *The Barclays Way* has been adopted on a Group wide basis by all Directors, Officers and employees. *The Barclays Way* is available to view on the Barclays website at [home.barclays/about-barclays/barclays-values](http://home.barclays/about-barclays/barclays-values).

## Shareholder Approval of Equity-compensation Plans

The NYSE listing standards require that shareholders must be given the opportunity to vote on all equity-compensation plans and material revisions to those plans. We comply with UK requirements, which are similar to the NYSE standards. However, the Board does not explicitly take into consideration the NYSE's detailed definition of what are considered 'material revisions'.



Additional information

Major shareholders

Major shareholders do not have different voting rights from those of other shareholders. Information provided to the Company by substantial shareholders pursuant to the FCA's Disclosure Guidance and Transparency Rules are published via a Regulatory Information Service and is available on the Company's website. As at 31 December 2018, the Company had been notified under Rule 5 of the Disclosure Guidance and Transparency Rules of the following holdings of voting rights in its shares:

|                                              |                           |                                                                         |
|----------------------------------------------|---------------------------|-------------------------------------------------------------------------|
| 2018                                         |                           |                                                                         |
|                                              |                           | % of total voting rights attaching to issued share capital <sup>a</sup> |
| Person interested                            | Number of Barclays shares |                                                                         |
| The Capital Group Companies Inc <sup>b</sup> | 1,172,090,125             | 6.84                                                                    |
| Qatar Holding LLC <sup>c</sup>               | 1,017,455,690             | 5.94                                                                    |
| Blackrock, Inc <sup>d</sup>                  | 1,018,388,143             | 5.95                                                                    |
| Sherborne Investors <sup>e</sup>             | 923,787,634               | 5.41                                                                    |
| Norges Bank                                  | 514,068,594               | 3.00                                                                    |

Notes

a The percentage of voting rights detailed above was calculated at the time of the relevant disclosures made in accordance with Rule 5 of the Disclosure Guidance and Transparency Rules.

b The Capital Group Companies Inc (CG) holds its shares via CG Management companies and funds. Part of the CG holding is held as American Depositary Receipts. On 14 February 2019, CG disclosed by way of a Schedule 13G filed with the SEC, beneficial ownership of 277,002,140 ordinary shares of the Company as of 31 December 2018, representing 1.6% of that class of shares.

c Qatar Holding LLC (QH) is wholly-owned by Qatar Investment Authority.

d Total shown includes 8,879,783 contracts for difference to which voting rights are attached. Part of the holding is held as American Depositary Receipts. On 4 February 2019, BlackRock, Inc. disclosed by way of a Schedule 13G filed with the SEC beneficial ownership of 1,119,810,169 ordinary shares of the Company as of 31 December 2018, representing 6.5% of that class of shares.

e We understand from disclosures that the Sherborne Shares are held via three funds ultimately controlled by Edward Bramson and Stephen Welker in their capacity as managing directors of Sherborne Investors Management GP, LLC (Sherborne Management GP) and Sherborne Investors GP, LLC. Sherborne Management GP is the general partner of Sherborne Investors Management LP (Sherborne Investors) which is the investment manager to two of the funds, Whistle Investors LLC and Whistle Investors II LLC. Sherborne Investors Management (Guernsey) LLC, the investment manager to the third fund, SIGC, LP, is wholly owned by Sherborne Investors. On 8 February 2019, Sherborne Investors disclosed by way of a Schedule 13D filed with the SEC beneficial ownership of 943,949,089 ordinary shares of the Company as of 29 January 2019, representing approximately 5.5% of that class of shares. Such Schedule 13D also disclosed Edward Bramson and Stephen Welker as the ultimate deemed beneficial owners of the Sherborne Shares and that 505,086,254 of such shares were purchased through funded derivative transactions.

Between 31 December 2018 and 19 February 2019 (the latest practicable date for inclusion in this report), the Company was notified that Norges Bank now holds 509,562,903 Barclays shares, representing 2.97% of the total voting rights attached to the issued share capital and that Sherborne now holds 943,949,089 Barclays shares, representing approximately 5.5% of the total voting rights attached to the issued share capital.

As at 31 December 2017, the Company had been notified under Rule 5 of the Disclosure and Transparency Rules of the UKLA of the following holdings of voting rights in its shares:

|                                              |                           |                                                                         |
|----------------------------------------------|---------------------------|-------------------------------------------------------------------------|
| 2017                                         |                           |                                                                         |
|                                              |                           | % of total voting rights attaching to issued share capital <sup>a</sup> |
| Person interested                            | Number of Barclays shares |                                                                         |
| The Capital Group Companies Inc <sup>b</sup> | 1,172,090,125             | 6.98                                                                    |
| Qatar Holding LLC <sup>c</sup>               | 1,017,455,690             | 5.99                                                                    |
| Blackrock, Inc <sup>d</sup>                  | 1,010,054,871             | 5.92                                                                    |

Notes

a The percentage of voting rights detailed above was calculated at the time of the relevant disclosures made in accordance with Rule 5 of the Disclosure Guidance and Transparency Rules.

b The Capital Group Companies Inc (CG) holds its shares via CG Management companies and funds. Part of the CG holding is held as American Depositary Receipts. On 14 February 2018, CG disclosed by way of a Schedule 13G filed with the SEC, beneficial ownership of 1,167,912,211 ordinary shares of the Company as of 29 December 2017, representing 6.8% of that class of shares.

c Qatar Holding LLC is wholly-owned by Qatar Investment Authority. On 17 January 2018, Qatar Holding LLC disclosed by way of a Schedule 13G filed with the SEC, beneficial ownership of 941,620,690 ordinary shares of the Company as of 31 December 2017, representing 5.52% of that class of shares.

d Total shown includes 2,009,814 contracts for difference to which voting rights are attached. Part of the holding is held as American Depositary Receipts. On 30 January 2018, BlackRock, Inc. disclosed by way of a Schedule 13G filed with the SEC, beneficial ownership of 1,145,415,782 ordinary shares of the Company as of 31 December 2017, representing 6.7% of that class of shares.

Between 31 December 2017 and 19 February 2018 (the latest practicable date for inclusion in this report), the Company was notified that BlackRock, Inc. now holds 990,743,261 Barclays shares, representing 5.80% of the total voting rights attached to issued share capital.

As at 31 December 2016, the Company had been notified under Rule 5 of the Disclosure and Transparency Rules of the UKLA of the following holdings of voting rights in its shares:

|                                              |                           |                                                                         |
|----------------------------------------------|---------------------------|-------------------------------------------------------------------------|
| 2016                                         |                           |                                                                         |
|                                              |                           | % of total voting rights attaching to issued share capital <sup>a</sup> |
| Person interested                            | Number of Barclays shares |                                                                         |
| The Capital Group Companies Inc <sup>b</sup> | 1,172,090,125             | 6.98                                                                    |
| Qatar Holding LLC <sup>c</sup>               | 1,017,455,690             | 5.99                                                                    |
| Blackrock, Inc <sup>d</sup>                  | 922,509,972               | 5.45                                                                    |

Notes

a The percentage of voting rights detailed above were as calculated at the time of the relevant disclosures made in accordance with Rule 5 of the DTR.

b The Capital Group Companies Inc (CG) holds its shares via CG Management companies and funds. Part of the CG holding is held as American Depositary Receipts.

c Qatar Holding LLC is wholly-owned by Qatar Investment Authority.

d Total shown includes 3,860,531 contracts for difference to which voting rights are attached. On 19 January 2017, BlackRock, Inc. disclosed by way of a Schedule 13G filed with the SEC, beneficial ownership of 1,054,988,420 ordinary shares of the Company as of 31 December 2016, representing 6.2% of that class of shares.

On 23 January 2017 the Company was notified that Norges Bank now holds 508,175,594 Barclays shares, representing 2.996% of the total voting rights attached to the issued share capital. The relevant threshold for UK disclosure is 3%, so Norges Bank will make no further notifications to the Company unless they again exceed 3% of the total voting rights attached to the issued share capital.



## Additional information

## Disclosure controls and procedures

The Chief Executive, James E Staley, and the Group Finance Director, Tushar Morzaria, conducted with Group Management an evaluation of the effectiveness of the design and operation of the Group's disclosure controls and procedures of each of Barclays PLC as at 31 December 2018, which are defined as those controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the US Securities Exchange Act of 1934 is recorded, processed, summarised and reported within the time periods specified in the US Securities and Exchange Commission's rules and forms. As of the date of the evaluation, the Chief Executive and Group Finance Director concluded that the design and operation of these disclosure controls and procedures were effective.

## Board of Directors

**John McFarlane, Chairman**

John is Chairman of Barclays PLC. He is a senior figure in global banking and financial services circles having spent over 40 years in the sector and was recently awarded the Freedom of the City of London by Special Nomination for his outstanding achievements in the field of banking. John brings extensive experience in banking including investment, corporate and retail banking, as well as expertise in insurance, strategy, risk business transformation and cultural change.

John is currently Chairman of TheCityUK and a member of the Supervisory Board of Unibail-RodamcoWesfield SE and the Financial Services Trade and Investment Board. He is also non-executive director of Old Oak Holdings Limited. John was previously Chairman of Aviva plc where he oversaw a transformation of the company FirstGroup plc, and the Australian Bankers Association. He was also a non-executive director of The Royal Bank of Scotland, joining at the time of the UK government rescue. Prior to that he was Chief Executive Officer of Australia and New Zealand Banking Group Limited for 10 years, Group Executive Director of Standard Chartered plc and head of Citibank in the UK and Ireland. Other current external appointments include member of the European Financial Round Table, The International Monetary Conference, Cranfield School of Management Advisory Board, Institut International d'Etudes Bancaires and the President's Committee Confederation of British Industry.

**Jes Staley, Chief Executive, Executive Director**

Jes Staley joined Barclays as Group Chief Executive on 1 December 2015. Jes has nearly four decades of extensive experience in banking and financial services. He worked for more than 30 years at JP Morgan, initially training as a commercial banker, later advancing to the leadership of major businesses involving equities, private banking and asset management, and ultimately heading the company's Global Investment Bank. Jes is currently a Board member of the Institute of International Finance and Board member of the Bank Policy Institute. He was formerly a Managing Partner at BlueMountain Capital.

**Sir Gerry Grimstone, Non-executive Director**

Sir Gerry joined the Board as a non-executive Director in 2016 and is Chairman of Barclays Bank PLC. He is highly respected in the banking industry and brings to the Board immense investment banking, financial services and commercial experience both at non-executive director and chairman level. He is an independent non-executive board member of Deloitte NWE LLP where he represents the public interest, and is the Board advisor to the Abu Dhabi Commercial Bank and Chairman of the CityUK China Market Advisory Group. Within the UK public sector, he is the lead non-executive at the Ministry of Defence and is a member of HM Treasury's Financial Services Trade and Investment Board. From 2012-2015, Gerry served as the chairman of TheCityUK, the representative body for the financial and professional services industry in the UK. Gerry has held a number of board appointments in the public and private sectors and has served as one of the UK's Business Ambassadors. He was Chairman of Standard Life Aberdeen PLC between 2007-2018 and was previously a senior investment banker at Schroders and ran businesses in London, New York and Asia Pacific. He specialised in mergers and acquisitions and capital-raising for major companies worldwide. Prior to that, he was an official in HM Treasury where he was responsible for privatisation and policy towards state-owned enterprises.

**Mike Ashley, Non-executive Director**

Mike joined the Board as a non-executive Director in September 2013. Mike has deep knowledge of accounting auditing and associated regulatory issues, having previously worked at KPMG for over 20 years. His former roles as the lead engagement partner on audits of large financial services groups including HSBC, Standard Chartered and the Bank of England and as Head of Quality and Risk management for KPMG Europe LLP (ELLP) and, KPMG UK's designated Ethics Partner provide the Board with expertise in management of professional risks, quality control and ethical issues. Mike's other current principal external appointments are Institute of Chartered Accountants in England and Wales' Ethics Standards Committee (member), Charity Commission (board member) and International Ethics Standards Board for Accountants (member).

**Tim Breedon, Non-executive Director**

Tim joined the Board as a non-executive Director in November 2012 and is Chairman of the Board Risk Committee. Tim has extensive financial services experience, knowledge of risk management and UK and EU regulation. He had a distinguished career with Legal & General, where among other roles







## Additional information

**Mike Turner, Non-executive Director**

Mike joined the Board as a non-executive Director in January 2018. Mike has considerable business and board level experience gained from his lengthy career with BAE Systems PLC where he was CEO as well as his non-executive positions. He has a strong commercial background and experience in strategy and operational performance culture. Mike brings significant leadership and strategic oversight experience to the Board, particularly from his role as Chairman of Babcock International Group PLC and former role as Chairman of GKN Plc.

**Stephen Shapiro, Company Secretary**

Stephen was appointed Company Secretary in November 2017 having previously served as the Group Company Secretary and Deputy General Counsel of SABMiller plc. Prior to this he practised law as a partner in a law firm in South Africa, and subsequently in the UK. Stephen has extensive experience in corporate governance, legal, regulatory and compliance matters. Stephen has also previously served as Chairman of the ICC UK's Committee on Anti-Corruption as well as on working groups of the GC100, providing business input into key areas of legislative and policy reform.

## Group Executive Committee

**Jes Staley, Group Chief Executive, Executive Director**

See above for full biography.

**Tushar Morzaria, Group Finance Director, Executive Director**

See above for full biography.

**Paul Compton, Group Chief Operating Officer**

Paul joined Barclays as Group Chief Operating Officer in May 2016. In this role, Paul is responsible for leading the global Operations & Technology functions, driving the implementation of the structural reform and cost transformation programmes, and for the delivery of other major bank-wide projects. Prior to joining Barclays, Paul was the Chief Administrative Officer of JPMorgan Chase, and was accountable for overseeing global technology, operations, real estate and general services. Before being appointed in this role in 2013, Paul served as Co-Chief Administrative Officer for the Corporate & Investment Bank, Deputy Head of Operations for JPMorgan Chase, and head of the JPMorgan Chase Global Service Centre in India. Paul started his career at JPMorgan in 1997, and first led the overhaul of the wholesale bank's credit risk infrastructure, before taking on the role as Chief Financial Officer for the Investment Bank. Previous to JP Morgan, Paul spent 10 years as Principal at Ernst & Young in the Brisbane and New York offices.. He has previously been a member of the Board of Directors of the Depository Trust and Clearing Corporation (DTCC) American Australian Association and the American Red Cross of Greater New York.

**Bob Hoyt, Group General Counsel**

Bob joined Barclays in October 2013 and is responsible for all legal and regulatory matters across Barclays as Group General Counsel. Previously, Bob was at PNC Financial Services Group, where he was General Counsel and Chief Regulatory Affairs Officer, having previously served as Deputy General Counsel since 2009. Between 2006 and 2009, Bob served as General Counsel of the US Department of the Treasury where he was the Chief Legal Officer of the department and a senior policy advisor to Secretary Henry M. Paulson, Jr. Prior to that Bob served at the White House where he was Special Assistant and Associate Counsel to President George W. Bush. Earlier in his career, Bob was a partner in the Securities, Litigation and Corporate departments of the law firm of Wilmer Cutler Pickering Hale and Dorr (WilmerHale).

**Tristram Roberts, Group Human Resources Director**

Tristram is the Group Human Resources Director. Tristram joined Barclays in July 2013 as HR Director for the Investment Bank. His remit was expanded in May 2014 to include HR responsibilities for Barclays Non-Core, and became the Group HR Director in December 2015.



Additional information

Prior to Barclays, Tristram was Head of Human Resources for Global Functions and Operations & Technology at HSBC Holdings PLC, as well as group head of performance and reward. Previously, he was group reward and policy director for Vodafone Group Plc. Tristram began his career in consulting. He became a partner with Arthur Andersen in 2001 and was subsequently a partner with both Deloitte and KPMG.

Tim Throsby, CEO, Barclays International

Tim Throsby is CEO of Barclays International. Based in London, he is a member of the Group Executive Committee. Prior to joining Barclays in January 2017, Tim worked for JP Morgan where he held a variety of senior management roles, most recently serving as Global Head of Equities. Tim has had an extensive career in banking and asset management, working initially for Credit Suisse and Macquarie, before joining Goldman Sachs in 1995 as a Managing Director and Co-Head of Equity Derivatives for Asia. In 2002, he joined Lehman Brothers to lead the Asia Equities Division, before relocating to New York in 2004 to run the global Equity Derivatives business as well as risk arbitrage. In 2005, he became President of Citadel Asia where he oversaw the investment firm’s Asia business. He serves on the board of Human Dignity Trust, and is a school governor at the Ark Oval Primary Academy.

C.S. Venkatakrishnan (“Venkat”), Group Chief Risk Officer

Venkat joined as Chief Risk Officer in March 2016. Venkat is responsible for helping to define, set and manage the risk profile of Barclays. He has over 20 years of financial market and risk management expertise. Venkat worked at JP Morgan from 1994, most recently as Head of Model Risk and Development and Operational Risk. Prior to this, he worked in fixed income structuring at the JP Morgan Investment Bank. This followed upon 14 years in JP Morgan Asset Management where he held senior positions in the Global Fixed Income business.

Ashok Vaswani, CEO, Barclays Bank UK PLC

Ashok joined Barclays in 2010, managing the credit card business across the UK, Europe and the Nordics, becoming chairman of Entercard. He went on to manage Barclays in Africa, Barclays Retail Business Bank globally and Barclays Personal and Corporate Banking. Ashok is CEO of Barclays Bank UK PLC and is a member of UK Finance Board, Pratham Board and the Trustee Board at Citizens Advice. He also sits on the advisory boards of a number of institutions such as Rutberg & Co and is Founder Director of Lend-a-Hand, a non-profit organisation focused on rural education in India. Ashok has previously served as a non-executive Director on the Board of Barclays Africa Group Limited, the Board of Directors of Telenor ASA and the advisory boards of SP Jain Institute of Management, Insead Singapore and Visa Asia Pacific. Prior to Barclays, Ashok was a partner with a J P Morgan Chase funded private equity firm - Brysam Global Partners, which focused on building retail financial service businesses in emerging markets. Ashok also spent 20 years with Citigroup where his last position was as CEO, Asia Pacific. He was also a member of the Citigroup Operating Committee, the Citigroup Management Committee and the Global Consumer Planning Group.

Laura Padovani, Group Chief Compliance Officer

Laura became Group Chief Compliance Officer in April 2018 having previously covered the role on an interim basis since October 2017. Laura joined Barclays as the Head of Global Compliance Services in 2015 and in 2016, her role was expanded to cover the Compliance Chief of Staff Office, where she would deputise for the Chief Compliance Officer in various capacities. Laura joined from American Express and has over 25 years of financial services experience. She started her career with American Express in Argentina in 1991 where she established the first Compliance office and co-ordinated their Legal function. Laura moved to New York in 1997 to assist with the development of the Global Anti-Money Laundering Program for American Express. In 2000, Laura broadened her Financial Services experience moving to Aviva as the Head of International Compliance responsible for all non-UK offices across North America, Europe and Asia Pacific. Laura returned to American Express in 2004, focused on Global Consumer Financial Services and European Emerging Markets, and then as the Global Head of International Regulatory Compliance. Laura obtained a Law degree from the University of Buenos Aires and a postgraduate Masters in Law (LLM) from the London School of Economics and Political Science, with specialisation in Banking Law and Financial Services Regulation. Laura is fluent in Spanish and Italian and has been involved in many networking initiatives for Women, both at American Express and now at Barclays.

Additional information

Section 13(r) to the US Securities Exchange Act of 1934 (Iran sanctions and related disclosure)

Section 13(r) of the US Securities Exchange Act of 1934, as amended (the "Exchange Act") requires each SEC reporting issuer to disclose in its annual and, if applicable, quarterly reports whether it or any of its affiliates have knowingly engaged in certain activities, transactions or dealings relating to Iran or with the Government of Iran or certain designated natural persons or entities involved in terrorism or the proliferation of weapons of mass destruction during the period covered by the report. The requirement includes disclosure of activities not prohibited by US or other law even if conducted outside the US by non-US companies or affiliates in compliance with local law. Pursuant to Section 13(r) of the Exchange Act we note the following in relation to activity occurring in 2018, the period covered by this annual report, or in relation to activity we became aware of in 2018 relating to disclosable activity prior to the reporting period. Barclays attributed revenue of no more than GBP 2,400 in 2018 in relation to the activities disclosed below.

Legacy guarantees

Between 1993 and 2006, Barclays entered into several guarantees for the benefit of Iranian banks in connection with the supply of goods and services by Barclays' customers to Iranian buyers. These were counter guarantees issued to the Iranian banks to support guarantees issued by these banks to the Iranian buyers. The Iranian banks and a number of the Iranian buyers were subsequently designated as Specially Designated Nationals and Blocked Persons ("SDNs") by the U.S. Department of the Treasury, Office of Foreign Assets Control ("OFAC"). In addition, between 1993 and 2005, Barclays entered into similar guarantees for the benefit of a Syrian bank that was subsequently designated pursuant to Executive Order 13382 in August 2011.

The guarantees were issued either on:

- (i) an "extend or pay" basis which means that, although the guarantee is of limited duration on its face, until there is full performance under the contract to provide goods and services, the terms of the guarantee require Barclays to either maintain the guarantee or pay the beneficiary bank the full amount of the guarantee; or
- (ii) the basis that Barclays' obligations can only be discharged with the consent of the beneficiary counterparty.

Barclays is not able to exit its obligations under the guarantees unilaterally, and thus maintains a limited legacy portfolio of these guarantees. The guarantees were in compliance with applicable laws and regulations at the time at which they were entered into.

In 2016, Barclays terminated a number of these Iran-related legacy guarantees and intends to terminate the remainder where an agreement can be reached with the counterparty, in accordance with applicable laws and regulations. All payments made in connection with termination of the guarantees have been made in compliance with applicable laws and regulations.

Barclays attributed revenue of no more than GBP 1,250 in 2018 in relation to this activity.

Lease payments

Barclays is party to a long-term lease, entered into in 1979, with the National Iranian Oil Company ("NIOC"), pursuant to which Barclays rents part of NIOC House in London for a Barclays bank branch. NIOC is the custodian trustee for the NIOC Pension Fund. The lease is for 60 years, contains no early termination clause, and has 21 years remaining. Barclays makes quarterly lease payments to Naft Trading and Technology Ltd, a wholly-owned subsidiary of the NIOC Pension Fund. NIOC is wholly-owned by the Iranian Government and was an SDN until it was delisted by OFAC and the EU in January 2016 following implementation of sanctions relief under the Joint Comprehensive Plan of Action. In December 2012, NIOC Pension Fund was added to a sanctions list in the UK by HM Treasury ("HMT"). As a result of the listing, quarterly lease payments were made to a frozen account at Turkiye Is Bankasi in line with applicable laws and regulations. Sanctions on NIOC Pension Fund were lifted by HMT on 18 January 2017. NIOC was relisted as an SDN by OFAC in November 2018. Barclays attributed no revenue in 2018 in relation to this activity.

Local clearing systems

Banks in the United Arab Emirates ("UAE"), including certain Iranian banks that are or were SDNs, participate in the various banking payment and settlement systems used in the UAE (the "UAE Clearing Systems"). Barclays, by virtue of its banking activities in the UAE, participates in the UAE Clearing Systems, in compliance with applicable laws and regulations. However, in order to help mitigate the risk of participating in transactions in which participant Iranian SDN banks may be involved, Barclays has implemented restrictions relating to its participation in the UAE Image Cheque Clearance System and the UAE Funds Transfer System activity, as well as restricting activity via the Wages Protection Scheme. Barclays attributed no revenue in 2018 in relation to this activity.

Additional information

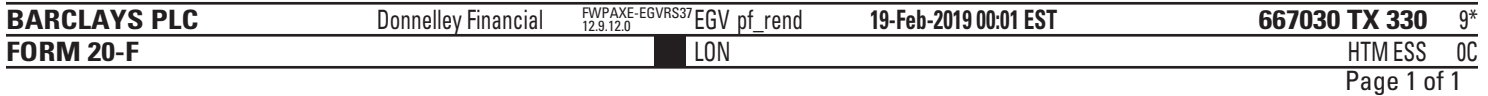
Payments notified

In last year’s disclosure, Barclays reported payments relating to a customer designated under the Specially Designated Global Terrorist regime in March 2016. Barclays continues to receive credit card repayments from this customer in accordance with applicable laws and regulations. A block continues to be applied to the card to prevent any further spending. Barclays attributed revenue of no more than GBP 950 in 2018 in relation to this activity.

Barclays maintains a customer relationship with a UK-incorporated air cargo management company. In 2018, Barclays processed three EUR payments relating to Iranian overflight charges for an aircraft registered in Iceland and operated by an Icelandic company, on behalf of the customer, to an aviation services company in the UAE. The ultimate beneficiary of the payments was an Iranian entity, owned by the Government of Iran. These payments were made in accordance with applicable laws and regulations and all payments were made to the aviation services company in the UAE; no payments were made directly to Iran or any entity owned by the Government of Iran. OFAC has issued a general licence, 31 C.F.R. § 560.522, which authorises payments for services rendered by the Government of Iran in connection with the overflight of Iran if the aircraft is owned by a United States person or registered in the United States. However, the instant payments do not fall squarely into the general license as the aircraft was not owned by a United States person or registered in the United States, therefore, Barclays is including them in this report. Barclays attributed revenue of no more than GBP 60 in 2018 in relation to this activity.

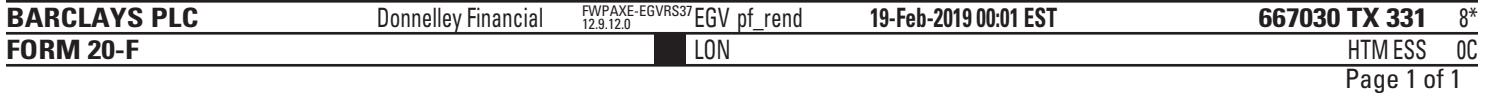
Barclays maintains customer relationships with two UK-based insurance companies. In 2018, Barclays processed two payments on behalf of these customers relating to matters where the Government of Iran was involved in the underlying insurance claim. The first payment related to a re-insurance matter where the underlying insured party was a vessel owned by the Government of Iran. The second payment related to a dispute regarding the shipment of oil that had been purchased from a Government of Iran-owned entity. Barclays attributed revenue of no more than GBP 100 in 2018 in relation to this activity.





|                                                 |                                                    |     |                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-------------------------------------------------|----------------------------------------------------|-----|------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Cash Value Plan (CVP)</b>                    | All employees (excluding Directors)                | No  | Deferred cash award typically released in instalments over a three, five or seven year period, dependent on future service and subject to malus provisions | <ul style="list-style-type: none"> <li>– The CVP is typically used for mandatory deferral of a proportion of bonus where bonus is above a threshold (set annually by the Committee)</li> <li>– This plan typically works in tandem with the DSVP</li> <li>– CVP awards vest over three, five or seven years dependent on future service.</li> <li>– Vesting is subject to malus, suspension provisions and the other provisions of the rules of the CVP.</li> <li>– Participants granted awards before 2018 may be awarded a service credit of 10% of the initial value of the award on the third anniversary of a grant.</li> <li>– Change of control and leaver provisions are as for DSVP.</li> </ul>                                                                                                                                                                                                                                            |
| <b>Barclays Long Term Incentive Plan (LTIP)</b> | Selected employees (including executive Directors) | Yes | Awards over Shares subject to risk-adjusted performance conditions and malus provisions                                                                    | <ul style="list-style-type: none"> <li>– Awarded on a discretionary basis with participation reviewed by the Committee.</li> <li>– Awards only vest if the risk-adjusted performance conditions are satisfied over a three year period.</li> <li>– LTIP awards vest over seven years dependent on future service.</li> <li>– Vesting is subject to malus, suspension provisions and the other provisions of the rules of the LTIP</li> <li>– Any Shares released under the LTIP award (after payment of tax) will be subject to an additional holding period of no less than the minimum regulatory requirements (currently 12 months).</li> <li>– On cessation of employment, eligible leavers normally remain eligible for release (on the scheduled release dates) pro-rated for time and performance. For other leavers, awards will normally lapse.</li> <li>– On change of control, awards may vest at the Committee's discretion.</li> </ul> |
| <b>Sharesave</b>                                | All employees in the UK and Ireland                | Yes | Options over Shares at a discount of 20%, with Shares delivered or cash value of savings returned after three to five years                                | <ul style="list-style-type: none"> <li>– HMRC tax advantaged plan in the UK and approved by the Revenue Commissioners in Ireland.</li> <li>– Opportunity to purchase Shares at a discount price (currently a 20% discount) set on award date with savings made over three or five year term.</li> <li>– Maximum individual savings of £300 per month or the Euro equivalent in Ireland.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |





|                             |                                           |     |                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-----------------------------|-------------------------------------------|-----|----------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                             |                                           |     |                                                                                                                      | <ul style="list-style-type: none"> <li>– On cessation of employment, eligible leavers may exercise options and acquire Shares to the extent of their savings for six months.</li> <li>– On change of control, participants may exercise options and acquire Shares to the extent of their savings for six months.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Sharepurchase</b>        | All employees in the UK                   | Yes | Shares purchased from gross salary deductions and Dividend/Matching Shares are held in trust for three to five years | <ul style="list-style-type: none"> <li>– HMRC tax advantaged plan in the UK</li> <li>– Participants may purchase up to £1,800 of Shares each tax year (“Partnership Shares”).</li> <li>– Barclays matches the first £600 of Partnership Shares on a one for one basis for each tax year (“Matching Shares”).</li> <li>– Dividends received are awarded as Dividend Shares.</li> <li>– Partnership Shares may be withdrawn at any time (though if removed prior to three years from award, the corresponding Matching Shares are forfeited).</li> <li>– Depending on reason for and timing of leaving, Matching Shares may be forfeited.</li> <li>– On change of control, participants are able to instruct the Sharepurchase trustee how to act or vote on their behalf in relation to their Shares</li> </ul> |
| <b>Global Sharepurchase</b> | Employees in certain non-UK jurisdictions | Yes | Shares purchased from net salary deductions and Dividend/Matching Shares are held in trust for three to five years   | <ul style="list-style-type: none"> <li>– Global Sharepurchase is an extension of the Sharepurchase plan (above)</li> <li>– Operates in substantially the same way as Sharepurchase but without the tax advantages.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

Additional information

Related undertakings

The Barclays Group's corporate structure consists of a number of related undertakings, comprising subsidiaries, joint ventures, associates and significant other interests. A full list of these undertakings, the country of incorporation and the ownership of each share class is set out below. The information is provided as at 31 December 2018.

The entities are grouped by the countries in which they are incorporated. The profits earned by the activities of these entities are in some cases taxed in countries other than the country of incorporation. Barclays' 2018 Country Snapshot provides details of where the Group carries on its business, where its profits are subject to tax and the taxes it pays in each country it operates in.

Wholly owned subsidiaries

Unless otherwise stated the undertakings below are wholly owned and consolidated by Barclays and the share capital disclosed comprises ordinary and/or common shares, 100% of the nominal value of which is held by Barclays Group subsidiaries.

| Notes |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|-------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| A     | Directly held by Barclays PLC                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| B     | Partnership Interest                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| C     | Membership Interest                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| D     | Trust Interest                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| E     | Guarantor                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| F     | Preference Shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| G     | A Preference Shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| H     | B Preference Shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| I     | Ordinary/Common Shares in addition to other shares                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| J     | A Ordinary Shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| K     | B Ordinary Shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| L     | C Ordinary Shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| M     | F Ordinary Shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| N     | W Ordinary Shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| O     | Redeemable Preference Shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| P     | Non-Redeemable Ordinary Class A & B                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Q     | Core Shares and Insurance (Classified) Shares                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| R     | B, C, D, E (94.36%), F (94.36%), G (94.36%), H (94.36%), I (94.36%), J (95.23%) and K Class Shares                                                                                                                                                                                                                                                                                                                                                                                           |
| S     | A Unit Shares, B Unit Shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| T     | Non-Redeemable Ordinary Shares                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| U     | Preferred Shares Class A,B,C and D                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| V     | Class A Ordinary Shares, Class A Preference Shares, Class B Ordinary Shares, Class C Ordinary Shares, Class C Preference Shares, Class D Ordinary Shares, Class D Preference Shares, Class E Ordinary Shares, Class E Preference Shares, Class F Ordinary Shares, Class F Preference Shares, Class H 2012 Ordinary Shares, Class H 2012 Preference Shares, Class H Ordinary Shares, Class H Preference Shares, Class I Preference Shares, Class J Ordinary Shares, Class J Preference Shares |
| W     | First Class Common Shares, Second Class Common Shares                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| X     | PEF Carry Shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Y     | EUR Tracker 1 Shares, GBP Tracker 1 Shares, USD Tracker 1 Shares, USD Tracker 2 Shares, USD Tracker 3 shares                                                                                                                                                                                                                                                                                                                                                                                 |
| Z     | Not Consolidated (see Note 35 Structured entities)                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| AA    | USD Linked Ordinary Shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| BB    | Redeemable Class B Shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| CC    | A Ordinary, Y Ordinary, Z Ordinary                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| DD    | Nominal Shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| EE    | Redeemable Class A & Class B Preference Shares                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| FF    | Class B Redeemable Preference Shares                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| GG    | Class A1 Ordinary Shares, Class A2 Ordinary Shares                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| HH    | Class A Unit Shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| II    | A Shares – Tranche I, Premium – Tranche I, C Shares – Tranche II, Premium – Tranche II                                                                                                                                                                                                                                                                                                                                                                                                       |
| JJ    | Capital Contribution Shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| KK    | Registered Address not in country of incorporation                                                                                                                                                                                                                                                                                                                                                                                                                                           |

| Wholly owned subsidiaries                           | Note    |
|-----------------------------------------------------|---------|
| <b>United Kingdom</b>                               |         |
| – 1 Churchill Place, London, E14 5HP                |         |
| Aequor Investments Limited                          |         |
| Ardencroft Investments Limited                      |         |
| B D & B Investments Limited                         |         |
| B.P.B. (Holdings) Limited                           |         |
| Barafor Limited                                     |         |
| Barclay Leasing Limited                             |         |
| Barclays (Barley) Limited                           | J,K     |
| Barclays Aldersgate Investments Limited             |         |
| Barclays Asset Management Limited                   |         |
| Barclays Bank PLC                                   | A, F, I |
| Barclays Bank UK PLC                                | A       |
| Barclays Capital Asia Holdings Limited              |         |
| Barclays Capital Finance Limited                    |         |
| Barclays Capital Japan Securities Holdings Limited  |         |
| Barclays Capital Nominees (No.2) Limited            |         |
| Barclays Capital Nominees (No.3) Limited            |         |
| Barclays Capital Nominees Limited                   |         |
| Barclays Capital Principal Investments Limited      |         |
| Barclays Capital Securities Client Nominee Limited  |         |
| Barclays Capital Securities Limited                 | F, I, O |
| Barclays CCP Funding LLP                            | B       |
| Barclays Converted Investments (No.2) Limited       |         |
| Barclays Direct Investing Nominees Limited          |         |
| Barclays Directors Limited                          |         |
| Barclays Equity Holdings Limited                    |         |
| Barclays Executive Schemes Trustees Limited         |         |
| Barclays Financial Planning Nominee Company Limited |         |
| Barclays Funds Investments Limited                  |         |
| Barclays Global Shareplans Nominee Limited          |         |
| Barclays Group Holdings Limited                     |         |
| Barclays Group Operations Limited                   |         |
| Barclays Industrial Development Limited             |         |
| Barclays Industrial Investments Limited             |         |
| Barclays Insurance Services Company Limited         |         |
| Barclays Investment Management Limited              |         |
| Barclays Investment Solutions Limited               |         |

| Wholly owned subsidiaries                            | Note    |
|------------------------------------------------------|---------|
| Barclays Leasing (No.9) Limited                      |         |
| Barclays Long Island Limited                         |         |
| Barclays Marlist Limited                             |         |
| Barclays Mercantile Business Finance Limited         |         |
| Barclays Nominees (George Yard) Limited              |         |
| Barclays Pension Funds Trustees Limited              |         |
| Barclays Principal Investments Limited               | A, J, K |
| Barclays Private Bank                                |         |
| Barclays SAMS Limited                                |         |
| Barclays Security Trustee Limited                    | A       |
| Barclays Services (Japan) Limited                    |         |
| Barclays Services Limited                            | A       |
| Barclays Shea Limited                                |         |
| Barclays Singapore Global Shareplans Nominee Limited |         |
| Barclays Term Funding Limited Liability Partnership  | B       |
| Barclays UK Investments Limited                      |         |
| Barclays Unquoted Investments Limited                |         |
| Barclays Unquoted Property Investments Limited       |         |
| Barclays Wealth Nominees Limited                     |         |
| Barclayshare Nominees Limited                        |         |
| Barcosec Limited                                     |         |
| Barsec Nominees Limited                              |         |
| BB Client Nominees Limited                           |         |
| BMBF (No.24) Limited                                 |         |
| BMI (No.9) Limited                                   |         |
| BNRI ENG 2013 Limited Partnership                    | B       |
| BNRI ENG 2014 Limited Partnership                    | B       |
| BNRI ENG GP LLP                                      | B       |
| BNRI England 2010 Limited Partnership                | B       |
| BNRI England 2011 Limited Partnership                | B       |
| BNRI England 2012 Limited Partnership                | B       |
| Carnegie Holdings Limited                            | I, J, K |
| Chapelcrest Investments Limited                      |         |
| Clydesdale Financial Services Limited                |         |
| Cobalt Investments Limited                           |         |
| Condor No.1 Limited Partnership                      | B       |
| Cornwall Homes Loans Limited                         |         |
| CP Flower Guaranteeco (UK) Limited                   | E       |

| Wholly owned subsidiaries                                          | Note    |
|--------------------------------------------------------------------|---------|
| CP Propco 1 Limited                                                |         |
| CP Propco 2 Limited                                                |         |
| CP Topco Limited                                                   | J, K    |
| CPIA England 2008 Limited Partnership                              | B       |
| CPIA England 2009 Limited Partnership                              | B       |
| CPIA England No.2 Limited Partnership                              | B       |
| DMW Realty Limited                                                 |         |
| Dorset Home Loans Limited                                          |         |
| Durlacher Nominees Limited                                         |         |
| Eagle Financial and Leasing Services (UK) Limited                  |         |
| Equity Value Investments No.1 Limited                              |         |
| Equity Value Investments No.2 Limited                              |         |
| Finpart Nominees Limited                                           |         |
| FIRSTPLUS Financial Group Limited                                  |         |
| Foltus Investments Limited                                         |         |
| Global Dynasty Natural Resource Private Equity Limited Partnership | B       |
| Globe Nominees Limited                                             |         |
| Hawkins Funding Limited                                            |         |
| Heraldglen Limited                                                 | G, H, I |
| Investors In Infrastructure Limited                                |         |
| J.V. Estates Limited                                               |         |
| Kirsche Investments Limited                                        |         |
| Long Island Assets Limited                                         |         |
| Maloney Investments Limited                                        |         |
| Menlo Investments Limited                                          |         |
| Mercantile Credit Company Limited                                  |         |
| Mercantile Leasing Company (No.132) Limited                        |         |
| MK Opportunities LP                                                | B       |
| Murray House Investment Management Limited                         |         |
| Naxos Investments Limited                                          |         |
| North Colonnade Investments Limited                                |         |
| Northwharf Investments Limited                                     | I, X    |
| Northwharf Nominees Limited                                        |         |
| PIA England No.2 Limited Partnership                               | B       |
| Real Estate Participation Management Limited                       |         |
| Real Estate Participation Services Limited                         |         |
| Relative Value Investments UK Limited                              | B       |
| Liability Partnership                                              |         |
| Relative Value Trading Limited                                     |         |

Additional information

Related undertakings continued

| Wholly owned subsidiaries                                           | Note  |
|---------------------------------------------------------------------|-------|
| Roder Investments No. 1 Limited                                     | I, Y  |
| Roder Investments No. 2 Limited                                     | I, Y  |
| Ruthenium Investments Limited                                       |       |
| RVT CLO Investments LLP                                             | B     |
| Solution Personal Finance Limited                                   |       |
| Surety Trust Limited                                                |       |
| Swan Lane Investments Limited                                       |       |
| US Real Estate Holdings No.1 Limited                                |       |
| US Real Estate Holdings No. 2 Limited                               |       |
| US Real Estate Holdings No.3 Limited                                |       |
| Wedd Jefferson (Nominees) Limited                                   |       |
| Westferry Investments Limited                                       |       |
| Woolwich Homes Limited                                              |       |
| Woolwich Plan Managers Limited                                      |       |
| Woolwich Qualifying Employee Share Ownership Trustee Limited        |       |
| Woolwich Surveying Services Limited                                 |       |
| Zeban Nominees Limited                                              |       |
| – Hill House, 1 Little New Street, London, EC4A 3TR                 |       |
| Barclays Mercantile Limited (In Liquidation)                        |       |
| Barclays Nominees (Branches) Limited (In Liquidation)               |       |
| Barclays Nominees (K.W.S.) Limited (In Liquidation)                 |       |
| Barclays Stockbrokers Limited (In Liquidation)                      |       |
| Barclays USD Funding LLP (In Liquidation)                           | B     |
| BMBF (No.3) Limited (In Liquidation)                                |       |
| BMBF (No.6) Limited (In Liquidation)                                |       |
| BMBF (No.9) Limited (In Liquidation)                                |       |
| Gerrard Financial Planning Limited (In Liquidation)                 |       |
| Gerrard Management Services Limited (In Liquidation)                |       |
| Gerrard Nominees Limited (In Liquidation)                           |       |
| Greig, Middleton Nominees Limited (In Liquidation)                  |       |
| Lombard Street Nominees Limited (In Liquidation)                    |       |
| – 5 The North Colonnade, Canary Wharf, London, E14 4BB              |       |
| Leonis Investments LLP                                              | B     |
| Preferred Liquidity Limited Partnership                             | B     |
| – Aurora Building, 120 Bothwell Street, Glasgow, G2 7JS             |       |
| R.C. Grieg Nominees Limited                                         |       |
| – 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ              |       |
| BNRI PIA Scot GP Limited                                            |       |
| BNRI Scots GP, LLP                                                  | B     |
| Pecan Aggregator LP                                                 | B     |
| – 1 New Street Square, London, EC4A 3HQ                             |       |
| Keeper Investments (In Liquidation)                                 |       |
| – Logic House, Waterfront Business Park, Fleet Road, Fleet, GU1 3SB |       |
| The Logic Group Enterprises Limited                                 |       |
| The Logic Group Holdings Limited                                    | J     |
| – 9, allée Scheffer, L-2520                                         |       |
| Barclays Claudas Investments Partnership                            | B, KK |
| Barclays Pelleas Investments Limited Partnership                    | B, KK |
| Blossom Finance General Partnership                                 | B, KK |

|                                                                               |
|-------------------------------------------------------------------------------|
| <b>Argentina</b>                                                              |
| – 855 Leandro N.Alem Avenue, 8th Floor, Buenos Aires                          |
| Compañía Sudamerica S.A.                                                      |
| – Marval, O’Farrell & Mairal, Av. Leandro N. Alem 882, Buenos Aires, C1001AAQ |
| Compañía Regional del Sur S.A.                                                |

| Wholly owned subsidiaries                                                           | Note  |
|-------------------------------------------------------------------------------------|-------|
| <b>Brazil</b>                                                                       |       |
| – Av. Brigadeiro Faria Lima, No. 4.440, 12th 04538-132                              |       |
| Barclays Brasil Assessoria Financeira Ltda.                                         |       |
| BNC Brazil Consultoria Empresarial Ltda                                             |       |
| <b>Canada</b>                                                                       |       |
| – 333 Bay Street, Suite 4910, Toronto ON M5H 2R2                                    |       |
| Barclays Capital Canada Inc.                                                        |       |
| – Stikeman Elliot LLP, 199 Bay Street, 5300 Commerce Court West, Toronto ON M5L 1B9 |       |
| Barclays Corporation Limited                                                        |       |
| – 5 The North Colonnade, Canary Wharf, London, E14 4BB                              |       |
| CPIA Canada Holdings                                                                | B, KK |

|                                                                                                    |
|----------------------------------------------------------------------------------------------------|
| <b>Cayman Islands</b>                                                                              |
| – Maples Corporate Services Limited, PO Box 309, Ugland House, George Town, Grand Cayman, KY1-1104 |
| Alymere Investments Limited                                                                        |
| Analytical Trade UK Limited                                                                        |
| Barclays Capital (Cayman) Limited                                                                  |
| Braven Investments No.1 Limited                                                                    |
| Capton Investments Limited                                                                         |
| Claudas Investments Limited                                                                        |
| Claudas Investments Two Limited                                                                    |
| CPIA Investments No.1 Limited                                                                      |
| CPIA Investments No.2 Limited                                                                      |
| Hurley Investments No.1 Limited                                                                    |
| Iris Investments 1 Limited (In Liquidation)                                                        |
| Mintaka Investments No. 4 Limited                                                                  |
| OGP Leasing Limited                                                                                |
| Pelleas Investments Limited                                                                        |
| Pelleas Investments Two Limited                                                                    |
| Pippin Island Investments Limited                                                                  |
| Razzoli Investments Limited                                                                        |
| RVH Limited                                                                                        |
| – PO Box 1093, Queensgate House, Grand Cayman, KY1-1102                                            |
| Blaytell Limited (In Liquidation)                                                                  |
| Coskwo Limited (In Liquidation)                                                                    |
| Godler Limited (In Liquidation)                                                                    |
| Harflane Limited (In Liquidation)                                                                  |
| Hentock Limited (In Liquidation)                                                                   |
| Hollygrice Limited (In Liquidation)                                                                |
| Pilkbull Limited (In Liquidation)                                                                  |
| Strickyard Limited (In Liquidation)                                                                |
| Winhall Limited (In Liquidation)                                                                   |
| – 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005                                            |
| Calthorpe Investments Limited                                                                      |
| Gallen Investments Limited                                                                         |
| JV Assets Limited                                                                                  |
| Palomino Limited                                                                                   |
| Wessex Investments Limited                                                                         |
| – Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, KY1– 9008     |
| Long Island Holding B Limited                                                                      |

|                                                                                  |
|----------------------------------------------------------------------------------|
| <b>China</b>                                                                     |
| – Room 213, Building 1, No. 1000 Chenhui Road, Zhangjiang Hi-Tech Park, Shanghai |
| Barclays Technology Centre (Shanghai)                                            |
| Company Limited (In Liquidation)                                                 |

|                                           |
|-------------------------------------------|
| <b>France</b>                             |
| – 34/36 avenue de Friedland, Paris, 75008 |
| BBAIL SAS                                 |

| Wholly owned subsidiaries                                                   | Note |
|-----------------------------------------------------------------------------|------|
| <b>Germany</b>                                                              |      |
| – TaunusTurm, Taunustor 1, 60310, Frankfurt                                 |      |
| Barclays Capital Effekten GmbH                                              |      |
| – Stuttgarter Straße 55-57, 73033 Göppingen                                 |      |
| Holding Stuttgarter Straße GmbH                                             |      |
| <b>Guernsey</b>                                                             |      |
| – P.O. Box 33, Dorey Court, Admiral Park, St. Peter Port, GY1 4AT           |      |
| Barclays Insurance Guernsey PCC Limited                                     |      |
| – PO BOX 41, Floor 2, Le Marchant House, Le Truchot, St Peter Port, GY1 3BE |      |
| Barclays Nominees (Guernsey) Limited                                        |      |

|                                                             |
|-------------------------------------------------------------|
| <b>Hong Kong</b>                                            |
| – 42nd floor Citibank Tower, Citibank Plaza, 3 Garden Road  |
| Barclays Bank (Hong Kong Nominees) Limited (in Liquidation) |
| Barclays Capital Asia Nominees Limited (In Liquidation)     |
| – Level 41, Cheung Kong Center, 2 Queen’s Road Central      |
| Barclays Asia Limited                                       |
| Barclays Capital Asia Limited                               |

|                                                                                                          |
|----------------------------------------------------------------------------------------------------------|
| <b>India</b>                                                                                             |
| – 208 Ceejay House, Shivsagar Estate, Dr A Beasant Road, Worli, Mumbai, 400 018                          |
| Barclays Securities (India) Private Limited                                                              |
| Barclays Wealth Trustees (India) Private Limited                                                         |
| – Ground to Fourth Floor, Wing 3 – Cluster A, Eon Free Zone, MIDC Knowledge Park, Kharadi, Pune, 411014  |
| Barclays Global Service Centre Private Limited                                                           |
| – Level 10, Block B6, Nirlon Knowledge Park, Off Western Express Highway, Goregaon (East), Mumbai, 40063 |
| Barclays Investments & Loans (India) Limited                                                             |
| F, I                                                                                                     |

|                                                                            |
|----------------------------------------------------------------------------|
| <b>Indonesia</b>                                                           |
| – Barclays House, 12th Floor, Jl. Jend Sudirman Kav. 22-23, Jakarta, 12920 |
| PT Bank Barclays Indonesia (In Liquidation)                                |
| – Plaza Lippo, 10th Floor, Jalan Jend, Sudirman Kav 25, Jakarta, 12920     |
| PT Bhadra Buana Persada (In Liquidation)                                   |

|                                                             |
|-------------------------------------------------------------|
| <b>Ireland</b>                                              |
| – One Molesworth Street, Dublin 2, D02RF29                  |
| Barclaycard International Payments Limited                  |
| Barclays Bank Ireland Public Limited Company                |
| Barclays Europe Client Nominees Designated Activity Company |
| Barclays Europe Firm Nominees Designated Activity Company   |
| Barclays Europe Nominees Designated Activity Company        |
| – 25-28 North Wall Quay, Dublin 1, D01H104                  |
| Erimon Home Loans Ireland Limited                           |

|                                                 |
|-------------------------------------------------|
| <b>Isle of Man</b>                              |
| – Barclays House, Victoria Street, Douglas      |
| Barclays Nominees (Manx) Limited                |
| – P O Box 9, Victoria Street, Douglas, IM99 1AJ |
| Barclays Private Clients International Limited  |
| J, K                                            |

|                                            |
|--------------------------------------------|
| <b>Japan</b>                               |
| – 10-1, Roppongi 6-chome, Minato-ku, Tokyo |
| Barclays Funds and Advisory Japan Limited  |
| Barclays Securities Japan Limited          |
| Barclays Wealth Services Limited           |



## Related undertakings continued

**Korea, Republic of**  
 – A-1705 Yeouido Park Centre, 28-3  
 Yeouido-dong, Yeongdeungpo-gu, Seoul  
 Barclays Korea GP Limited

## Mauritius

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- C/O Rogers Capital Corporate Services, St. Louis Business Centre, Cnr Desroches & St. Louis Streets, Port Louis
- Barclays Capital Mauritius Limited
- Barclays Capital Securities Mauritius Limited
- Fifth Floor, Ebene Esplanade, 24 Cybercity, Ebene
- Barclays (H&B) Mauritius Limited (In Liquidation)
- Barclays Mauritius Overseas Holdings Limited



Additional information

Related undertakings continued

Other Related Undertakings

Unless otherwise stated, the undertakings below are consolidated and the share capital disclosed comprises ordinary and/or common shares which are held by subsidiaries of the Group. The Group's overall ownership percentage is provided for each undertaking.

| Other Related Undertakings                                           | Percentage | Note    |
|----------------------------------------------------------------------|------------|---------|
| <b>United Kingdom</b>                                                |            |         |
| – 1 Churchill Place, London, E14 5HP                                 |            |         |
| Barclaycard Funding PLC                                              | 75.00%     | J       |
| PSA Credit Company Limited (In Liquidation)                          | 50.00%     | J, L    |
| Barclays Covered Bond Funding LLP                                    | 50.00%     | B       |
| – 1 Poultry, London, England, EC2R 8EJ                               |            |         |
| Igloo Regeneration (General Partner) Limited                         | 25.00%     | L, Z    |
| – 3 – 5 London Road, Rainham, Kent, ME8 7RG                          |            |         |
| Trade Ideas Limited                                                  | 20.00%     | Z       |
| – Derby Training Centre, Ascot Drive, Derby, DE24 8GW                |            |         |
| Develop Training Group Limited                                       | 65.47%     | CC, Z   |
| – 50 Lothian Road, Festival Square, Edinburgh, EH3 9BY               |            |         |
| Equistone Founder Partner II L.P.                                    | 20.00%     | B, Z    |
| Equistone Founder Partner III L.P.                                   | 35.00%     | B, Z    |
| – Building 6 Chiswick Park, 566 Chiswick High Road, London, W4 5HR   |            |         |
| Intelligent Processing Solutions Limited                             | 19.50%     | Z       |
| – 20-22 Bedford Row, London, WC1R 4JS                                |            |         |
| Cyber Defence Alliance Limited                                       | 25.00%     | E, Z    |
| – 30 Gresham Street, London, EC2V 7PG                                |            |         |
| Gresham Leasing March (3) Limited                                    | 30.00%     | Z       |
| – 80 New Bond Street, London, W1S 1SB                                |            |         |
| GW City Ventures Limited                                             | 50.00%     | K, Z    |
| – 5th Floor, 70 Gracechurch Street, London, EC3V 0XL                 |            |         |
| Camperdown UK Limited                                                | 50.00%     | J, Z    |
| – 2nd Floor, 110 Cannon Street, London, EC4N 6EU                     |            |         |
| Vectorcommand Limited (in Liquidation)                               | 30.39%     | J, K, Z |
| – 55 Baker Street, London, W1U 7EU                                   |            |         |
| Formerly H Limited (In Liquidation)                                  | 70.32%     | J, Z    |
| – 15 Canada Square, London, E14 5GL                                  |            |         |
| Woolwich Countryside Limited (In Liquidation)                        | 50.00%     | N, Z    |
| – Haberfield Old Moor Road, Wennington, Lancaster, LA2 8PD           |            |         |
| Full House Holdings Limited                                          | 67.43%     | J, Z    |
| – 6th Floor 60 Gracechurch Street, London, EC3V 0HR                  |            |         |
| BMC (UK) Limited                                                     | 40.18%     | F, J, Z |
| – Central House, 124 High Street, Hampton Hill, Middlesex , TW12 1NS |            |         |
| Rio Laranja Holdings Limited                                         | 45.00%     | J, Z    |
| – 13-15 York Buildings, London, WC2N 6JU                             |            |         |
| BGF Group Limited                                                    | 24.48%     | Z       |
| – Hill House, 1 Little New Street, London, EC4A 3TR                  |            |         |
| Claas Finance Limited (In Liquidation)                               | 51.00%     | K       |
| – Gate House, Turnpike Road, High Wycombe, Buckinghamshire, HP12 3NR |            |         |
| GN Tower Limited                                                     | 50.00%     | Z       |
| – Victoria Works, Thrumpton Lane, Retford, Nottinghamshire, DN22 6HH |            |         |
| Crosslink Technology Holdings Limited                                | 19.97%     | F, K, Z |

| Other Related Undertakings                                                                                   | Percentage | Note       |
|--------------------------------------------------------------------------------------------------------------|------------|------------|
| <b>Cayman Islands</b>                                                                                        |            |            |
| – Maples Corporate Services Limited, PO Box 309GT, Ugland House, South Church Street, Grand Cayman, KY1-1104 |            |            |
| Cupric Canyon Capital LP                                                                                     | 40.19%     | HH, Z      |
| Cupric Canyon Capital GP Limited                                                                             | 50.00%     | Z          |
| Southern Peaks Mining LP                                                                                     | 55.69%     | HH, Z      |
| SPM GP Limited                                                                                               | 90.10%     | Z          |
| Third Energy Holdings Limited                                                                                | 78.94%     | F, J, K, Z |

Germany

|                                            |        |   |
|--------------------------------------------|--------|---|
| – Schopenhauerstraße 10, D-90409, Nurnberg |        |   |
| Eschenbach Holding GmbH                    | 21.70% | Z |
| Eschenbach Optik GmbH                      | 21.70% | Z |

Korea, Republic of

|                                                                        |        |   |
|------------------------------------------------------------------------|--------|---|
| – 18th Floor, Daishin Finance Centre, 343, Samil-daero, Jung-go, Seoul |        |   |
| Woori BC Pegasus                                                       | 70.00% | W |
| Securitization Specialty Co., Limited                                  |        |   |

Luxembourg

|                                  |        |            |
|----------------------------------|--------|------------|
| – 9, allée Scheffer, L-2520      |        |            |
| BNRI Limehouse No.1 Sarl         | 96.30% | R          |
| Partnership Investments S.à r.l. | 33.40% | I, J ,K ,L |
| Preferred Funding S.à r.l.       | 33.33% | FF         |
| Preferred Investments S.à r.l.   | 33.33% | FF, I      |

Malta

|                                            |        |   |
|--------------------------------------------|--------|---|
| – RS2 Buildings, Fort Road, Mosta MST 1859 |        |   |
| RS2 Software PLC                           | 18.25% | Z |

Monaco

|                                      |        |  |
|--------------------------------------|--------|--|
| – 31 Avenue de la Costa, Monte Carlo |        |  |
| Societe Civile Immobiliere 31        |        |  |
| Avenue de la Costa                   | 75.00% |  |

Netherlands

|                                          |        |       |
|------------------------------------------|--------|-------|
| – Alexanderstraat 18, 2514 JM, The Hague |        |       |
| Tulip Oil Holding BV                     | 30.36% | II, Z |

South Africa

|                                                   |        |         |
|---------------------------------------------------|--------|---------|
| – 9 Elektron Road, Techno Park, Stellenbosch 7600 |        |         |
| Imalivest Mineral Resources LP                    | 66.41% | J, K, Z |

Sweden

|                                                |        |      |
|------------------------------------------------|--------|------|
| – c/o ForeningsSparbanken AB, 105 34 Stockholm |        |      |
| EnterCard Group AB                             | 40.00% | K, Z |

United States of America

|                                        |        |      |
|----------------------------------------|--------|------|
| – 777 Main Street, Fort Worth TX 76102 |        |      |
| CRE Diversified Holdings LLC           | 80.00% | C, Z |
| Crescent Legacy LLC                    | 80.00% | C, Z |
| Crescent Crown Land Holding SPV LLC    | 80.00% | C, Z |
| Crescent Plaza Residential LP, LLC     | 80.00% | C, Z |
| Crescent Plaza Residential, L.P.       | 80.00% | B, Z |
| Crescent Plaza Residential, LLC        | 80.00% | C, Z |
| Crescent Resort Development LLC        | 80.00% | C, Z |
| Crescent Tower Residences GP, LLC      | 80.00% | C, Z |
| Crescent Tower Residences, L.P.        | 80.00% | B, Z |
| Crescent TRS Holdings LLC              | 80.00% | C, Z |
| CREW Tahoe Holdings LLC                | 80.00% | C, Z |
| CREW Tahoe LLC                         | 60.80% | C, Z |
| DBL Texas Holdings LLC                 | 80.00% | C, Z |
| Desert Mountain Development LLC        | 80.00% | C, Z |

| Other Related Undertakings                     | Percentage | Note |
|------------------------------------------------|------------|------|
| Desert Mountain Properties Limited Partnership | 74.40%     | B, Z |
| East West Resort Development V, L.P., L.L.L.P. | 74.75%     | B, Z |
| East West Resort Development VII LLC           | 80.00%     | C, Z |
| Gray's Station, LLC                            | 56.96%     | C, Z |
| Mira Vista Development LLC                     | 78.40%     | C, Z |
| Mira Vista Golf Club, L.C.                     | 76.83%     | Z    |
| Mountainside Partners LLC                      | 80.00%     | C, Z |
| MVWP Investors LLC                             | 60.80%     | C, Z |
| Northstar Mountain Properties, LLC             | 60.80%     | C, Z |
| Northstar Trailside Townhomes, LLC             | 60.80%     | C, Z |
| Northstar Village Townhomes, LLC               | 56.93%     | C, Z |
| Tahoe Club Company, LLC                        | 60.80%     | C, Z |
| Tahoe Club Employee Company                    | 60.80%     | Z    |

– 126 Riverfront Lane , 5th Floor, Drawer 2770, Avon, CO 81620

|                                                  |        |      |
|--------------------------------------------------|--------|------|
| Blue River Land Company, LLC                     | 39.55% | C, Z |
| East West Resort Development XIV, L.P., L.L.L.P. | 33.52% | B, Z |
| EWRD Summit, LLC                                 | 79.10% | C, Z |

– 1701 Wynkoop Street, Suite 140, Box 47, Denver, CO 80202

|                                       |        |      |
|---------------------------------------|--------|------|
| Central Platte Valley Management, LLC | 51.78% | C, Z |
| St. Charles Place, LLC                | 47.63% | C, Z |
| The Park at One Riverfront, LLC       | 47.63% | C, Z |
| Union Center LLC                      | 51.78% | C, Z |

– Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801

|                          |        |      |
|--------------------------|--------|------|
| DG Solar Lessee II, LLC  | 50.00% | C, Z |
| DG Solar Lessee, LLC     | 50.00% | C, Z |
| VS BC Solar Lessee I LLC | 50.00% | C, Z |

– 1415 Louisiana Street, Suite 1600, Houston, Texas, 77002

|                                 |        |   |
|---------------------------------|--------|---|
| Sabine Oil & Gas Holdings, Inc. | 23.25% | Z |
|---------------------------------|--------|---|

Subsidiaries by virtue of control

The related undertakings below are subsidiaries in accordance with s.1162 Companies Act 2006 as Barclays can exercise dominant influence or control over them.

| Subsidiaries by virtue of control    | Percentage | Note |
|--------------------------------------|------------|------|
| <b>United Kingdom</b>                |            |      |
| – 1 Churchill Place, London, E14 5HP |            |      |
| Oak Pension Asset Management Limited | 00.00%     | Z    |
| Water Street Investments Limited     | 00.00%     | Z    |

Cayman Islands

|                                                                           |        |   |
|---------------------------------------------------------------------------|--------|---|
| – PO Box 309GT, Ugland House, South Church Street, Grand Cayman, KY1-1104 |        |   |
| Hornbeam Limited                                                          | 00.00% | Z |
| Barclays US Holdings Limited                                              | 10.00% | J |

Joint Ventures

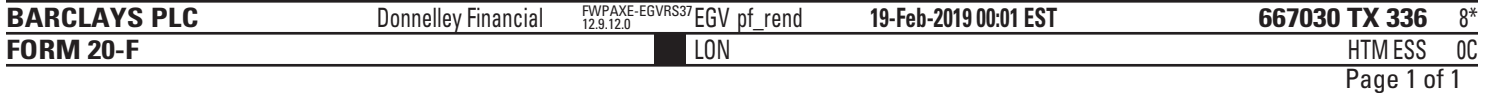
The related undertakings below are Joint Ventures in accordance with s. 18, Schedule 4, The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and are proportionally consolidated.

| Joint Ventures                                         | Percentage | Note |
|--------------------------------------------------------|------------|------|
| <b>United Kingdom</b>                                  |            |      |
| – All Saints Triangle, Caledonian Road, London, N1 9UT |            |      |
| Vaultex UK Limited                                     | 50.00%     | Z    |

Joint management factors

The Joint Venture Board comprises two Barclays representative directors, two JV partner directors and three non-JV partner directors. The Board are responsible for setting the company strategy and budgets.





'A-IRB' / 'Advanced-Internal Ratings Based' See 'Internal Ratings Based (IRB)'.

**'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.

**'Acceptances and endorsements'** An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Barclays Group expects most acceptances to be presented, but reimbursement by the customer is normally immediate. Endorsements are residual liabilities of the Barclays Group in respect of bills of exchange which have been paid and subsequently rediscounted.

**'Additional Tier 1 (AT1) capital'** AT1 capital largely comprises eligible non-common equity capital securities and any related share premium.

'Additional Tier 1 (AT1) securities' Non-common equity securities that are eligible as AT1 capital.

**Advanced Measurement Approach (AMA)** Under the AMA, banks are allowed to develop their own empirical model to quantify required capital for operational risk. Banks can only use this approach subject to approval from their local regulators.

**'Agencies'** Bonds issued by state and / or government agencies or government-sponsored entities.

**'Agency Mortgage-Backed Securities'** Mortgage-Backed Securities issued by government-sponsored entities.

**'All price risk (APR)'** An estimate of all the material market risks, including rating migration and default for the correlation trading portfolio.

**American Depositary Receipts (ADR)** A negotiable certificate that represents the ownership of shares in a non-US company (for example Barclays) trading in US financial markets.

'Americas' Geographic segment comprising the USA, Canada and countries where Barclays operates within Latin America.

**'Annual Earnings at Risk (AEaR)'** A measure of the potential change in Net Interest Income (NII) due to an adverse interest rate movements over a predefined time horizon.

**Annualised cumulative weighted average lifetime PD'** The probability of default over the remaining life of the asset, expressed as an annual rate, reflecting a range of possible economic scenarios.

**'Application scorecards'** Algorithm based decision tools used to aid business decisions and manage credit risk based on available customer data at the point of application for a product.

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

**Arrears Managed Accounts'** Arrears Managed Accounts are principally Business Lending customers in arrears with an exposure limit less than £50,000 in the UK and €100,000 in Europe, supervised using processes designed to manage a homogeneous set of assets.

'Asia' Geographic segment comprising countries where Barclays operates within Asia and the Middle East.

**Asset Backed Commercial Paper**<sup>7</sup> Typically short-term notes secured on specified assets issued by consolidated special purpose entities for funding purposes.

**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.

**Attributable profit'** Profit after tax that is attributable to ordinary equity holders of Barclays PLC adjusted for the after tax amounts of capital securities classified as equity.

**Average allocated tangible shareholders' equity** Calculated as the average of the previous month's period end allocated tangible shareholders' equity and the current month's period end allocated tangible shareholders' equity. The average allocated tangible shareholders' equity for the quarter / year is the average of the monthly averages within that quarter / year.

## Glossary of terms

- ‘Average tangible shareholders’ equity’** Calculated as the average of the previous month’s period end tangible shareholders’ equity and the current month’s period end tangible shareholders’ equity. The average tangible shareholders’ equity for the quarter / year is the average of the monthly averages within that quarter / year.
- ‘Average UK leverage ratio’** As per the PRA rulebook, is calculated as the average capital measure based on the last day of each month in the quarter divided by the average exposure measure for the quarter, where the average exposure is based on each day in the quarter
- ‘Back testing’** Includes a number of techniques that assess the continued statistical validity of a model by simulating how the model would have predicted recent experience.
- ‘BAGL’ or ‘Barclays Africa’** Barclays Africa Group Limited, which was previously a subsidiary of the Barclays Group. Following a sell down of shares resulting in a loss of control, the Barclays Group’s shareholding in BAGL is now classified as a financial asset at fair value through other comprehensive income.
- ‘Balance weighted Loan to Value (LTV) ratio’** In the context of the credit risk disclosures on secured home loans, a means of calculating marked to market LTVs derived by calculating individual LTVs at account level and weighting it by the balances to arrive at the average position. Balance weighted loan to value is calculated using the following formula:  $LTV = ((\text{loan balance 1} \times \text{MTM LTV\% for loan 1}) + (\text{loan balance 2} \times \text{MTM LTV\% for loan 2}) + \dots) / \text{total outstandings in portfolio}$ .
- ‘Barclaycard’** An international consumer payments business serving the needs of businesses and consumers through credit cards, consumer lending, merchant acquiring, commercial cards and point of sale finance. Barclaycard has scaled operations in UK, US, Germany and Scandinavia.
- ‘Barclaycard Consumer UK’** The international Barclaycard business, Barclays Business Solutions and the international Wealth business.
- ‘Barclays’ or ‘Barclays Group’** Barclays PLC together with its subsidiaries.
- ‘Barclays Bank Group’** Barclays Bank PLC together with its subsidiaries.
- ‘Barclays Bank UK Group’** Barclays Bank UK PLC together with its subsidiaries.
- ‘Barclays Operating businesses’** The core Barclays businesses operated by Barclays UK (which include the UK Personal business, the small UK Corporate and UK Wealth businesses and the Barclaycard UK consumer credit cards business) and Barclays International (which include the large UK Corporate business; the international Corporate and Wealth businesses; the Investment Bank; the international Barclaycard business; and Barclaycard Business Solutions).
- ‘Barclays Direct’** A Barclays brand, comprising the savings and mortgage businesses.
- ‘Barclays Execution Services’ or ‘BX’ or BSerL’ or ‘Group Service Company’** Barclays Services Limited, the Group services company set up to provide services to Barclays UK and Barclays International to deliver operational continuity.
- ‘Barclays International’** The segment of Barclays held by Barclays Bank PLC which has not been ring-fenced as part of regulatory ring fencing requirements. The division includes the large UK Corporate business; the international Corporate and Wealth businesses; the Investment Bank; the international Barclaycard business (consisting of the US, German and Nordic consumer credit cards businesses); and Barclaycard Business Solutions (including merchant acquiring).
- ‘Barclays Non-Core’** The previously reported unit comprising of a group of businesses and assets that were exited or run down by Barclays, which was closed in 2017.
- ‘Barclays UK’** The segment of Barclays held by Barclays Bank UK PLC which has been ring-fenced as part of regulatory ring fencing requirements. The division includes the UK Personal business; the small UK Corporate and UK Wealth businesses; and the Barclaycard UK consumer credit cards business.
- ‘Basel 3’** The third of the Basel Accords, setting minimum requirements and standards that apply to internationally active banks. Basel 3 is a set of measures developed by the Basel Committee on Banking Supervision aiming to strengthen the regulation, supervision and risk management of banks.

## Glossary of terms

**‘Basel Committee of Banking Supervision (BCBS or The Basel Committee)’** A forum for regular cooperation on banking supervisory matters which develops global supervisory standards for the banking industry. Its 45 members are officials from central banks or prudential supervisors from 28 jurisdictions.

**‘Basic Indicator Approach (BIA)’** Under the BIA, banks are required to hold regulatory capital for operational risk equal to 15% of the annual average, calculated over a rolling three-year period, of the relevant income indicator for the bank as whole.

**‘Basis point(s)’ / ‘bp(s)’** One hundredth of a per cent (0.01%); 100 basis points is 1%. The measure is used in quoting movements in interest rates, yields on securities and for other purposes.

**‘Basis risk’** Index/Tenor risk, that arises when floating rate products are linked to different interest rate indices, which are imperfectly correlated, especially under stressed market conditions.

**‘Behavioural scorecards’** Algorithm based decision tools used to aid business decisions and manage credit risk based on existing customer data derived from account usage.

**‘Book quality’** In the context of the Funding Risk, Capital Risk section, changes in RWAs caused by factors such as underlying customer behaviour or demographics leading to changes in risk profile.

**‘Book size’** In the context of the Funding Risk, Capital Risk section, changes in RWAs driven by business activity, including net originations or repayments.

**‘Business Banking’** Offers specialist advice, products and services to small and medium enterprises in the UK.

**‘Business Lending’** Business Lending in Barclays UK that primarily relates to small and medium enterprises typically with exposures up to £3m or with a turnover up to £5m.

**‘Business scenario stresses’** Multi asset scenario analysis of extreme, but plausible events that may impact the market risk exposures of the Investment Bank.

**‘Buy to let mortgage’** A mortgage where the intention of the customer (investor) was to let the property at origination.

**‘Capital Conservation Buffer (CCB)’** Common Equity Tier 1 capital required to be held under CRD IV to ensure that banks build up surplus capital outside periods of stress which can be drawn down if losses are incurred.

**‘Capital ratios’** Key financial ratios measuring the Bank’s capital adequacy or financial strength expressed as a percentage of Risk Weighted Assets.

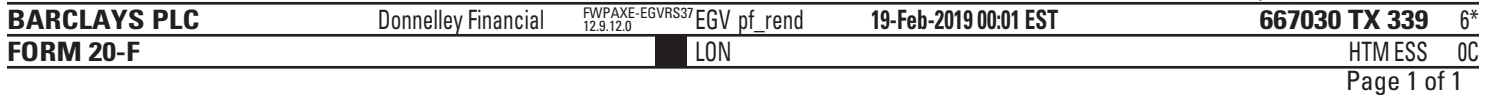
**‘Capital Requirements Regulation (CRR)’** Regulation (EU) No 575/2013, which accompanies CRD IV and sets out detailed rules for capital eligibility, the calculation of RWAs, the measurement of leverage, the management of large exposures and minimum standards for liquidity.

**‘Capital requirements on the underlying exposures (KIRB)’** An approach available to banks when calculating Risk Weighted Assets for securitisation exposures. This is based upon the RWA amounts that would be calculated under the IRB approach for the underlying pool of securitised exposures in the program, had such exposures not been securitised.

**‘Capital resources’** Common Equity Tier 1, Additional Tier 1 and Tier 2 capital those are eligible to satisfy capital requirements under CRD IV.

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

**‘Central Counterparty’ / ‘Central Clearing Counterparties (CCPs)’** A clearing house mediating between the buyer and the seller in a financial transaction, such as a derivative contract or repurchase agreement (repo). Where a central counterparty is used, a single bi-lateral contract between the buyer and seller is replaced with two contracts, one between the buyer and the CCP and one between the CCP and the seller. The use of CCPs allows for greater oversight and improved credit risk mitigation in over-the-counter (OTC) markets.



**Charge-off** In the point in time when collections activity changes from the collection of arrears to the recovery of the full balance. This is normally when six payments are in arrears.

**Charges add-on and non VaR** In the context of Risk Weighted Assets, any additional Market Risk not captured within Modelled VaR, including Incremental Risk Charges and Correlation Risk.

**Client Assets** Assets managed or administered by Barclays Group on behalf of clients including assets under management (AUM), custody assets, assets under administration and client deposits.

**CLOs and Other insured assets** Highly rated CLO positions wrapped by monolines, non-CLOs wrapped by monolines and other assets wrapped with Credit Support Annex (CSA) protection.

**Collateralised Debt Obligation (CDO)** Securities issued by a third party which reference Asset Backed Securities (ABSs) (defined above) and/or certain other related assets purchased by the issuer. CDOs may feature exposure to sub-prime mortgage assets through the underlying assets.

**Collateralised Loan Obligation (CLO)** A security backed by the repayments from a pool of commercial loans. The payments may be made to different classes of owners (in tranches).

**Collateralised Mortgage Obligation (CMO)** A type of security backed by mortgages. A special purpose entity receives income from the mortgages and passes them on to investors of the security.

**Collectively assessed impairment allowances** Impairment of financial assets is measured collectively where a portfolio comprises homogenous assets and where appropriate statistical techniques are available.

**Combined Buffer Requirement** In the context of the CRD IV capital obligations, the combined requirements of the Capital Conservation Buffer, the GSII Buffer, the OSII buffer, the Systemic Risk buffer and an institution specific counter-cyclical buffer.

**Commercial paper (CP)** Short-term notes issued by entities, including banks, for funding purposes.

**Commercial real estate (CRE)** Commercial real estate includes office buildings, industrial property, medical centres, hotels, retail stores, shopping centres, farm land, multifamily housing buildings, warehouses, garages, and industrial properties and other similar properties. Commercial real estate loans are loans backed by a package of commercial real estate. Note: for the purposes of the Credit Risk section, the UK CRE portfolio includes property investment, development, trading and housebuilders but excludes social housing contractors.

**Committee of Sponsoring Organisations of the Treadway Commission Framework (COSO)** A joint initiative of five private sector organisations dedicated to providing development of frameworks and guidance on enterprise risk management, internal control and fraud deterrence.

**Commodity derivatives** Exchange traded and over-the-counter (OTC) derivatives based on an underlying commodity (e.g. metals, precious metals, oil and oil related, power and natural gas).

**Commodity risk** Measures the impact of changes in commodity prices and volatilities, including the basis between related commodities (e.g. Brent vs. WTI crude prices).

**Common Equity Tier 1 (CET1) capital** The highest quality form of regulatory capital under Basel III that comprises common shares issued and related share premium, retained earnings and other reserves, less specified regulatory adjustments.

**Common Equity Tier 1 (CET1) ratio** A measure of Common Equity Tier 1 capital expressed as a percentage of Risk Weighted Assets.

**Compensation: income ratio** The ratio of compensation expense over total income. Compensation represents total staff costs less non-compensation items consisting of outsourcing, bank payroll tax, staff training, redundancy costs and retirement costs.

**Comprehensive Capital Analysis and Review (CCAR)** An annual exercise, required by and evaluated by the Federal Reserve, through which the largest bank holding companies operating in the United States assess whether they have sufficient capital to continue operations through periods of economic and financial stress and have robust capital-planning processes that account for their unique risks.



## Glossary of terms

**Comprehensive Risk Measure (CRM)** An estimate of all the material market risks, including rating migration and default for the correlation trading portfolio. Also referred to as All Price Risk (APR) and Comprehensive Risk Capital Charge (CRCC).

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

**Constant Currency Basis** Excluding the impact of foreign currency conversion to GBP when comparing financial results in two different financial periods.

**Consumer, Cards and Payments** The international Barclaycard business, Barclays Business Solutions and the international Wealth business.

**Contingent capital notes (CCNs)** Interest bearing debt securities issued by Barclays Group or its subsidiaries that are either permanently written off or converted into an equity instrument from the issuer's perspective in the event of the Barclays Group's Common Equity Tier 1 (CET1) ratio falling below a specific level, or at the direction of regulators.

**Conversion Trigger** Used in the context of Contingent Capital Notes and AT1 securities. A capital adequacy trigger event occurs when the CET1 ratio of the bank falls below a certain level (the trigger) as defined in the Terms & Conditions of the instruments issued. See Contingent Capital Notes.

**Core deposit intangibles** Premium paid to acquire the deposit base of an institution.

**Correlation risk** Refers to the change in marked to market value of a security when the correlation between the underlying assets changes over time.

**Corporate and Investment Banking (CIB)** Barclays Corporate and Investment Banking businesses which form part of Barclays International.

**Cost: income ratio** Operating expenses divided by total income.

**Cost of Equity** The rate of return targeted by the equity holders of a company.

**Cost: net operating income ratio** Operating expenses compared to total income less credit impairment charges and other provisions.

**Cost to income jaws** Relationship of the percentage change movement in operating expenses relative to total income.

**Counter-Cyclical Capital Buffer (CCyB)** CET1 Capital that is required to be held under CRD IV rules to ensure that banks build up surplus capital when macroeconomic conditions indicate areas of the economy are overheating.

**Countercyclical leverage ratio buffer (CCLB)** A macroprudential buffer that applies to all Prudential Regulation Authority (PRA) regulated institutions from 2018 and is calculated at 35% of any risk weighted countercyclical capital buffer set by the Financial Policy Committee (FPC). The CCLB applies in addition to the minimum of 3.25% and any G-SII additional Leverage Ratio Buffer that applies.

**Counterparty credit risk** The risk related to a counterparty defaulting before the final settlement of a transaction's cash flows. In the context of Risk Weighted Assets, a component of Risk Weighted Assets that represents the risk of loss in derivatives, repurchase agreements and similar transactions resulting from the default of the counterparty.

**Coverage ratio** This represents the percentage of impairment allowance reserve against the gross exposure.

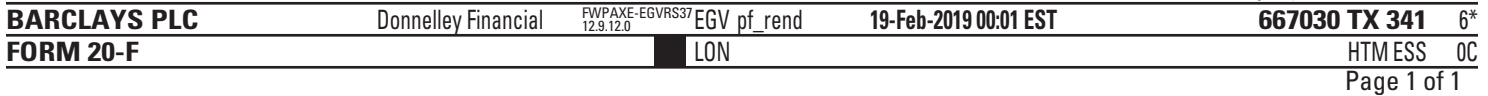
**Covered bonds** Debt securities backed by a portfolio of mortgages that are segregated from the issuer's other assets solely for the benefit of the holders of the covered bonds.

**CRD IV** The Fourth Capital Requirements Directive, an EU Directive and an accompanying Regulation (CRR) that together prescribe EU capital adequacy and liquidity requirements and implements Basel 3 in the European Union.

**Credit conversion factor (CCF)** Factor used to estimate the risk from off-balance sheet commitments for the purpose of calculating the total Exposure at Default (EAD) used to calculate Risk Weighted Assets.

**Credit default swaps (CDS)** 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 derivatives (CDs)'** An arrangement whereby the credit risk of an asset (the reference asset) is transferred from the buyer to the seller of the protection.

**'Credit impairment charges'** Also known as 'credit impairment'. Impairment charges on loans and advances to customers and banks and impairment charges on available for sale assets and reverse repurchase agreements.

**'Credit market exposures'** 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 Products'** Represents credit products and Securitised Products.

**'Credit quality step'** In the context of the Standardised Approach to calculating credit risk RWAs, a "credit quality assessment scale" maps the credit assessments of a recognised credit rating agency or export credit agency to credit quality steps that determine the risk weight to be applied to an exposure.

**'Credit Rating'** An evaluation of the creditworthiness of an entity seeking to enter into a credit agreement.

**'Credit risk'** The risk of loss to Barclays from the failure of clients, customers or counterparties, including sovereigns, to fully honour their obligations to Barclays, including the whole and timely payment of principal, interest, collateral and other receivables. In the context of Risk Weighted Assets, it is the component of Risk Weighted Assets that represents the risk of loss in loans and advances and similar transactions resulting from the default of the counterparty.

**'Credit Risk Loans (CRLs)'** A loan becomes a credit risk loan when evidence of deterioration has been observed, for example a missed payment or other breach of covenant. A loan may be reported in one of three categories: (i) impaired loans; (ii) accruing past due 90 days or more; and (iii) restructured loans. These may include loans which, while impaired, are still performing but have associated individual impairment allowances raised against them.

**'Credit risk mitigation'** A range of techniques and strategies to actively mitigate credit risks to which the bank is exposed. These can be broadly divided into three types; collateral, netting and set-off, and risk transfer.

**'Credit spread'** The premium over the benchmark or risk-free rate required by the market to accept a lower credit quality.

**'Credit Valuation Adjustment (CVA)'** The difference between the risk-free value of a portfolio of trades and the market value which takes into account the counterparty's risk of default. The CVA therefore represents an estimate of the adjustment to fair value that a market participant would make to incorporate the credit risk of the counterparty due to any failure to perform on contractual agreements.

**'CRL Coverage'** Impairment allowances as a percentage of total CRLs (See 'Credit Risk Loans'). Also known as the 'CRL coverage ratio'.

**'CRR leverage exposure'** Is calculated in accordance with article 429 as per the CRR.

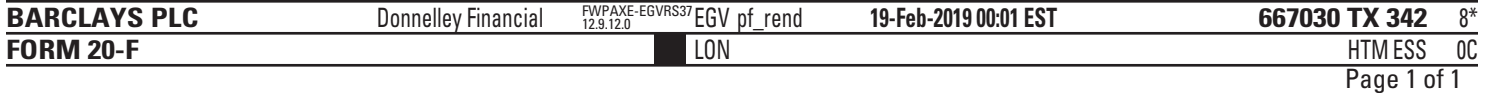
**'CRR leverage ratio'** Is calculated using the CRR definition of Tier 1 capital for the numerator and the CRR definition of leverage exposure as the denominator.

**'Customer assets'** Represents loans and advances to customers. Average balances are calculated as the sum of all daily balances for the year to date divided by number of days in the year to date.

**'Customer deposits'** In the context of Funding Risk, Liquidity Risk section, money deposited by all individuals and companies that are not credit institutions. Such funds are recorded as liabilities in the Barclays Group's balance sheet under Customer Accounts.

**'Customer liabilities'** Customer deposits.

**'Customer net interest income'** The sum of customer asset and customer liability net interest income. Customer net interest income reflects interest related to customer assets and liabilities only and does not include any interest on securities or other non-customer assets and liabilities.



**'CVA volatility charge'** The volatility charge added to exposures that adjusts for mid-market valuation on a portfolio of transactions with a counterparty. This is to reflect the current market value of the credit risk associated with the counterparty to the Barclays Group. The charge is prescribed by the CRR.

**'DBRS'** A credit rating agency.

**'Debit Valuation Adjustment (DVA)'** The opposite of Credit Valuation Adjustment (CVA). It is the difference between the risk-free value of a portfolio of trades and the market value which takes into account the Barclays Group's risk of default. The DVA, therefore, represents an estimate of the adjustment to fair value that a market participant would make to incorporate the credit risk of the Barclays Group due to any failure to perform on contractual obligations. The DVA decreases the value of a liability to take into account a reduction in the remaining balance that would be settled should the Barclays Group default or not perform any contractual obligations.

**'Debt buy-backs'** Purchases of the Barclays Group's issued debt securities, including equity accounted instruments, leading to their de-recognition from the balance sheet.

**'Debt securities in issue'** Transferable securities evidencing indebtedness of the Barclays Group. These are liabilities of the Barclays Group and include certificates of deposit and commercial paper.

**'Default grades'** Barclays Group classify ranges of default probabilities into a set of 21 intervals called default grades, in order to distinguish differences in the probability of default risk.

**'Default fund contributions'** The amount of contribution made by members of a central counterparty (CCP). All members are required to contribute to this fund in advance of using a CCP. The default fund can be used by the CCP to cover losses incurred by the CCP where losses are greater than the margins provided by that member.

**'Derivatives'** In the context of Non-Core Analysis of Total income, Derivatives comprise non strategic businesses from the non-core Investment Bank

**'Derivatives netting'** Adjustments applied across asset and liability mark-to-market derivative positions pursuant to legally enforceable bilateral netting agreements and eligible cash collateral received in derivative transactions that meet the requirements of BCBS 270.

**'Diversification effect'** Reflects the fact the risk of a diversified portfolio is smaller than the sum of the risks of its constituent parts. It is measured as the sum of the individual asset class DVaR (see above) estimates less the total DVaR.

**'Dodd-Frank Act (DFA)'** The US Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

**'Early warning lists (EWL)'** Categorisations for wholesale customers used to identify at an early stage those customers where it is believed that difficulties may develop, allowing timely corrective action to be taken. There are three categories of EWL, with risk increasing from EWL 1 (caution) to EWL 2 (medium) and EWL 3 (high). It is expected that most cases would be categorised EWL 1 before moving to 2 or 3, but it is recognised that some cases may be categorised to EWL 2 or 3 directly.

**Early Warning List (EWL) Managed accounts:** EWL Managed accounts are Business Lending customers that exceed the Arrears Managed Accounts limits and are monitored with standard processes that record heightened levels of risk through an EWL grading.

**'Earnings per Share contribution'** The attributable profit or loss generated by a particular business or segment divided by the weighted average number of Barclays shares in issue to illustrate on a per share basis how that business or segment contributes total earnings per share.

**Economic Value of Equity (EVE)** A measure of the potential change in value of expected future cash flows due to an adverse interest rate movement, based on existing balance sheet run-off profile.

**Effective Expected Positive Exposure (EEPE)** The weighted average over time of effective expected exposure. The weights are the proportion that an individual exposure represents of the entire exposure horizon time interval.

**‘Encumbrance’** The use of assets to secure liabilities, such as by way of a lien or charge.

**Enterprise Risk Management Framework (ERMF)** Barclays Group risk management responsibilities are laid out in the Enterprise Risk Management Framework, which describes how Barclays identifies and manages risk. The framework identifies the principal risks faced by

## Glossary of terms

the Barclays Group; sets out risk appetite requirements; sets out roles and responsibilities for risk management; and sets out risk committee structure.

**‘Equities’** Trading businesses encompassing Cash Equities, Equity Derivatives & Equity Financing

**‘Equity and stock index derivatives’** Derivatives whose value is derived from equity securities. This category includes equity and stock index swaps and options (including warrants, which are equity options listed on an exchange). The Barclays Group also enters into fund-linked derivatives, being swaps and options whose underlyings include mutual funds, hedge funds, indices and multi-asset portfolios. An equity swap is an agreement between two parties to exchange periodic payments, based upon a notional principal amount, with one side paying fixed or floating interest and the other side paying based on the actual return of the stock or stock index. An equity option provides the buyer with the right, but not the obligation, either to purchase or sell a specified stock, basket of stocks or stock index at a specified price or level on or before a specified date.

**‘Equity risk’** In the context of trading book capital requirements, the risk of change in market value of an equity investment.

**‘Equity structural hedge’** An interest rate hedge in place to reduce earnings volatility of the overnight / short term equity investment and to smoothen the income over a medium/long term.

**‘Euro Interbank Offered Rate (EURIBOR)’** A benchmark interest rate at which banks can borrow funds from other banks in the European interbank market.

**‘Europe’** Geographic segment comprising countries in which Barclays operates within the EU (excluding UK), Northern Continental and Eastern Europe.

**‘European Banking Authority (EBA)’** The European Banking Authority (EBA) is an independent EU Authority which works to ensure effective and consistent prudential regulation and supervision across the European banking sector. Its overall objectives are to maintain financial stability in the EU and to safeguard the integrity, efficiency and orderly functioning of the banking sector.

**‘European Securities and Markets Authority (ESMA)’** An independent European Supervisory Authority with the remit of enhancing the protection of investors and reinforcing stable and well-functioning financial markets in the European Union.

**‘Eurozone’** Represents the 19 European Union countries that have adopted the euro as their common currency. The 19 countries are Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia and Spain.

**‘Expected Credit Losses (ECL)’** A present value measure of the credit losses expected to result from default events that may occur during a specified period of time. ECLs must reflect the present value of cash shortfalls, and must reflect the unbiased and probability weighted assessment of a range of outcomes.

**‘Expected Losses’** A regulatory measure of anticipated losses for exposures captured under an internals ratings based credit risk approach for capital adequacy calculations. It is measured as the Barclays Group’s modelled view of anticipated losses based on Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD), with a one-year time horizon.

**‘Expert lender models’** Models of risk measures that are used for parts of the portfolio where the risk drivers are specific to a particular counterparty, but where there is insufficient data to support the construction of a statistical model. These models utilise the knowledge of credit experts that have in depth experience of the specific customer type being modelled.

**‘Exposure’** Generally refers to positions or actions taken by the bank, or consequences thereof, that may put a certain amount of a bank’s resources at risk.

**‘Exposure at Default (EAD)’** The estimation of the extent to which Barclays Group may be exposed to a customer or counterparty in the event of, and at the time of, that counterparty’s default. At default, the customer may not have drawn the loan fully or may already have repaid some of the principal, so that exposure may be less than the approved loan limit.

**‘External Credit Assessment Institutions (ECAI)’** Institutions whose credit assessments may be used by credit institutions for the determination of risk weight exposures according to CRD IV.

## Glossary of terms

**‘Federal Reserve Board (FRB)’** Is the governing board of the Federal Reserve System of the United States of America, in charge of making the country’s monetary policy.

**‘Financial Policy Committee (FPC)’** The Bank of England’s Financial Policy Committee (FPC) identifies, monitors and takes action to remove or reduce systemic risks with a view to protecting and enhancing the resilience of the UK financial system. The FPC also has a secondary objective to support the economic policy of the UK Government.

**‘F-IRB / Foundation-Internal Ratings Based’** See ‘Internal Ratings Based (IRB)’.

**‘Financial Conduct Authority (FCA)’** The statutory body responsible for conduct of business regulation and supervision of UK authorised firms. The FCA also has responsibility for the prudential regulation of firms that do not fall within the PRA’s scope.

**‘Financial Services Compensation Scheme (FSCS)’** The UK’s fund for compensation of authorised financial services firms that are unable to pay claims.

**‘Financial collateral comprehensive method (FCCM)’** A counterparty credit risk exposure calculation approach which applies volatility adjustments to the market value of exposure and collateral when calculating Risk Weighted Asset values.

**‘Financial Stability Board (FSB)’** An international body that monitors and makes recommendations about the global financial system. It promotes international financial stability by coordinating national financial authorities and international standard-setting bodies as they work toward developing strong regulatory, supervisory and other financial sector policies. It fosters a level playing field by encouraging coherent implementation of these policies across sectors and jurisdictions.

**‘Fitch’** A credit rating agency.

**‘Forbearance Programmes’** Forbearance programmes to 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.

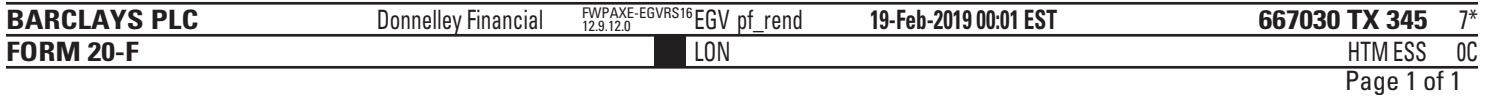
**‘Forbearance Programmes for Credit Cards’** Can be split into 2 main types: Repayment plans- A temporary reduction in the minimum payment due, for a maximum of 60 months. This may involve a reduction in interest rates to prevent negative amortization; Fully amortising- A permanent conversion of the outstanding balance into a fully amortising loan, over a maximum period of 60 months.

**‘Forbearance Programmes for Home Loans’** Can be split into 4 main types: Interest-only conversions- A temporary change from a capital and interest repayment to an interest-only repayment, for a maximum of 24 months; Interest rate reductions- A temporary reduction in interest rate, for a maximum of 12 months; Payment concessions- An agreement to temporarily accept reduced loan repayments, for a maximum of 24 months; Term extensions- A permanent extension to the loan maturity date which may involve a reduction in interest rates, and usually involves the capitalisation of arrears.

**‘Forbearance Programmes for Unsecured Loans’** Can be split into 3 main types: Payment concessions- An agreement to temporarily accept reduced loan repayments, for a maximum of 12 months; Term extensions- A permanent extension to the loan maturity date, usually involving the capitalisation of arrears; Fully amortising- A permanent conversion of the outstanding balance into a fully amortising loan, over a maximum period of 120 months for loans.

**‘Foreclosures in Progress’** The process by which the bank initiates legal action against a customer with the intention of terminating a loan agreement whereby the bank may repossess the property subject to local law and recover amounts it is owed.

**‘Foreign exchange derivatives’** The Barclays Group’s principal exchange rate-related contracts are forward foreign exchange contracts, currency swaps and currency options. Forward foreign exchange contracts are agreements to buy or sell a specified quantity of foreign currency, usually on a specified future date at an agreed rate. Currency swaps generally involves the exchange, or notional exchange, of equivalent amounts of two currencies and a commitment to exchange interest periodically until the principal amounts are re-exchanged on a future date. Currency options provide the buyer with the right, but not the obligation, either to purchase or sell a fixed amount of a currency at a specified exchange rate on or before a future date. As compensation for assuming the option risk, the option writer generally receives a premium at the start of the option period.



**'Foreign exchange risk'** In the context of DVaR, the impact of changes in foreign exchange rates and volatilities.

**'Front Arena'** A deal solution that helps to trade and manage positions and risk in the global capital markets.

**'Full time equivalent'** Full time equivalent units are the on-job hours paid for employee services divided by the number of ordinary-time hours normally paid for a full-time staff member when on the job (or contract employees where applicable).

**'Fully loaded'** When a measure is presented or described as being on a fully loaded basis, it is calculated without applying the transitional provisions set out in Part Ten of CRD IV.

**'Funded credit protection'** Is a technique of credit risk mitigation where the reduction of the credit risk on the exposure of an institution derives from the right of that institution, in the event of the default of the counterparty or on the occurrence of other specified credit events relating to the counterparty, to liquidate, or to obtain transfer or appropriation of, or to retain certain assets or amounts, or to reduce the amount of the exposure to, or to replace it with, the amount of the difference between the amount of the exposure and the amount of a claim on the institution.

**'Funding for Lending Scheme (FLS)'** Scheme launched by the Bank of England to incentivise banks and building societies to lend to UK households and non-financial companies through reduced funding costs, the benefits of which are passed on to UK borrowers in the form of cheaper and more easily available loans.

**'Funding mismatch'** In the context of Eurozone balance sheet funding exposures, the excess of local euro denominated external assets, such as customer loans, over local euro denominated liabilities, such as customer deposits.

**'Gains on acquisitions'** The amount by which the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities, recognised in a business combination, exceeds the cost of the combination.

**General Data Protection Regulations (GDPR)**<sup>1</sup> GDPR (Regulation (EU) 2016/679) is a regulation by which the European Parliament, the Council of the European Union and the European Commission intend to strengthen and unify data protection for all individuals within the European Union.

**'General market risk'** The risk of a price change in a financial instrument due to a change in level of interest rates or owing to a broad equity market movement unrelated to any specific attributes of individual securities.

**Global-Systemically Important Banks (G-SIBs or G-SIIs)** Global financial institutions whose size, complexity and systemic interconnectedness, mean that their distress or failure would cause significant disruption to the wider financial system and economic activity. The Financial Stability Board and the Basel Committee on Banking Supervision publish a list of globally systemically important banks.

**G-SII additional leverage ratio buffer (G-SII ALRB)**<sup>1</sup> A macroprudential buffer that applies to globally systemically important banks (G-SIBs) and other major domestic UK banks and building societies, including banks that are subject to ring-fencing requirements. The G-SII ALRB will be calibrated as 35% (on a phased basis) of the combined systemic risk buffers that applies to the bank.

<sup>1</sup> 'GSII Buffer' Common Equity Tier 1 capital required to be held under CRD IV to ensure that G-SIBs build up surplus capital to compensate for the systemic risk that such institutions represent to the financial system.

**'Grandfathering'** In the context of CRD IV capital resources, the phasing in of the application of instrument eligibility rules which allows CRR non-compliant capital instruments to be included in regulatory capital subject to certain thresholds which decrease over the transitional period.

**'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 period.





## Glossary of terms

**'Guarantee'** Unless otherwise described, an undertaking by a third party to pay a creditor should a debtor fail to do so. It is a form of credit substitution.

**'Head Office'** A division comprising Brand and Marketing, Finance, Head Office, Human Resources, Internal Audit, Legal and Compliance, Risk, Treasury and Tax and other operations.

**'High Net Worth'** Businesses within Barclays UK and Barclays International that provide banking and other services to high net worth customers.

**'High Risk'** In retail banking, 'High Risk' is defined as the subset of up-to-date customers who, either through an event or observed behaviour exhibit potential financial difficulty. Where appropriate, these customers are proactively contacted to assess whether assistance is required.

**'Home loan'** A loan to purchase a residential property. The property 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.

<sup>1</sup> 'IHC' or 'US IHC' Barclays US LLC, the intermediate holding company established by Barclays in July 2016, which holds most of Barclays' subsidiaries and assets in the United States.

'IMA / Internal Model Approach' In the context of Risk Weighted Assets, Risk Weighted Assets for which the exposure amount has been derived via the use of a PRA approved internal market risk model.

**'IMM / Internal Model Method'** In the context of Risk Weighted Assets, Risk Weighted Assets for which the exposure amount has been derived via the use of a PRA approved internal counterparty credit risk model.

‘Identified Impairment (II)’ Specific impairment allowances for financial assets, individually estimated.

**'IFRS9 transitional arrangements'** Following the application of IFRS 9 as of 1 January 2018, Article 473a of CRR permits institutions to phase-in the impact on capital and leverage ratios of the impairment requirements under the new accounting standard.

**'Impairment Allowances'** A provision held on the balance sheet as a result of the raising of a charge against profit for expected losses in the lending book. An impairment allowance may either be identified or unidentified and individual or collective.

**'Impairment Coverage Ratio'** Impairment allowance held against balances in a specific portfolio expressed as a percentage of balances in the specific portfolio.

**'Income'** Total income, unless otherwise specified.

**Incremental Risk Charge (IRC)** An estimate of the incremental risk arising from rating migrations and defaults beyond what is already captured in specific market risk VaR for the non correlation trading portfolio.

**'Independent Commission on Banking (ICB)'** Body set up by HM Government to identify structural and non-structural measures to reform the UK banking system and promote competition.

**‘Independent Validation Unit (IVU)’** The function within the bank responsible for independent review, challenge and approval of all models.

**'Individual liquidity guidance (ILG)'** Guidance given to a bank about the amount, quality and funding profile of liquidity resources that the PRA has asked the bank to maintain.

**'Inflation risk'** In the context of DVaR, the impact of changes in inflation rates and volatilities on cash instruments and derivatives.

**'Insurance Risk'** The risk of the Barclays Group's aggregate insurance premiums received from policyholders under a portfolio of insurance contracts being inadequate to cover the claims arising from those policies.

**'Interchange'** Income paid to a credit card issuer for the clearing and settlement of a sale or cash advance transaction.

Glossary of terms

**'Interest only home loans'** Under the terms of these loans, the customer makes payments of interest only for the entire term of the mortgage, although customers may make early repayments of the principal within the terms of their agreement. The customer is responsible for repaying the entire outstanding principal on maturity, which may require the sale of the mortgaged property.

**'Interest rate derivatives'** Derivatives linked to interest rates. This category includes interest rate swaps, collars, floors options and swaptions. An interest rate swap is an agreement between two parties to exchange fixed rate and floating rate interest by means of periodic payments based upon a notional principal amount and the interest rates defined in the contract. Certain agreements combine interest rate and foreign currency swap transactions, which may or may not include the exchange of principal amounts. A basis swap is a form of interest rate swap, in which both parties exchange interest payments based on floating rates, where the floating rates are based upon different underlying reference indices. In a forward rate agreement, two parties agree a future settlement of the difference between an agreed rate and a future interest rate, applied to a notional principal amount. The settlement, which generally occurs at the start of the contract period, is the discounted present value of the payment that would otherwise be made at the end of that period.

**'Interest rate risk'** The risk of interest rate volatility adversely impacting the Barclays Group's net interest margin. In the context of the calculation of market risk DVaR, measures the impact of changes in interest (swap) rates and volatilities on cash instruments and derivatives.

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

**'Internal Assessment Approach (IAA)'** One of three types of calculation that a bank with permission to use the Internal Ratings Based (IRB) approach may apply to securitisation exposures. It consists of mapping a bank's internal rating methodology for credit exposures to those of an External Credit Assessment Institution (ECAI) to determine the appropriate risk weight based on the ratings based approach. Its applicability is limited to ABCP programmes related to liquidity facilities and credit enhancement.

**'Internal Capital Adequacy Assessment Process (ICAAP)'** Companies are required to perform a formal Internal Capital Adequacy Assessment Process (ICAAP) as part of the Pillar 2 requirements (BIPRU) and to provide this document to the PRA on a yearly basis. The ICAAP document summarises the Barclays Group's risk management framework, including approach to managing all risks (i.e. Pillar 1 and non-Pillar 1 risks); and, the Barclays Group's risk appetite, economic capital and stress testing frameworks.

**'Internal model method (IMM)'** In the context of Risk Weighted Assets, Risk Weighted Assets for which the exposure amount has been derived via the use of a PRA approved internal counterparty credit risk model.

**'Internal Ratings Based (IRB)'** An approach under the CRR framework that relies on the bank's internal models to derive the risk weights. The IRB approach is divided into two alternative applications, Advanced and Foundation:

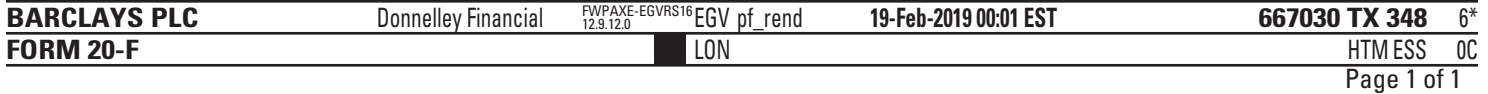
- Advanced IRB ('A-IRB'): the bank uses its own estimates of probability of default (PD), loss given default (LGD) and credit conversion factor to model a given risk exposure.
- Foundation IRB: the bank applies its own PD as for Advanced, but it uses standard parameters for the LGD and the credit conversion factor. The Foundation IRB approach is specifically designed for wholesale credit exposures. Hence retail, equity, securitisation positions and non-credit obligations asset exposures are treated under standardised or A-IRB.

**'Investment Bank'** The Barclays Group's investment bank which consists of origination led and returns focused markets and banking business which forms part of the Corporate and Investment Banking segment of Barclays International.

**'Investment Banking Fees'** In the context of Investment Bank Analysis of Total Income, fees generated from origination activity businesses – including financial advisory, debt and equity underwriting.

**'Investment grade'** A debt security, treasury bill or similar instrument with a credit rating of AAA to BBB as measured by external credit rating agencies.

**'ISDA Master Agreement'** The most commonly used master contract for OTC derivative transactions internationally. It is part of a framework of documents, designed to enable OTC derivatives to be documented fully and flexibly. The framework consists of a master



agreement, a schedule, confirmations, definition booklets, and a credit support annex. The ISDA master agreement is published by the International Swaps and Derivatives Association (ISDA).

**'Key Risk Scenarios (KRS)'** Key Risk Scenarios are a summary of the extreme potential risk exposure for each Key Risk in each business and function, including an assessment of the potential frequency of risk events, the average size of losses and three extreme scenarios. The Key Risk Scenario assessments are a key input to the Advanced Measurement Approach calculation of regulatory and economic capital requirements.

**'Lag risk'** Arises from the delay in re-pricing customer rates for certain variable/managed rate products, following an underlying change to market interest rates. This is typically driven by either regulatory constraint around customer notification on pricing changes, processing time for the Barclays Group's and/or Entity's notification systems or contractual agreements within a product's terms and conditions.

**'Large exposure'** A large exposure is defined as the total exposure of a bank to a counterparty or group of connected clients, whether in the banking book or trading book or both, which in aggregate equals or exceeds 10% of the bank's eligible capital.

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

**'Lender Option Borrower Option (LOBO)'** A clause previously included in ESHLA loans that allowed Barclays, on specific dates, to raise the fixed interest rate on the loan, upon which the borrower had the option to either continue with the loan at the higher rate, or re-pay the loan at par.

**'Lending'** In the context of Investment Bank Analysis of Total Income, lending income includes net interest income, gains or losses on loan sale activity, and risk management activity relating to the loan portfolio.

**'Letters of credit'** A letter typically used for the purposes of international trade guaranteeing that a debtor's payment to a creditor will be made on time and in full. In the event that the debtor is unable to make payment, the bank will be required to cover the full or remaining amount of the purchase.

**'Level 1 assets'** High quality liquid assets under the Basel Committee's Liquidity Coverage Ratio (LCR), including cash, central bank reserves and higher quality government securities.

**'Level 2 assets'** Under the Basel Committee's Liquidity Coverage Ratio high quality liquid assets (HQLA) are comprised of Level 1 and Level 2 assets, with the latter comprised of Level 2A and Level 2B assets. Level 2A assets include, for example, lower quality government securities, covered bonds and corporate debt securities. Level 2B assets include, for example, lower rated corporate bonds, residential mortgage backed securities and equities that meet certain conditions.

**'Lifetime expected credit losses'** An assessment of expected losses associated with default events that may occur during the life of an exposure, reflecting the present value of cash shortfalls over the remaining expected life of the asset.

**'Lifetime Probability'** The likelihood of accounts entering default during the expected remaining life of the asset.

**'Liquidity Coverage Ratio (LCR)'** The ratio of the stock of high quality liquid assets to expected net cash outflows over the next 30 days. High-quality liquid assets should be unencumbered, liquid in markets during a time of stress and, ideally, be central bank eligible. These include, for example, cash and claims on central governments and central banks.

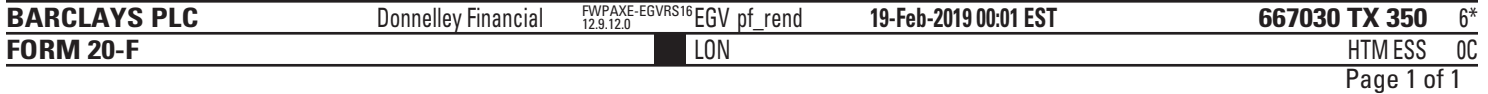
**'Liquidity Pool'** The Barclays Group liquidity pool comprises cash at central banks and highly liquid collateral specifically held by the Barclays Group as a contingency to enable the bank to meet cash outflows in the event of stressed market conditions.

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

**'Liquidity risk appetite (LRA)'** The level of liquidity risk that the Barclays Group chooses to take in pursuit of its business objectives and in meeting its regulatory obligations.

## Glossary of terms

- 'Liquidity Risk Management Framework (the Liquidity Framework)'** The Liquidity Risk Management Framework (the Liquidity Framework), which is sanctioned by the Board Risk Committee (BRC) and which incorporates liquidity policies, systems and controls that the Barclays Group has implemented to manage liquidity risk within tolerances approved by the Board and regulatory agencies.
- 'Litigation and conduct charges' or 'Litigation and conduct'** Litigation and conduct charges include regulatory fines, litigation settlements and conduct related customer redress.
- 'Loan loss rate'** Quoted in basis points and represents total impairment charges divided by gross loans and advances held at amortised cost at the balance sheet date.
- 'Loan to deposit ratio'** Loans and advances at amortised costs divided by deposits at amortised cost.
- 'Loan to value (LTV) ratio'** 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. Also see 'Marked to market (MTM) LTV ratio.'
- 'London Interbank Offered Rate (LIBOR)'** A benchmark interest rate at which banks can borrow funds from other banks in the London interbank market.
- 'Long-term refinancing operation (LTRO)'** The European Central Bank's 3 year long term bank refinancing operation.
- 'Loss Given Default (LGD)'** The percentage of Exposure at Default (EAD) (defined above) that will not be recovered following default. LGD comprises the actual loss (the part that is not expected to be recovered), together with the economic costs associated with the recovery process.
- 'Macro Products'** Represents Rates, currency and commodities income.
- 'Management VaR'** A measure of the potential loss of value arising from unfavourable market movements at a specific confidence level, if current positions were to be held unchanged for predefined period. Corporate and Investment Bank uses Management VaR with a two-year equally weighted historical period, at a 95% confidence level, with a one day holding period.
- 'Mandatory break clause'** In the context of counterparty credit risk, a contract clause that means a trade will be ended on a particular date.
- 'Marked to market approach'** A counterparty credit risk exposure calculation approach which uses the current mark to market value of derivative positions as well as a potential future exposure add-on to calculate an exposure to which a risk weight can be applied. This is also known as the Current Exposure Method.
- 'Marked to market (MTM) LTV ratio'** The loan amount as a percentage of the current value of the asset used to secure the loan. Also see 'Balance weighted Loan to Value (LTV) ratio' and 'Valuation weighted Loan to Value (LTV) ratio.'
- 'Market risk'** The risk of loss arising from potential adverse changes in the value of the Barclays Group's assets and liabilities from fluctuation in market variables including, but not limited to, interest rates, foreign exchange, equity prices, commodity prices, credit spreads, implied volatilities and asset correlations.
- 'Master netting agreements'** An agreement that provides for a single net settlement of all financial instruments and collateral covered by the agreement in the event of the counterparty's default or bankruptcy or insolvency, resulting in a reduced exposure.
- 'Master trust securitisation programmes'** A securitisation structure where a trust is set up for the purpose of acquiring a pool of receivables. The trust issues multiple series of securities backed by these receivables.
- 'Matchbook (or matched book)'** An asset/liability management strategy where assets are matched against liabilities of equivalent value and maturity.
- 'Material Risk Takers (MRTs)'** Categories of staff whose professional activities have or are deemed to have a material impact on Barclays' risk profile, as determined in accordance with the European Banking Authority regulatory technical standard on the identification of such staff.



**Medium-Term Notes** Corporate notes (or debt securities) continuously offered by a company to investors through a dealer. Investors can choose from differing maturities, ranging from nine months to 30 years. They can be issued on a fixed or floating coupon basis or with an exotic coupon; with a fixed maturity date (non-callable) or with embedded call or put options or early repayment triggers. MTNs are most generally issued as senior, unsecured debt.

**'Methodology and policy'** In the context of the Funding Risk, Capital Risk section, the effect on RWAs of methodology changes driven by regulatory policy changes.

**'MiFid2'** The Markets in Financial Instruments Directive 2004/39/EC (known as "MiFID" 1) as subsequently amended to MiFID 2 is a European Union law that provides harmonised regulation for investment services across the 31 member states of the European Economic Area.

**'Minimum requirement for own funds and eligible liabilities (MREL)'** A European Union wide requirement under the Bank Recovery and Resolution Directive for all European banks and investment banks to hold a minimum level of equity and/or loss absorbing eligible liabilities to ensure the operation of the bail-in tool to absorb losses and recapitalise an institution in resolution. An institution's MREL requirement is set by its resolution authority. Amendments are proposed to align MREL and TLAC requirements for EU G-SIBs.

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

**'Model updates'** In the context of the Funding Risk, Capital Risk section, changes in RWAs caused by model implementation, changes in model scope or any changes required to address model malfunctions.

**'Model validation'** Process through which models are independently challenged, tested and verified to prove that they have been built, implemented and used correctly, and that they continue to be fit-for-purpose.

**'Modelled—VaR'** In the context of Risk Weighted Assets, Market risk calculated using value at risk models laid down by the CRR and supervised by the PRA.

**'Money market funds'** Investment funds typically invested in short-term debt securities.

**'Monoline derivatives'** Derivatives with a monoline insurer such as credit default swaps referencing the underlying exposures held.

**'Moody's'** A credit rating agency.

**'Mortgage Current Accounts (MCA) Reserves'** A secured overdraft facility available to home loan customers which allows them to borrow against the equity in their home. It allows draw-down up to an agreed available limit on a separate but connected account to the main mortgage loan facility. The balance drawn must be repaid on redemption of the mortgage.

**'Multilateral development banks'** Financial institutions created for the purposes of development, where membership transcends national boundaries.

**'National discretion'** Discretions in CRD IV given to member states to allow the local regulator additional powers in the application of certain CRD IV rules in its jurisdiction.

**'Net asset value per share'** Calculated by dividing shareholders' equity, excluding non-controlling interests and other equity instruments, by the number of issued ordinary shares.

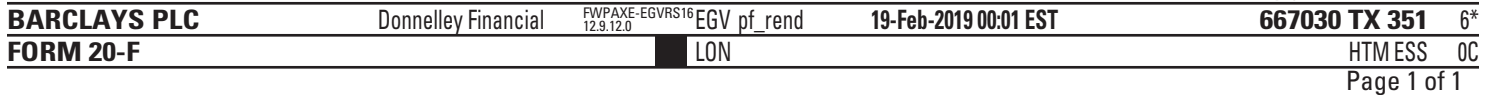
**'Net interest income (NII)'** The difference between interest income on assets and interest expense on liabilities.

**'Net interest margin (NIM)'** Net interest income divided by the sum of average customer assets.

**'Net investment income'** Changes in the fair value of financial instruments designated at fair value, dividend income and the net result on disposal of available for sale assets.

**'Net Stable Funding Ratio (NSFR)'** The ratio of available stable funding to required stable funding over a one year time horizon, assuming a stressed scenario. The ratio is required to be over 100%. Available stable funding would include such items as equity capital, preferred stock with a maturity of over 1 year, or liabilities with a maturity of over 1 year. The required amount of stable funding is calculated as the





sum of the value of the assets held and funded by the institution, multiplied by a specific derived stable funding (RSF) factor assigned to each particular asset type, added to the amount of potential liquidity exposure multiplied by its associated RSF factor.

**'Net tangible asset value per share'** Calculated by dividing shareholders' equity, excluding non-controlling interests and other equity instruments, less goodwill and intangible assets, by the number of issued ordinary shares.

**'Net trading income'** Gains and losses arising from trading positions which are held at fair value, in respect of both market-making and customer business, together with interest, dividends and funding costs relating to trading activities.

**'Net written credit protection'** In the context of leverage exposure, the net notional value of credit derivatives protection sold and credit derivatives protection bought.

**'New bookings'** The total of the original balance on accounts opened in the reporting period, including any applicable fees and charges included in the loan amount.

**'Non-asset backed debt instruments'** Debt instruments not backed by collateral, including government bonds; US agency bonds; corporate bonds; commercial paper; certificates of deposit; convertible bonds; corporate bonds and issued notes.

**'Non-customer net interest income' / 'Non-customer interest income'** Principally comprises the impact of product and equity structural hedges, as well as certain other net interest income received on government bonds and other debt securities held for the purposes of interest rate hedging and liquidity for local banking activities.

**'Non-model method (NMM)'** In the context of Risk Weighted Assets, Counterparty credit risk, Risk Weighted Assets where the exposure amount has been derived through the use of CRR norms, as opposed to an internal model.

**'Non-performance costs'** Costs other than performance costs.

**'Non-performing proportion of outstanding balances'** Defined as balances greater than 90 days delinquent (including forbearance accounts greater than 90 days and accounts charged off to recoveries), expressed as a percentage of outstanding balances.

**'Non-performing balances impairment coverage ratio'** Impairment allowance held against non performing balances expressed as a percentage of non performing balances.

**'Non-Traded Market Risk'** The risk that the current or future exposure in the banking book (i.e. non-traded book) will impact bank's capital and/or earnings due to adverse movements in Interest or Foreign Exchange Rates.

**'Non-Traded VaR'** Reflects the volatility in the value of the available for sale investments in the liquidity pool which flow directly through capital via the available for sale reserve. The underlying methodology to calculate non traded VaR is similar to Traded Management VaR, but the two measures are not directly comparable. The Non Traded VaR represents the volatility to capital driven by the available for sale exposures. These exposures are in the banking book and do not meet the criteria for trading book treatment.

**'Notch'** A single unit of measurement in a credit rating scale.

**'Notional amount'** The nominal or face amount of a financial instrument, such as a loan or a derivative, that is used to calculate payments made on that instrument.

**'Open Banking'** The Payment Services Directive (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.

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

**'Operational Riskdata eXchange (ORX)'** The Operational Riskdata eXchange Association (ORX) is a not-for-profit industry association dedicated to advancing the measurement and management of operational risk in the global financial services industry. Barclays is a member of ORX.

**'Origination led'** Focus on high margin, low capital fee based activities and related hedging opportunities.

Glossary of terms

**‘Origination exposure model’** A technique used to measure the counterparty credit risk of losing anticipated cash flows from forwards, swaps, options and other derivatives contracts in the event the counterparty to the contract should default.

**‘OSII’** Other systemically important institutions are institutions that are deemed to create risk to financial stability due to their systemic importance.

**‘Over-the-counter (OTC) derivatives’** Derivative contracts that are traded (and privately negotiated) directly between two parties. They offer flexibility because, unlike standardised exchange-traded products, they can be tailored to fit specific needs.

**‘Own credit’** The effect of changes in the Barclays Group’s own credit standing on the fair value of financial liabilities.

**‘Owner occupied mortgage’** A mortgage where the intention of the customer was to occupy the property at origination.

**‘Past due items’** Refers to loans where the borrower has failed to make a payment when due under the terms of the loan contract.

**‘Payment Protection Insurance (PPI) redress’** Provision for the settlement of PPI miss-selling claims and related claims management costs.

**‘Pension Risk’** The risk of the Barclays Group’s earnings and capital being adversely impacted by the Barclays Group’s defined benefit obligations increasing or the value of the assets backing these defined benefit obligations decreasing due to changes in both the level and volatility of prices.

**‘Performance costs’** The accounting charge recognised in the period for performance awards. For deferred incentives and long-term incentives, the accounting charge is spread over the relevant periods in which the employee delivers service.

**‘Personal Banking’** Offers retail advice, products and services to community and premier customers in the UK.

**‘Period end allocated tangible equity’** Allocated tangible equity is calculated as 12.0% (2016: 11.5%) of CRD IV fully loaded Risk Weighted Assets for each business, adjusted for CRD IV fully loaded capital deductions, excluding goodwill and intangible assets, reflecting assumptions the Barclays Group uses for capital planning purposes. Head Office tangible equity represents the difference between the Barclays Group’s tangible equity and the amounts allocated to businesses.

**‘Post-model adjustment (PMA)’** In the context of Basel models, a PMA is a short term increase in regulatory capital applied at portfolio level to account for model input data deficiencies, inadequate model performance or changes to regulatory definitions (e.g. definition of default) to ensure the model output is accurate, complete and appropriate.

**‘Potential Credit Risk Loans (PCRLs)’** Comprise the outstanding balances to Potential Problem Loans (defined below) and the three categories of Credit Risk Loans (defined above).

**‘Potential Future Exposure (PFE) on Derivatives’** A regulatory calculation in respect of the Barclays Group’s potential future credit exposure on both exchange traded and OTC derivative contracts, calculated by assigning a standardised percentage (based on the underlying risk category and residual trade maturity) to the gross notional value of each contract.

**‘Potential Problem Loans (PPLs)’** Loans that are currently complying with repayment terms but where serious doubt exists as to the ability of the borrowers to continue to comply with repayment terms in the near future.

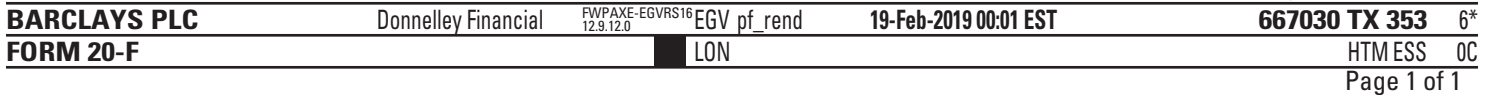
**‘PRA waivers’** PRA approvals that specifically give permission to the bank to either modify or waive existing rules. Waivers are specific to an organisation and require applications being submitted to and approved by the PRA.

**‘Primary securitisations’** The issuance of securities (bonds and commercial papers) for fund-raising.

**‘Primary Stress Tests’** In the context of Traded Market Risk, Stress Testing provides an estimate of potentially significant future losses that might arise from extreme market moves or scenarios. Primary Stress Tests apply stress moves to key liquid risk factors for each of the major trading asset classes.

**‘Prime Services’** Involves financing of fixed income and equity positions using Repo and stock lending facilities. The Prime Services business also provides brokerage facilitation services for hedge fund clients offering execution and clearance facilities for a variety of asset classes.

**‘Principal’** In the context of a loan, the amount borrowed, or the part of the amount borrowed which remains unpaid (excluding interest).



**‘Principal Investments’** Private equity investments.

'Principal Risks' the principal risks affecting the Barclays Group described in the risk review section of the Barclays PLC Annual Report.

**'Private equity investments'** Investments in equity securities in operating companies not quoted on a public exchange. Investment in private equity often involves the investment of capital in private companies or the acquisition of a public company that results in the delisting of public equity. Capital for private equity investment is raised by retail or institutional investors and used to fund investment strategies such as leveraged buyouts, venture capital, growth capital, distressed investments and mezzanine capital.

**Private-label securitisation**<sup>1</sup> Residential mortgage backed security transactions sold or guaranteed by entities that are not sponsored or owned by the government.

**‘Probability of Default (PD)’** The likelihood that a loan will not be repaid and will fall into default. PD may be calculated for each client who has a loan (normally applicable to wholesale customers/clients) or for a portfolio of clients with similar attributes (normally applicable to retail customers). To calculate PD, Barclays assesses the credit quality of borrowers and other counterparties and assigns them an internal risk rating. Multiple rating methodologies may be used to inform the rating decision on individual large credits, such as internal and external models, rating agency ratings, and for wholesale assets market information such as credit spreads. For smaller credits, a single source may suffice such as the result from an internal rating model.

**Product structural hedge:** An interest rate hedge in place to reduce earnings volatility on product balances with an instant access (such as non-interest bearing current accounts and managed rate deposits) and to smoothen the income over a medium/long term.

**Properties in Possession held as 'Loans and Advances to Customers'** Properties in the UK and Italy where the customer continues to retain legal title but where the bank has enforced the possession order as part of the foreclosure process to allow for the disposal of the asset or the court has ordered the auction of the property.

**Properties in Possession held as 'Other Real Estate Owned'** Properties in South Africa, where the bank has taken legal ownership of the title as a result of purchase at an auction or similar and treated as 'Other Real Estate Owned' within other assets on the bank's balance sheet.

**'Proprietary trading'** When a bank, brokerage or other financial institution trades on its own account, at its own risk, rather than on behalf of customers, so as to make a profit for itself.

**Prudential Regulation Authority (PRA)**<sup>1</sup> The statutory body responsible for the prudential supervision of banks, building societies, insurers and a small number of significant investment banks in the UK. The PRA is a subsidiary of the Bank of England.

**Prudential valuation adjustment (PVA)**<sup>1</sup> A calculation which adjusts the accounting values of positions held on balance sheet at fair value to comply with regulatory valuation standards, which place greater emphasis on the inherent uncertainty around the value at which a trading book position could be exited.

**‘Public benchmark’** Unsecured medium term notes issued in public syndicated transactions.

**Qualifying Revolving Retail Exposure (QRRE)**<sup>1</sup> In the context of the IRB approach to credit risk RWA calculations, an exposure meeting the criteria set out in BIPRU 4.6.42 R (2). It includes most types of credit card exposure.

**'Rates'** In the context of Investment Bank income analysis, trading revenue relating to government bonds and linear interest rate derivatives.

**'Re-aging'** The returning of a delinquent account to up-to-date status without collecting the full arrears (principal, interest and fees).

**Real Estate Mortgage Investment Conduits (REMICs)**<sup>1</sup> An entity that holds a fixed pool of mortgages and that is separated into multiple classes of interests for issuance to investors.

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

**'Recoveries proportion of outstanding balances'** Represents the amount of recoveries (gross month-end customer balances of all accounts that have charged-off) as at the period end compared to total outstanding balances. The size of the recoveries book would ultimately

## Glossary of terms

have an impact on the overall impairment requirement on the portfolio. Balances in recoveries will decrease if: assets are written-off; amounts are collected; or assets are sold to a third party (i.e. debt sale).

**‘Redenomination risk’** The risk of financial loss to the Barclays Group should one or more countries exit from the Euro, potentially leading to the devaluation of local balance sheet assets and liabilities.

**‘Regulatory capital’** The amount of capital that a bank holds to satisfy regulatory requirements.

**‘Renegotiated loans’** Loans are generally renegotiated either as part of an ongoing customer relationship or in response to an adverse change in the circumstances of the borrower. In the latter case renegotiation can result in an extension of the due date of payment or repayment plans under which the Barclays Group offers a concessionary rate of interest to genuinely distressed borrowers. This will result in the asset continuing to be overdue and will be individually impaired where the renegotiated payments of interest and principal will not recover the original carrying amount of the asset. In other cases, renegotiation will lead to a new agreement, which is treated as a new loan.

**‘Repricing lag risk’** The risk that when underlying interest rates change it can take a number of months to change the customer rate e.g. should rates decrease then we would need to let our variable savings rate customers know that we would be decreasing their savings rates. This could result in a loss of income as it may take several months, whereas the “funding/investment” benefit reduces immediately.

**‘Repurchase agreement (Repo)’ / ‘Reverse repurchase agreement (Reverse repo)’** Arrangements that allow counterparties to use financial securities as collateral for an interest bearing cash loan. The borrower agrees to sell a security to the lender subject to a commitment to repurchase the asset at a specified price on a given date. For the party selling the security (and agreeing to repurchase it in the future) it is a Repurchase agreement or Repo; for the counterparty to the transaction (buying the security and agreeing to sell in the future) it is a Reverse repurchase agreement or Reverse repo.

**‘Reputation risk’** The risk that an action, transaction, investment or event will reduce trust in the Barclays Group’s integrity and competence by clients, counterparties, investors, regulators, employees or the public.

**‘Re-securitisations’** The repackaging of Securitised Products into securities. The resulting securities are therefore securitisation positions where the underlying assets are also predominantly securitisation positions.

**‘Reserve Capital Instruments (RCIs)’** Hybrid issued capital securities which may be debt or equity accounted, depending on the terms.

**‘Residential Mortgage-Backed Securities (RMBS)’** Securities that represent interests in a group of residential mortgages. Investors in these securities have the right to cash received from future mortgage payments (interest and/or principal).

**‘Residual maturity’** The remaining contractual term of a credit obligation associated with a credit exposure.

**‘Restructured loans’** Comprises loans where, for economic or legal reasons related to the debtor’s financial difficulties, a concession has been granted to the debtor that would not otherwise be considered. Where the concession results in the expected cash flows discounted at the original effective interest rate being less than the loan’s carrying value, an impairment allowance will be raised.

**‘Retail Loans’** Loans to individuals or small and medium sized enterprises rather than to financial institutions and larger businesses. It includes both secured and unsecured loans such as mortgages and credit card balances, as well as loans to certain smaller business customers, typically with exposures up to £3m or with a turnover up to £5m.

**‘Return on average Risk Weighted Assets’** Statutory profit as a proportion of average Risk Weighted Assets.

**‘Return on average shareholders’ equity’** Statutory profit after tax attributable to ordinary shareholders, including an adjustment for the tax credit in reserves in respect of other equity instruments, as a proportion of average shareholders’ equity, excluding non-controlling interests and other equity instruments.

**‘Return on average tangible shareholders’ equity’** Statutory profit after tax attributable to ordinary equity holders of the parent, including an adjustment for the tax credit in reserves in respect of other equity instruments, as a proportion of average shareholders’ equity excluding non-controlling interests and other equity instruments, adjusted for the deduction of intangible assets and goodwill.

## Glossary of terms

**‘Return on average allocated tangible shareholders’ equity’** Statutory profit after tax attributable to ordinary shareholders, including an adjustment for the tax credit in reserves in respect of other equity instruments, as a proportion of average allocated tangible shareholders’ equity.

**‘Risk Appetite’** The level of risk that Barclays is prepared to accept whilst pursuing its business strategy, recognising a range of possible outcomes as business plans are implemented.

**‘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 rules as implemented by CRD IV and local regulators.

**‘Risks not in VaR (RNIVS)’** Refers to all the key market risks which are not captured or not well captured within the VaR model framework.

**‘Roll rate analysis’** The measurement of the rate at which retail accounts deteriorate through delinquency phases.

**‘Sales commissions, commitments and other incentives’** Includes commission-based arrangements, guaranteed incentives and Long Term Incentive Plan awards.

**‘Sarbanes-Oxley requirements’** The Sarbanes-Oxley Act 2002 (SOX), which was introduced by the U.S. Government to safeguard against corporate governance scandals such as Enron, WorldCom and Tyco. All US-listed companies must comply with SOX.

**‘Second Lien’** Debt that is issued against the same collateral as higher lien debt but that is subordinate to it. In the case of default, compensation for this debt will only be received after the first lien has been repaid and thus represents a riskier investment than the first lien.

**‘Secondary Stress Tests’** Secondary stress tests are used in measuring potential losses arising from illiquid market risks that cannot be hedged or reduced within the time period covered in Primary Stress Tests.

**‘Securities and loans’** In the context of Non-Core Analysis of Total income, Barclays Non-Core Securities and Loans comprise non strategic businesses, predominantly from the non-core Investment Bank and Corporate Bank.

**‘Securities Financing Transactions (SFT)’** In the context of Risk Weighted Assets (RWAs), any of the following transactions: a repurchase transaction, a securities or commodities lending or borrowing transaction, or a margin lending transaction whereby cash collateral is received or paid in respect of the transfer of a related asset.

**‘Securities financing transactions adjustments’** In the context of leverage ratio, a regulatory add-on calculated as exposure less collateral, taking into account master netting agreements.

**‘Securities lending arrangements’** Arrangements whereby securities are legally transferred to a third party subject to an agreement to return them at a future date. The counterparty generally provides collateral against non performance in the form of cash or other assets.

**‘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.

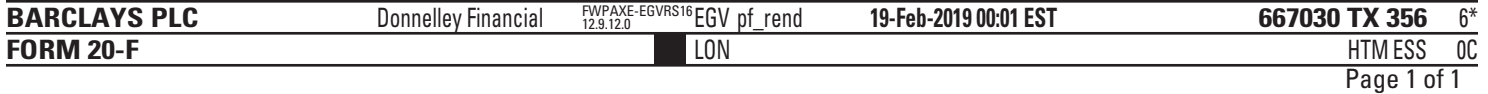
**‘Securitised Products’** A business within the Investment Bank that offers a range of products relating to residential mortgage backed securities, commercial mortgage backed securities and other asset backed securities, in addition to restructuring and unwinding legacy credit structures.

**‘Set-off clauses’** In the context of Counterparty credit risk, contract clauses that allow Barclays to set off amounts owed to us by a counterparty against amounts owed by us to the counterparty.

**‘Settlement balances’** Are receivables or payables recorded between the date (the trade date) a financial instrument (such as a bond) is sold, purchased or otherwise closed out, and the date the asset is delivered by or to the entity (the settlement date) and cash is received or paid.

**‘Settlement risk’** The risk that settlement in a transfer system will not take place as expected, usually owing to a party defaulting on one or more settlement obligations.





**‘Significant increase in Credit Risk (SICR)’** Barclays assesses when a significant increase in credit risk has occurred based on quantitative and qualitative assessments.

**‘Slotting’** Slotting is a Basel 2 approach that requires a standard set of rules to be used in the calculation of RWAs, based upon an assessment of factors such as the financial strength of the counterparty. The requirements for the application of the Slotting approach are detailed in BIPRU 4.5.

**‘Sovereign exposure(s)’** Exposures to central governments, including holdings in government bonds and local government bonds.

**‘Specific market risk’** A risk that is due to the individual nature of an asset and can potentially be diversified or the risk of a price change in an investment due to factors related to the issuer or, in the case of a derivative, the issuer of the underlying investment.

**‘Spread risk’** Measures the impact of changes to the swap spread, i.e. the difference between swap rates and government bond yields.

**‘Stage 1’** This represents financial instruments where the credit risk of the financial instrument has not increased significantly since initial recognition. Stage 1 financial instruments are required to recognise a 12 month expected credit loss allowance.

**‘Stage 2’** This represents financial instruments where the credit risk of the financial instrument has increased significantly since initial recognition. Stage 2 financial instruments are required to recognise a lifetime expected credit loss allowance.

**‘Stage3’** This represents financial instruments where the financial instrument is considered impaired. Stage 3 financial instruments are required to recognise a lifetime expected credit loss allowance.

**‘Standard & Poor’s’** A credit rating agency.

**‘Standby facilities, credit lines and other commitments’** Agreements to lend to a customer in the future, subject to certain conditions. Such commitments are either made for a fixed period, or have no specific maturity but are cancellable by the lender subject to notice requirements.

**‘Statutory’** Line items of income, expense, profit or loss, assets, liabilities or equity stated in accordance with the requirements of the UK Companies Act 2006 and the requirements of International Financial Reporting Standards (IFRS).

**‘Statutory return on average shareholders’ equity’** Statutory profit after tax attributable to ordinary shareholders as a proportion of average shareholders’ equity.

**‘STD’ / ‘Standardised Approach’** A method of calculating Risk Weighted Assets that relies on a mandatory framework set by the regulator to derive risk weights based on counterparty type and a credit rating provided by an External Credit Assessment Institute.

**‘Stress Testing’** A process which involves identifying possible future adverse events or changes in economic conditions that could have unfavourable effects on the Barclays Group (either financial or non-financial), assessing the Barclays Group’s ability to withstand such changes, and identifying management actions to mitigate the impact.

**‘Stressed Value at Risk (SVaR)’** An estimate of the potential loss arising from a 12-month period of significant financial stress calibrated to 99% confidence level over a 10-day holding period.

**‘Structured entity’** An entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities.

**‘Structural hedge’ / ‘hedging’** An interest rate hedge in place to reduce earnings volatility and to smoothen the income over a medium/long term on positions that exist within the balance sheet and do not re-price in line with market rates. See also ‘Equity structural hedge’ and ‘Product structural hedge’.

**‘Structural model of default’** A model based on the assumption that an obligor will default when its assets are insufficient to cover its liabilities.

**‘Structured credit’** Includes legacy structured credit portfolio primarily comprising derivative exposure and financing exposure to structured credit vehicles.

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**‘Structured finance/notes’** A structured note is an investment tool that pays a return linked to the value or level of a specified asset or index and sometimes offers capital protection if the value declines. Structured notes can be linked to equities, interest rates, funds, commodities and foreign currency.

**‘Sub-prime’** Sub-prime is defined as loans to borrowers typically having weakened credit histories that include payment delinquencies and potentially more severe problems such as court judgments and bankruptcies. They may also display reduced repayment capacity as measured by credit scores, high debt-to-income ratios, or other criteria indicating heightened risk of default.

**‘Subordinated liabilities’** Liabilities which, in the event of insolvency or liquidation of the issuer, are subordinated to the claims of depositors and other creditors of the issuer.

**‘Supranational bonds’** Bonds issued by an international organisation, where membership transcends national boundaries (e.g. the European Union or World Trade Organisation).

**‘Synthetic Securitisation Transactions’** Securitisation transactions effected through the use of derivatives.

**‘Systemic Risk Buffer’** CET1 capital that may be required to be held as part of the Combined Buffer Requirement increasing the capacity of UK banks to absorb stress and limiting the damage to the economy as a results of restricted lending.

**‘Tangible net asset value’** Shareholders’ equity excluding non-controlling interests adjusted for the deduction of intangible assets and goodwill.

**‘Tangible net asset value per share’** Shareholders’ equity excluding non-controlling interests adjusted for the deduction of intangible assets and goodwill, divided by the number of issued ordinary shares.

**‘Tangible shareholders’ equity’** Shareholders’ equity excluding non-controlling interests adjusted for the deduction of intangible assets and goodwill.

**‘Term premium’** Additional interest required by investors to hold assets with a longer period to maturity.

**‘The Fundamental Review of the Trading Book (FRTB)’** Is a comprehensive suite of capital rules developed by the Basel Committee on Banking Supervision as part of Basel III applicable to banks’ wholesale trading activities.

**‘The Standardised Approach (TSA)’** Under the TSA, banks are required to hold regulatory capital for operational risk equal to the annual average, calculated over a rolling three-year period, of the relevant income indicator (across all business lines), multiplied by a supervisory defined percentage factor by business lines.

**‘The three lines of defence’** The three lines of defence operating model enables Barclays to separate risk management activities between those client facing areas of the Barclays Group and associated support functions responsible for identifying risk, operating within applicable limits and escalating risk events (first line); colleagues in Risk and Compliance who establish the limits, rules and constraints under which the first line operates and monitors their performance against those limits and constraints (second line); and, colleagues in Internal Audit who provide assurance to the Board and Executive Management over the effectiveness of governance, risk management and control over risks (third line).

**‘Tier 1 capital’** The sum of the Common Equity Tier 1 capital and Additional Tier 1 capital.

**‘Tier 1 capital ratio’** The ratio which expresses Tier 1 capital as a percentage of Risk Weighted Assets under CRD IV.

**‘Tier 2 (T2) capital’** In the context of CRD IV, a type of capital as defined in the Capital Requirements Regulation.

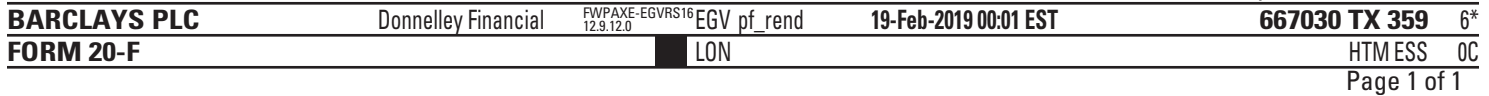
**‘Tier 2 (T2) securities’** Securities that are treated as Tier 2 (T2) capital in the context of CRD IV.

**‘Total capital ratio’** Total Regulatory capital as a percentage of Risk Weighted Assets.

**‘Total Loss Absorbing Capacity (TLAC)’** A standard published by the FSB which is applicable to G-SIBs and requires a G-SIB to hold a prescriptive minimum level of instruments and liabilities that should be readily available for bail-in within resolution to absorb losses and recapitalise the institution.

## Glossary of terms

- ‘Total outstanding balance’** In retail banking, total outstanding balance is defined as the gross month-end customer balances on all accounts including accounts charged off to recoveries.
- ‘Total return swap’** An instrument whereby the seller of protection receives the full return of the asset, including both the income and change in the capital value of the asset. The buyer of the protection in return receives a predetermined amount.
- ‘Total balances on forbearance programmes coverage ratio’** Impairment allowance held against Forbearance balances expressed as a percentage of balance in forbearance.
- ‘Traded Market Risk’** The risk of a reduction to earnings or capital due to volatility of trading book positions.
- ‘Trading book’** All positions in financial instruments and commodities held by an institution either with trading intent, or in order to hedge positions held with trading intent.
- ‘Traditional Securitisation Transactions’** Securitisation transactions in which an underlying pool of assets generates cash flows to service payments to investors.
- ‘Transitional’** In the context of CRD IV a measure is described as transitional when the transitional provisions set out in Part Ten of the CRD IV Regulation are applied in its calculation.
- ‘Treasury and Capital Risk’** This comprises of Liquidity Risk, Capital Risk and Interest Rate Risk in the Banking Book.
- ‘Twelve month expected credit losses’** The portion of the lifetime ECL arising if default occurs within 12 months of the reporting date (or shorter period if the expected life is less than 12 months), weighted by the probability of said default occurring.
- ‘Twelve month PD’** The likelihood of accounts entering default within 12 months of the reporting date.
- ‘Unencumbered’** Assets not used to secure liabilities or otherwise pledged.
- ‘Unidentified Impairment (UI)’** Impairment for 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, termed as the outcome period. This is calculated on the present value of estimated future cash flows discounted at the financial asset’s effective interest rate. The emergence and outcome periods vary across products.
- ‘United Kingdom (UK)’** Geographic segment where Barclays operates comprising the UK. Also see ‘Europe’.
- ‘UK Bank levy’** A levy that applies to UK banks, building societies and the UK operations of foreign banks. The levy is payable based on a percentage of the chargeable equity and liabilities of the bank on its balance sheet date.
- ‘UK leverage exposure’** Is calculated as per the PRA rulebook, where the exposure calculation also includes the FPC’s recommendation to allow banks to exclude claims on the central bank from the calculation of the leverage exposure measure, as long as these are matched by deposits denominated in the same currency and of identical or longer maturity.
- ‘UK leverage ratio’** As per the PRA rulebook, means a bank’s tier 1 capital divided by its total exposure measure, with this ratio expressed as a percentage.
- ‘Unfunded credit protection’** Is a technique of credit risk mitigation where the reduction of the credit risk on the exposure of an institution derives from the obligation of a third party to pay an amount in the event of the default of the borrower or the occurrence of other specified credit events.
- ‘US Partner Portfolio’** Co-branded credit card programs with companies across various sectors including travel, entertainment, retail and financial sectors.
- ‘US Residential Mortgages’** Securities that represent interests in a group of US residential mortgages.
- ‘Utilisation rate’** Utilisation of MCA balances expressed as a percentage of total MCA reserve limits.



**'Valuation weighted Loan to Value (LTV) Ratio'** In the context of credit risk disclosures on secured home loans, a means of calculating marked to market LTVs derived by comparing total outstanding balance and the value of total collateral we hold against these balances. Valuation weighted loan to value is calculated using the following formula:  $LTV = \frac{\text{total outstandings in portfolio}}{\text{total property values of total outstandings in portfolio}}$ .

**'Value at Risk (VaR)'** A measure of the potential loss of value arising from unfavourable market movements at a specific confidence level and within a specific timeframe.

**'Weighted off balance sheet commitments'** Regulatory add-ons to the leverage exposure measure based on credit conversion factors used in the Standardised Approach to credit risk.

**'Wholesale loans' / 'lending'** Lending to larger businesses, financial institutions and sovereign entities.

**'Write-off'** Refers to the point where it is determined that an asset is irrecoverable, or it is no longer considered economically viable to try to recover the asset or it is deemed immaterial or full and final settlement is reached and the shortfall written off. In the event of write-off, the customer balance is removed from the balance sheet and the impairment allowance held against the asset is released.

**'Wrong-way risk'** Arises, in a trading exposure, when there is significant correlation between the underlying asset and the counterparty, which in the event of default would lead to a significant mark to market loss. When assessing the credit exposure of a wrong-way trade, analysts take into account the correlation between the counterparty and the underlying asset as part of the sanctioning process.



## Barclays Africa Group Limited Separation Arrangements

The separation terms included contributions from Barclays to BAGL totalling £765 million, payable in instalments, to support the separation of BAGL from the Barclays Group. Under the Separation Arrangements, Barclays agreed, among other things, to indemnify BAGL against certain potential losses suffered by BAGL, including as a result of (i) the business of Barclays Group, untrue statements or omissions contained in any document issued by the Barclays Group in connection with any placing or marketing of BAGL shares under the sell down of BAGL shares and any failure by any Barclays Group company to discharge any liability in respect of taxation for which the Barclays Group is primarily liable (the “**Perimeter Indemnity**”); or (ii) BAGL having adhered to any Barclays policy which is not compliant with the laws for which that policy was designed (the “**Policy Indemnity**”). Barclays’ liability under the Perimeter Indemnity is uncapped and under the Policy Indemnity is capped at £614.7 million.

The Separation Arrangements also provide for a governance framework which applies during the implementation of the separation. Certain protective covenants (including non-compete arrangements and non-solicit obligations) also apply to the Barclays Group, in respect of the countries BAGL operates in, until 6 June 2020. These protective covenants are subject to certain agreed carve outs, including where Barclays and BAGL continue to cooperate for the benefit of mutual clients, where appropriate.

The Separation Arrangements also include a Transitional Trade Mark Licence agreement (the “**TTML**”), which came into effect on 6 June 2017, and replaced previous trademark licence agreements between the Barclays Group and the BAGL group. The TTML allows BAGL to continue to use the Barclays brand for up to 12 months in South Africa and for up to three years in other BAGL territories, subject to limited exemptions.



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Barclays Group’s risk management strategy

Introduction

The activities of Barclays Group entail risk taking, every day, throughout its business. This section introduces these risks, and outlines arrangements for identifying and managing them. These include roles and responsibilities, frameworks, policies and standards, assurance and lessons learned processes. Barclays Group’s approach to fostering a strong risk culture is also described.

Enterprise Risk Management Framework (ERMF)

The ERMF sets the strategic direction for risk management by defining standards, objectives and responsibilities for all areas of Barclays Group. It supports the Barclays Group Chief Executive Officer (CEO) and Barclays Group Chief Risk Officer (CRO) in effective risk management and developing a strong risk culture.

The ERMF sets out:

- Principal risks faced by Barclays Group
- Risk appetite requirements
- Roles and responsibilities for risk management
- Risk committee structure

Principal risks

The ERMF identifies eight Principal Risks (see table below) and sets out associated responsibilities and risk management standards.

Risk appetite for the principal risks

Risk appetite is defined as the level of risk which Barclays Group is prepared to accept in the conduct of its activities.

Risk appetite is approved and disseminated across legal entities and businesses, with limits specified to control exposures and activities that have material concentration risk implications for Barclays Group.

Roles and responsibilities in the management of risk

The Three Lines of Defence

All colleagues are responsible for understanding and managing risks within the context of their individual roles and responsibilities, as set out below.

First Line of Defence

The First Line of Defence comprises all employees engaged in the revenue generating and client facing areas of Barclays Group and all associated support functions, including Finance, Treasury, Human Resources and the Chief Operating Office (COO) function. Employees in the First Line are responsible for:

- identifying the risks in their activities and developing appropriate policies, standards and controls
- operating within any and all limits which the Risk and Compliance functions establish over the exposures and activities of the first line; and
- escalating risk events to senior managers in Risk and Compliance.

Second Line of Defence

The Second Line of Defence comprises employees of Risk and Compliance. The role of the Second Line is to establish the limits, rules and constraints under which First Line activities shall be performed, consistent with the risk appetite of Barclays Group, and to monitor the performance of the First Line against these limits and constraints. Note that the First Line may also set limits for a number of their activities related to operational risk. These will remain subject to supervision by the Second Line.

Third Line of Defence

The Third Line of Defence comprises employees of Internal Audit. They provide independent assurance to the Barclays Board and Barclays Group Executive Management over the effectiveness of governance, risk management and control.

The Legal function does not sit in any of the three lines, but supports them all. The Legal function is, however, subject to oversight from Risk and Compliance, with respect to operational and conduct risks.

Financial Principal Risks

- **Credit risk:** The risk of loss to the firm from the failure of clients, customers or counterparties, including sovereigns, to fully honour their obligations to the firm, including the whole and timely payment of principal, interest, collateral and other receivables.
- **Market risk:** The risk of loss arising from potential adverse changes in the value of the firm’s assets and liabilities from fluctuation in market variables including, but not limited to, interest rates, foreign exchange, equity prices, commodity prices, credit spreads, implied volatilities and asset correlations.
- **Treasury and capital risk:**
  - **Liquidity risk:** The risk that the firm is unable to meet its contractual or contingent obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets.
  - **Capital risk:** The risk that the firm has an insufficient level or composition of capital to support its normal business activities and to meet its regulatory capital requirements under normal operating environments or stressed conditions (both actual and as defined for internal planning or regulatory testing purposes). This includes the risk from the firm’s pension plans.
  - **Interest rate risk in the banking book:** The risk that the firm is exposed to capital or income volatility because of a mismatch between the interest rate exposures of its (non-traded) assets and liabilities.

Non-Financial Principal Risks

- **Operational risk:** The risk of loss to the firm from inadequate or failed processes or systems, human factors or due to external events (for example fraud) where the root cause is not due to credit or market risks.
- **Model risk:** The risk of the potential adverse consequences from financial assessments or decisions based on incorrect or misused model outputs and reports.
- **Conduct risk:** The risk of detriment to customers, clients, market integrity, effective competition or Barclays from the inappropriate supply of financial services, including instances of wilful or negligent misconduct.
- **Reputation risk:** The risk that an action, transaction, investment or event will reduce trust in the firm’s integrity and competence by clients, counterparties, investors, regulators, employees or the public.
- **Legal risk:** The risk of loss or imposition of penalties, damages or fines from the failure of the firm to meet its legal obligations including regulatory or contractual requirements.

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**Risk committees**  
Product/risk type committees consider risk matters relevant to their business, and escalate as required to the Group Risk Committee (GRC), whose Chairman, in turn, escalates to Barclays PLC Board Committees and the Barclays PLC Board.

There are three Board-level forums which oversee the application of the ERMF and review and monitor risk across the Barclays Group. These are: the Barclays PLC Board Risk Committee, the Barclays PLC Board Audit Committee, and the Barclays PLC Board Reputation Committee. Additionally, the Barclays PLC Board Remuneration Committee oversees pay practices focusing on aligning pay to sustainable performance. Finally, the Barclays PLC Board receives regular information on the risk profile of Barclays Group, and has ultimate responsibility for risk appetite and capital plans.

The Chairman of each Committee prepares a statement each year on the committee's activities, which is included in the Barclays PLC Annual Report 2018 on page 77.

**The Board**  
One of the Board's responsibilities is the approval of risk appetite (see page 363). The Barclays Group CRO regularly presents a report to the Board summarising developments in the risk environment and performance trends in the key portfolios. The Board is also responsible for the ERMF.

**The Barclays PLC Board Risk Committee (BRC)**  
The BRC monitors Barclays Group's risk profile against the agreed appetite. Where actual performance differs from expectations, the actions taken by management are reviewed to ascertain that the BRC is comfortable with them. After each meeting, the Chairman of

the BRC prepares a report for the next meeting of the Board. All members are independent Non-Executive Directors. The Barclays Group Finance Director and the Barclays Group CRO attend each meeting as a matter of course.

The BRC receives regular reports on risk methodologies, the effectiveness of the risk management framework, and Barclays Group's risk profile, including the material issues affecting each business portfolio and forward risk trends. The committee also commissions in-depth analyses of significant risk topics, which are presented by the Barclays Group CRO or senior risk managers in the businesses. The Chairman of the BRC also sits on the BAC.

**The Barclays PLC Board Audit Committee (BAC)**  
The BAC receives regular reports on the effectiveness of internal control systems, quarterly reports on material control issues of significance, and quarterly papers on accounting judgements (including impairment). It also receives a half-yearly review of the adequacy of impairment allowances, which it reviews relative to the risk inherent in the portfolios, the business environment and Barclays Group's policies and methodologies. The Chairman of the BAC also sits on the BRC.

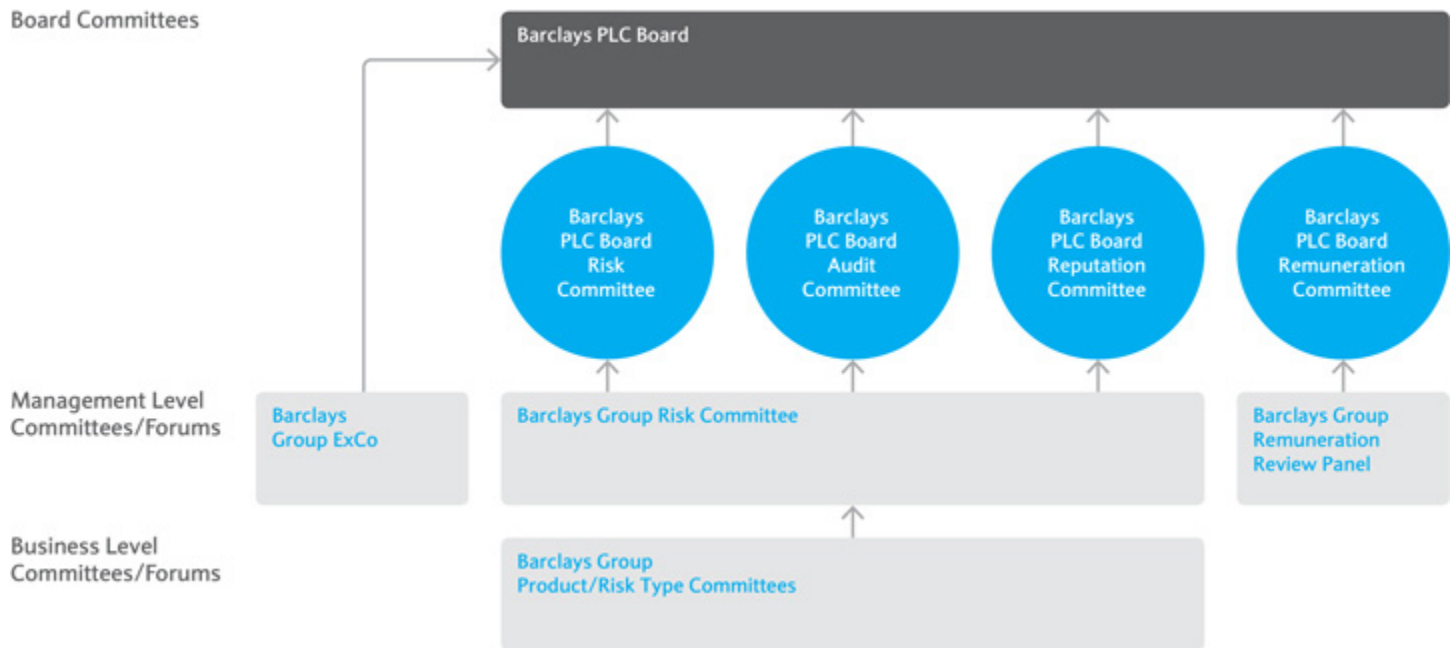
**The Barclays PLC Board Reputation Committee (RepCo)**  
The RepCo reviews management's recommendations on conduct and reputation risk and the effectiveness of the processes by which Barclays Group identifies and manages these risks. It also reviews and monitors the effectiveness of Barclays Group's citizenship strategy, including the management of Barclays Group's economic, social and environmental contribution.

**The Barclays PLC Board Remuneration Committee (RemCo)**  
The RemCo receives a detailed report on risk management performance and risk profile, and proposals on ex-ante and ex-post risk adjustments to variable remuneration. These inputs are considered in the setting of performance incentives.

The terms of reference and additional details on membership and activities for each of the principal Board Committees are available from the Corporate Governance section of Barclays Group's website at: [home.barclays/about-barclays/barclays-corporate-governance.html](http://home.barclays/about-barclays/barclays-corporate-governance.html).

**Coverage of risk reports to executive and Board risk committees**  
Chairs of Risk Committees at executive and Board levels specify the information they require to discharge their duties. Advance committee calendars are agreed with the committee chairman. Topics that are regularly covered include:

- Risk profile
- Risk perspective on medium-term plans and strategy
- Risk Appetite
- Results of stress tests, including Comprehensive Capital Analysis and Review (CCAR)
- Risk and Conduct inputs into remuneration decisions
- Other technical topics, e.g. Model risk.



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In addition to regular topics, committees consider ad hoc papers on current risk topics, such as:

- Political events and their potential impacts on Barclays and its customers
- Economic developments in major economies or sectors
- Impacts of key market developments on the risk management of the Barclays Group.

Reports are generally presented by CROs or other accountable executives. Occasionally subject matter experts are delegated to present specific topics of interest. Report presenters are responsible for following processes for creating reports that include appropriate controls and that these controls are operated effectively.

Roles and responsibilities in the management of risk – senior management

Certain roles within Barclays carry specific responsibilities and accountabilities with respect to risk management and the ERMF.

**Barclays Group Chief Executive Officer (CEO)**  
The Barclays Group CEO is accountable for leading the development of Barclays’ strategy and business plans that align to the Goal, Purpose and Values within the approved Risk Appetite, and for managing and organising executive management to drive their execution. Managing Barclays’ financial and operational performance within the approved Risk Appetite is ultimately the CEO’s responsibility.

Specifically, a crucial role of the CEO is to appoint the most senior Risk owners at the executive level including the Barclays Group Chief Risk Officer and the Barclays Group General Counsel. He must work with them to embed a strong Risk Culture within the Barclays Group, with particular regard to the identification, escalation and management of risk matters.

**Barclays Group Chief Risk Officer (CRO)**  
The Barclays Group CRO leads the Risk Function across Barclays. His responsibilities include developing and maintaining the ERMF and clearly articulating Risk Culture objectives. Specific accountabilities include:

- preparing and recommending the Barclays Group’s Risk Appetite to the Board Risk Committees
- developing, operating and maintaining a comprehensive risk management framework to monitor and manage the risk profile of the Barclays Group
- Providing accurate, transparent and timely reporting of the actual Risk Profile of the Barclays Group relative to the set Risk Appetite to the Board
- defining the risk taxonomy (Principal Risks) and updating it as needed so that it remains relevant and comprehensive

- bringing a risk perspective to compensation decisions
- reporting to all the relevant stakeholders on Barclays’ risk positions, adherence to Risk Appetite and enterprise wide risks and controls.

**Barclays Group Chief Compliance Officer**  
The Barclays Group Chief Compliance Officer is accountable to the Barclays Group CRO for the strategic and function leadership of the Compliance Function. The Chief Compliance Officer is a member of the Barclays Group Executive Committee, enabling the Compliance Function to discharge its responsibilities properly and independently. Oversight specific accountabilities include:

- managing Barclays Group’s conduct and reputation risks and escalating to the Board where appropriate
- setting minimum standards through compliance policies applicable globally and monitoring breaches, especially for Conduct and Reputation Risks and Financial Crime
- inputting into compensation structures, objectives and performance management of employees who can expose Barclays to significant risk
- implementing a robust and effectively managed whistleblowing process on an enterprise-wide basis
- using mandate to access any part of the organisation and any information, bringing to the attention of line and senior management or the Board, as appropriate, any situation that is of concern from a Conduct or Reputation Risk management perspective that could materially violate the approved Risk Appetite guidelines.

**Barclays Group General Counsel**  
The Barclays Group General Counsel is required to:

- develop and maintain the Legal Risk Framework
- define the Legal Risk Policies
- develop the Barclays Group-wide and Business Risk Appetite for Legal Risk.

**Barclays Group Chief Controls Officer**  
The Chief Controls Office, led by the Barclays Group Chief Controls Officer, is responsible for overseeing the practical implementation of operational, conduct and reputation risk controls and control methodologies across the Barclays Group. The Chief Controls Office has the following key responsibilities:

- defining a control framework directing businesses to manage risk exposure within approved operational risk appetites, and monitoring its application;
- reviewing tolerances for non-financial operational risk exposures set by the business, and maintaining their appropriateness;
- maintaining the standard for the creation and maintenance of all control documentation in the Barclays Group; and

- overseeing the execution of control framework requirements consistently across the Barclays Group. Execution includes recording risk events, issues, and the completion of risk and control self-assessments.

**Senior Managers Regime**  
A number of Members of the Board, the majority of the Barclays Group Executive Committee and a limited number of specified senior individuals are also subject to additional rules included within the Senior Managers Regime (SMR), which clarifies their accountability and responsibilities. Those designated with a Senior Manager Function under the SMR are held to four specific rules of conduct in which they must:

- take reasonable steps to establish that the business of the Barclays Group for which they are responsible is controlled effectively
- take reasonable steps to establish that the business of the Barclays Group for which they are responsible complies with relevant regulatory requirements and standards of the regulatory system
- take reasonable steps to make certain that any delegation of their responsibilities is to an appropriate individual and that they oversee the discharge of the delegated responsibilities effectively
- disclose appropriately any information to the FCA or PRA, of which they would reasonably expect notice.

Frameworks, Policies and Standards

Frameworks, policies and standards set out the governance around Barclays’ activities:

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

Frameworks, Policies and Standards are owned by the area responsible for performing the described activity.

The Barclays Group CRO is accountable for the development and implementation of frameworks, policies and associated standards for each of the Financial Principal Risks, Operational Risk and Model Risk. These must be subject to limits, monitored, reported on and escalated as required. The Barclays Group Chief Compliance Officer is likewise accountable for Conduct Risk and Reputation Risk, and the Barclays Group General Counsel for Legal Risk. The Barclays Group CRO and Barclays Group Chief Compliance Officer have the right to require amendments to any



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Frameworks, Policies or Standards in the Barclays Group, for any reason, including inconsistencies or contradictions among them.

Frameworks, Policies and Standards are subject to minimum annual review, and challenge by the Risk and/or Compliance functions, unless explicitly waived by the relevant heads of those functions. Principal Risk Frameworks are subject to approval by relevant committees of the Board.

Assurance

Assurance is undertaken to assess the control environment and to independently assess the ERMF, to provide confidence to the Board in the risk and control framework. The Controls Assurance Standard defines the requirements for Controls Assurance and Controls Testing.

Internal Audit is responsible for the independent review of risk management and the control environment. Its objective is to provide reliable, valued and timely assurance to the Board and executive management over the effectiveness of controls, mitigating current and evolving material risks and thus enhancing the control culture within the Barclays Group. The Board Audit Committee reviews and approves Internal Audit’s plans and resources, and evaluates the effectiveness of Internal Audit. An assessment by independent external advisers is also carried out periodically.

Effectiveness of risk management arrangements

The embedding of the ERMF is monitored by executive and board committees as described above. The ERMF and its component Principal Risks are subject to control testing assurance reviews to confirm its effectiveness or identify issues to be mitigated. Management and the Board are satisfied that these arrangements are appropriate given the risk profile of the Barclays Group.

Learning from our mistakes

Learning from mistakes is central to Barclays’ culture and values, demonstrating a commitment to excellence, service and stewardship and taking accountability for failure as well as success. The Barclays Group seeks to learn lessons on a continuous basis to support achievement of strategic objectives, increase operational excellence and to meet commitments to stakeholders, including colleagues, customers, shareholders and regulators.

Barclays has implemented a Barclays Group Lessons Learned process, setting out requirements for the completion of Lessons Learned assessments in response to internal and external risk events. The approach is aligned to the Three Lines of Defence model (see page 83), with businesses and functions accountable for undertaking Lessons Learned Assessments; the Second Line providing

oversight and challenge; and independent review by Internal Audit.

Core components of the Lessons Learned approach include:

- Defined triggers for when Lessons Learned Assessments must be completed
- Requirements and guidance for the completion of root cause analysis to identify the causes of risk events impacting the Barclays Group
- Standardised Templates to report conclusions consistently to relevant management fora and committees
- Use of a central system to record completed Lessons Learned Assessments and to facilitate sharing across the Barclays Group.

Barclays Group’s risk culture

Risk culture can be defined as the “norms, attitudes and behaviours related to risk awareness, risk taking and risk management”. At Barclays Group this is reflected in how colleagues identify, escalate and manage risk matters.

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

**Embedding of a values-based, conduct culture**  
Conduct, culture and values remain a priority of the Barclays Group Executive Committee who receive regular, detailed information from the business lines, and clearly communicate their intentions and the Barclays Group’s progress to all colleagues. The effectiveness of the risk and control environment, for which all colleagues are responsible, depends on the continued embedment of strong values. Colleagues must be willing to meet their risk management responsibilities and escalate issues on a timely basis. Please see Board Reputation Committee report on page 000 for further details.

Induction programmes support new colleagues in understanding how risk management culture and practices support how Barclays Group does business and the link to Barclays Group’s values. The Leadership Curriculum covers the building, sustaining and supporting of a trustworthy organisation and is offered to colleagues globally.

**Other risk culture drivers**  
In addition to values and conduct, we consider the following determinants of risk culture:

- **Management and governance:** This means a consistent tone from the top and clear responsibilities to enable risk identification and challenge
- **Motivation and incentives:** The right behaviours are rewarded and modelled
- **Competence and effectiveness:** This means that colleagues are enabled to identify, escalate and resolve risk and control matters
- **Integrity:** Colleagues are willing to meet their risk management responsibilities, and escalate issues on a timely basis.

Barclays Group-wide risk management tools

To support Barclays Group-wide management of risks, the Board uses risk appetite, mandate and scale, and stress testing as key inputs in the annual planning cycle, including setting of Barclays Group’s strategy. The following describes in further detail Barclays Group-wide risk management tools used as part of this process.

**Risk Appetite**  
Risk Appetite is defined as the level of risk which Barclays Group is prepared to accept in the conduct of its activities.

Risk Appetite sets the ‘tone from the top’ and provides a basis for ongoing dialogue between management and Board with respect to Barclays Group’s current and evolving risk profile, allowing strategic and financial decisions to be made on an informed basis.

The Risk Appetite setting process aims to consider the material risks Barclays is exposed to under its business plans.

The Risk Appetite of Barclays Group aims to:

- Specify the level of risk we are willing to take to enable specific risk taking activities.
- Consider all Principal Risks individually and, where appropriate, in aggregate.
- Consistently communicate the acceptable level of risk for different risk types.

Risk Appetite is approved by the Board and must be formally reviewed at least annually in conjunction with the Medium Term Planning (MTP) process.

Risk Appetite is expressed, by the Board, as the acceptable level of deterioration in a set of key financial parameters under a severe but plausible stress scenario defined as the Adverse stress test scenario. For 2019 the key financial parameters are listed below.

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| Measure relevant to strategy and risk | Link between strategy and risk profile                                                                           |
|---------------------------------------|------------------------------------------------------------------------------------------------------------------|
| Profit after tax                      | Fundamental performance of Barclays Group and underpins Barclays Group’s capacity to make capital distributions. |
| Common Equity Tier 1 (CET1)           | Monitors capital adequacy in relation to capital plan, targets and regulatory hurdle rates.                      |

Based on the specified Risk Appetite, Barclays Group develops both stress loss and mandate & scale limits to control specific activities.

Stress Loss

Stress loss limits are derived from the results of the Adverse stress test scenario. Limits are a reflection of the losses absorbed by the stressed capital plans within Risk Appetite and provide a crucial link between the strategic planning process and Risk Appetite. Stress loss limits are conservatively assumed to be additive but in practice stresses may not happen at the same time. Risk management may over-allocate stress loss limits where they deem it unlikely all businesses will require full limit utilization at the same time. Aggregate utilisation across all risk types is monitored against both the aggregate of stress loss limits and losses absorbed by the stressed capital plan. It is the role of Risk to manage the over-allocation within capital constraints.

Mandate and scale

Mandate and scale is a risk management approach that seeks to formally review and control business activities to make sure that they are within mandate (i.e. aligned with expectations), and are of an appropriate scale (relative to the risk and reward of the underlying activities) based on an appropriately detailed system of limits. Using limits and triggers helps mitigate the risk of concentrations which would be out of line with expectations, and which may lead to unexpected losses of a scale that would be detrimental to the stability of the relevant business line or Barclays Group. For example, for leveraged finance and commercial property finance portfolios, there is a series of limits in place to control exposure within each

business and geographic sector. To further align limits to the underlying risk characteristics, the mandate and scale limits differentiate between types of exposure. There are, for example, individual limits for property investment and property development.

The mandate and scale framework is used to:

- limit concentration risk
- keep business activities within Barclays Group and individual business mandate
- maintain activities at an appropriate scale relative to the underlying risk and reward
- confirm that risk-taking is supported by appropriate expertise and capabilities and take corrective actions otherwise.

The most material mandate and scale limits are designated as A-level (Board level) and B-Level (Barclays Group level). Barclays Group limits are approved by the appropriate risk committee (e.g. Wholesale Credit Risk Management Committee) and are subject to additional escalation and governance requirements.

Further limits are set by risk managers within each business, covering particular portfolios. Unapproved excesses of limits may result in performance management and disciplinary consequences. Business limits are approved by the relevant business risk team and reportable to the relevant risk committee.

Limits reflect the nature of the risk being managed and controlled and are measured by total financing limits, LGD, stress loss or other metrics as appropriate. There is explicit identification of the exposures that are captured by limits and any material exclusion must be agreed. Limits are reviewed at least

annually. The factors taken into consideration when setting the limit include:

- Barclays Group Risk Appetite
- current exposure/MTP forecasts
- risk return considerations
- senior risk management judgement.

Stress testing

Barclays Group-wide stress tests are an integrated within the MTP process and annual review of risk appetite. They aim to check that Barclays Group’s financial position and risk profile provide sufficient resilience to withstand the impact of severe economic stress, allowing Barclays to make changes to plans as necessary. Barclays Group-wide stress testing process is supported by a Capital Stress Testing Standard which sets out the minimum control requirements and defines clear roles and responsibilities across businesses and central functions. The results also feed into our internal capital adequacy assessment process (ICAAP).

The following diagram outlines the key steps in Barclays Group-wide stress testing process, which are described below.

Barclays Group-wide stress testing process begins with a detailed scenario setting process, with the GRC and BRC agreeing the range of scenarios to be tested. The scenarios are designed to be severe but plausible, and relevant to the business. A wide range of macroeconomic parameters are defined (such as GDP, unemployment, house prices, FX and interest rates), which allows the impact of the scenarios across the wide range of products and portfolios to be assessed across Barclays Group.

Businesses prepare detailed MTP business plans which form the baseline for the stress test assessment. The stress test process aims to support this level of complexity, using bottom-up analysis across all of our businesses including both on- and off-balance sheet positions, and combines running statistical models with expert judgement. An overview of the stress testing approach by





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Principal Risk is provided in the table on page 000. As part of their stress test assessments, businesses are also required to identify potential management actions that could be taken to mitigate the impact of stress and document these within their results.

The governance process in place includes a detailed review of stress testing methodology, assumptions, judgements, results and management actions within each business

(including sign-off by business CROs and CFOs) and by central functions.

The businesses stress test results are consolidated to form a Barclays Group view which is used to assess the stress impact on Barclays Group’s capital plans. For the latter, capital management actions such as reducing dividends or redeeming certain capital instruments may be considered. Barclays Group also maintains recovery plans which

take into consideration actions to facilitate recovery from severe stress or an orderly resolution. These actions are additional to those included in Barclays Group-wide stress testing results.

The overall stress testing results are reviewed and signed off by the Board, following review by the Stress Testing Steering Committee, the Group Risk Committee and the Board Risk Committee.

Summary of methodologies for Barclays Group-wide stress testing by risk type

| Principal Risk            | Stress testing approach                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
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| Credit risk               | <ul style="list-style-type: none"><li>Credit risk impairment: For retail portfolios businesses use statistical models to establish a relationship between IFRS9 impairment loss levels and key macroeconomic parameters such as GDP, inflation and unemployment, incorporating credit quality migration analysis to estimate stressed levels. In addition, house price reductions (for mortgages), increased customer drawdowns (for revolving facilities) and higher interest rates impacting customer affordability lead to higher losses which also contribute to increased impairment levels. For wholesale portfolios the stress shocks on credit risk drivers (PDs, LGDs and EADs) are primarily calibrated using historical and expected relationships with key macro-economic parameters.</li><li>Counterparty credit risk losses: The scenarios include market risk shocks that are applied to determine the market value under stress of contracts that give rise to Counterparty Credit Risk (CCR). Counterparty losses, including from changes to the Credit Valuation Adjustment and from defaults, are modelled based on the impact of these shocks as well as using stressed credit risk drivers (PDs and LGDs). The same approach is used to stress the market value of assets held as available for sale or at fair value in the banking book.</li><li>Credit risk weighted assets: The impact of the scenarios is calculated via a combination of business volumes and using similar factors to impairment drivers above, as well as the regulatory calculation and the level of pro-cyclicality of underlying regulatory credit risk models.</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Market risk               | <ul style="list-style-type: none"><li>Trading book losses: Market risk factors on the balance sheet are stressed using specific market risk shocks (and are used for the CCR analysis, above). The severity of the shocks applied are dependent on the liquidity of the market under stress, e.g. illiquid positions are assumed to have a longer holding period than positions in liquid markets.</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Treasury and Capital Risk | <ul style="list-style-type: none"><li>Funding risk:<br/>The risk of a mismatch between assets and liabilities, leading to funding difficulties, is assessed. Businesses apply scenario variables to forecasts of customer loans and advances and deposits levels, taking into account management actions to mitigate the impact of the stress which may affect business volumes. Barclays Group funding requirement under stress is then estimated and takes into account lower availability of funds in the market.</li><li>The analysis of treasury and capital risk also contributes to the estimate of stressed income and costs:<ul style="list-style-type: none"><li>Stress impact on non-interest income is primarily driven by lower projected business volumes and hence lower income from fees and commissions</li><li>Impact on net interest income is driven by stressed margins, which depend on the level of interest rates under stress as well as funding costs, and on stressed balance sheet volumes. This can be partly mitigated by management actions that may include repricing of variable rate products, taking into account interbank lending rates under stress</li><li>The impact on costs is mainly driven by business volumes and exchange rates with management actions to partly offset profit reductions (due to impairment increases and decreases in income) such as headcount reductions and lower performance costs.</li></ul></li><li>Capital Risk:<br/>Capital risk is assessed by taking all modelled risk impacts as part of the stress test (as listed above) into consideration when assessing Barclays Group’s ability to withstand a severe stress. The stressed results are considered against internally agreed risk appetite levels but also regulatory minima and perceived market expectations. The MTP can only be agreed by the Board if this is within the agreed risk appetite levels under stress.</li><li>The IAS19 position of pension funds is also stressed as part of the capital risk assessment, taking into account key economic drivers impacting future obligations (e.g. long-term inflation and interest rates) and the impact of the scenarios on the value of fund assets.</li><li>Liquidity Risk:<br/>Liquidity risk is assessed by the internal liquidity risk metric (LRA), which analyses specific liquidity risk drivers such as wholesale funding and contingent funding needs based on the below scenarios:<ul style="list-style-type: none"><li>Barclays idiosyncratic liquidity scenario: Barclays faces a loss of market confidence while the market overall is not impacted</li><li>Market wide liquidity stress scenario: All financial institutions are impacted by a market wide loss of confidence</li><li>Combined liquidity stress scenario: A simultaneous Barclays idiosyncratic and market liquidity stress scenario</li><li>Long term liquidity stress scenario: Barclays is unable for a prolonged period of time to access the capital market on a regular basis.</li></ul></li></ul> |

Additional information

Barclays’ approach to managing risks

Risk management strategy, governance and risk culture

| Principal Risk   | Stress testing approach                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Operational risk | <ul style="list-style-type: none"><li>Operational risk loss projections take into account the effect of the stressed economic scenario. Operational risk is also included in the reverse stress testing framework through scenario assessment of idiosyncratic operational risk events.</li></ul>                                                                                                                                                                                                                                       |
| Model risk       | <ul style="list-style-type: none"><li>IVU reviews the models and assumptions used in the MTP and stress test and may request the application of overlays to address model deficiencies.</li></ul>                                                                                                                                                                                                                                                                                                                                       |
| Conduct risk     | <ul style="list-style-type: none"><li>Redress/Remediation: Businesses review existing provisions and include additional provisions in MTP if required.</li><li>Litigation: Irrespective of whether a provision had been recognised, stress projections of future losses for conduct risk matters managed by legal are estimated by exercising expert judgment on a case by case basis (material matters) or on a portfolio basis (non-material matters) on accordance with the methodology provided by regulators (EBA, PRA).</li></ul> |
| Reputation risk  | <ul style="list-style-type: none"><li>Reputation risk is not quantified or stressed.</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Legal risk       | <ul style="list-style-type: none"><li>Legal risk is not quantified or stressed.</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                               |

In 2018, the internal Barclays Group-wide stress testing exercise was run as part of the MTP process, where Barclays Group assessed the impact of an “Adverse” global recession scenario. This was used for the MTP Risk Review and risk appetite setting process.

Barclays Group-wide stress testing framework also includes reverse stress testing techniques, which aim to identify the circumstances under which Barclays Group’s business model would no longer be viable, leading to a significant change in business strategy and to the identification of appropriate mitigating actions. Examples include extreme macroeconomic downturn (‘severely adverse’) scenarios, or specific idiosyncratic events, covering both operational risk and capital/liquidity events.

Reverse stress testing is used to help support ongoing risk management and is an input to our Recovery Planning process.

**Business and risk type specific stress tests**  
Stress testing techniques at portfolio and product level are also used to support risk management. For example, portfolio management in the US cards business employs stressed assumptions of loss rates to determine profitability hurdles for new accounts. In the United Kingdom mortgage business, affordability thresholds incorporate stressed estimates of interest rates. In the Corporate and Investment Bank, global scenario testing is used to gauge potential losses that could arise in conditions of a severe but plausible market stress. Stress testing is also conducted on positions in particular asset classes, including interest rates, commodities, equities, credit and foreign exchange.

**Regulatory stress testing**  
In addition to running internal Barclays Group-wide stress tests, Barclays Group also runs regulatory stress tests. In 2018, the PRA ran its annual concurrent stress testing of the major UK banks, which was based on the Bank of England (BoE) stress scenario. The results of the stress test were published in December 2018, and support the BoE’s aim for increased transparency as part of its stress testing framework.

Barclays Group is also subject to stress testing by non-UK regulators which includes the European Banking Authority (EBA) and the US Federal Reserve CCAR process (which focuses on the US domicile legal entity). For 2018 the results of the EBA stress test were published in November 2018 with the CCAR stress test results published by the US Federal Reserve in June 2018.

**Risk management in the setting of strategy**  
The risk appetite and (internal) stress testing processes described above form the basis of the risk review of the Medium Term Plan (MTP), performed annually. The MTP embeds Barclays Group’s objectives into detailed business plans taking into account the likely business and macroeconomic environment. The strategy is informed by the risk review process, which includes reviewing Barclays Group’s risk profile and setting of risk appetite.

- The MTP risk review process includes a review of the proposed risk appetite by the business, including assessment of business plans under stress which is used to inform the MTP.
- If the business’ plans entail too high a level of risk, management can challenge them. This assessment is based on a comparison of the businesses’ own risk appetite assessment reflected in their business plans (‘bottom-up’ risk appetite) with the central risk team’s view (‘top-down’ risk appetite) based on the financial constraints set by the Board for Barclays Group.
- Businesses may be asked to update their business plans until the bottom-up risk appetite is within top-down appetite. There is also a detailed review of the stressed estimates and the methodology used to translate the economic scenario to these stressed estimates, as well as the management actions included in the businesses’ results to verify that these are appropriate and realistic in a stressed environment.

- Risk review meetings are held with the CFO, CRO and Treasurer of each business, where they present their business plans to Barclays Group CRO and Finance Director. The findings from the risk reviews are discussed, including the risk appetite proposals and stress testing results. Businesses may be required to change their business plans as a result of these meetings.
- Interim internal capital adequacy assessments inform the capital planning process and are reviewed during the Risk Review meetings. These assessments are refreshed based on year-end positions and reflected in the ICAAP.
- The MTP Risk Review further reviews the Risk Register outlining the risk profile of businesses to confirm the completeness of risk appetite, capital adequacy assessments and Barclays Group-wide internal stress test.

The BRC has overall responsibility for reviewing Barclays Group’s risk profile and making appropriate recommendations to the Board. The Board is ultimately responsible for approving the MTP and Barclays Group’s risk appetite. The risk appetite process allows senior management and the Board to understand the MTP’s sensitivities by risk type, and includes a set of limits to help maintain Barclays Group stays within it risk appetite, as described above.

Additional information

Barclays' approach to managing risks

Management of credit risk and the internal ratings-based approach

**This section discusses the organisation specific to the management of credit risks, and provides details of the calculation of risk weighted assets under the Internal Ratings Based approach of the Basel framework.**

- Pages 368 to 375 cover the aspects of the Group's risk management framework specific to credit risk, including committees and Barclays Group's reporting structure
- As 63% of our regulatory capital is for credit risk, we devote pages 376 to 384 to detailing how we approach the internal ratings models, and how the framework supports risk differentiation and management.

Additional information

Barclays’ approach to managing risks

Management of credit risk and the internal ratings-based approach

Credit risk

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

Overview

The credit risk that Barclays Group faces arises from wholesale and retail loans and advances together with the counterparty credit risk arising from derivative contracts with clients; trading activities, including: debt securities, settlement balances with market counterparties, FVOCI assets and reverse repurchase loans.

Credit risk management objectives are to:

4. maintain a framework of controls to oversee credit risk;

5. identify, assess and measure credit risk clearly and accurately across Barclays Group and within each separate business, from the level of individual facilities up to the total portfolio;

6. control and plan credit risk taking in line with external stakeholder expectations and avoiding undesirable concentrations;

7. monitor credit risk and adherence to agreed controls.

Organisation and structure

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

The credit risk management teams in each legal entity are accountable to the relevant Legal Entity CRO, who reports to the Barclays Group CRO.

Roles and responsibilities

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

For wholesale portfolios, credit risk approval is undertaken by experienced credit risk professionals operating within a clearly defined delegated authority framework, with only the most senior credit officers assigned the higher levels of delegated authority. The largest credit exposures, which are outside the Risk Sanctioning Unit or Risk Distribution Committee authority, require the support of a legal entity Senior Credit Officer. For exposures in excess of the legal entity Senior Credit Officer’s authority, approval by Group Senior Credit Officer/Board Risk Committee is also required. The Barclays Group Credit Risk Committee, attended by legal entity Senior Credit Officers, provides a formal mechanism for the Barclays Group Senior Credit Officer to exercise the highest level of credit authority over the most material Barclays Group single name exposures.

In the wholesale portfolios, credit risk managers are organised in sanctioning teams by geography, industry and/or product.

The role of the Central Risk function is to provide Barclays Group-wide direction, oversight and challenge of credit risk taking. Central Risk sets the Credit Risk Control Framework, which provides the structure within which credit risk is managed, together with supporting credit risk policies and standards.

Reporting

Barclays Group dedicates considerable resources to gaining a clear and accurate understanding of credit risk across the business and maintaining that its balance sheet correctly reflects the value of the assets in accordance with applicable accounting principles. This process can be summarised in five broad stages:

■ measuring exposures and concentrations

■ monitoring performance and asset quality

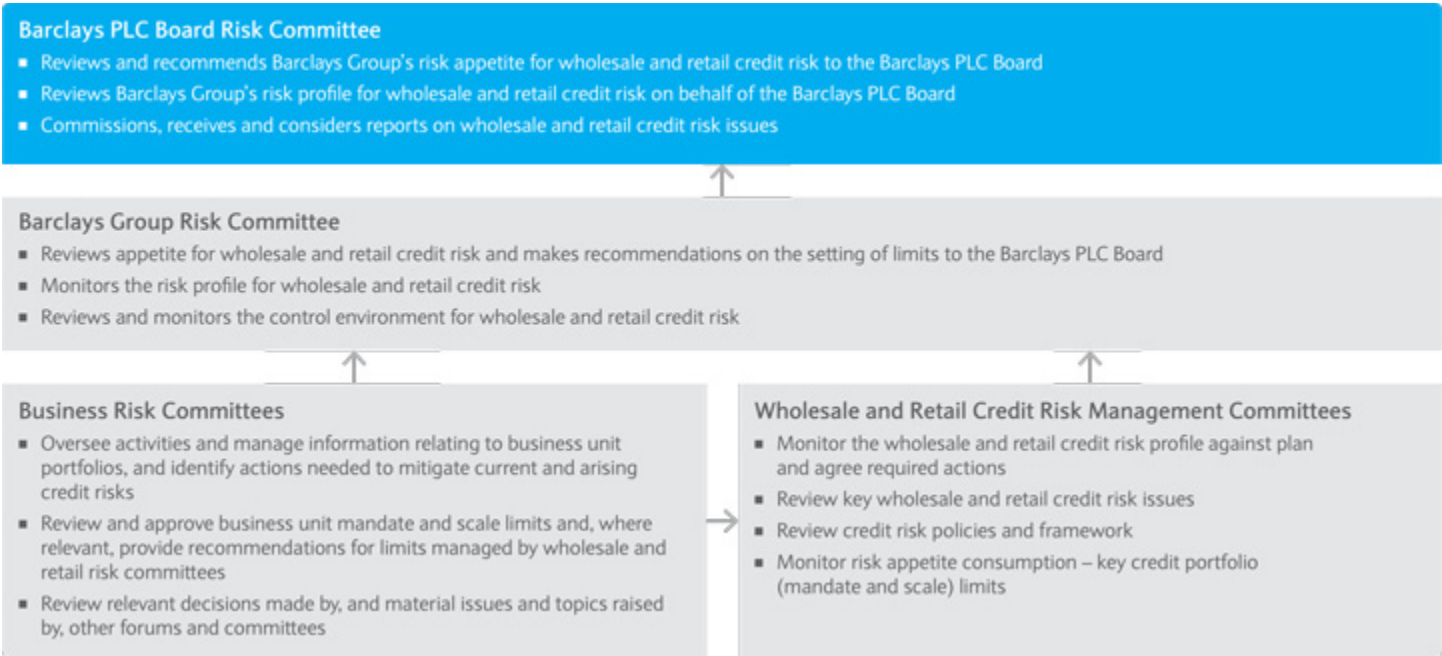
■ monitoring for weaknesses in portfolios

■ raising allowances for impairment and other credit provisions

■ returning assets to a performing status or writing off assets when the whole or part of a debt is considered irrecoverable.

**Measuring exposures and concentrations**

Loans and advances to customers provide the principal source of credit risk to the Barclays Group although it is also exposed to other forms of credit risk through, for example, loans and advances to banks, loan commitments and debt securities. Risk management policies and processes are designed to identify and analyse risk, to set appropriate risk appetite, limits and controls, and to monitor the risks and adherence to limits by means of reliable and timely data.



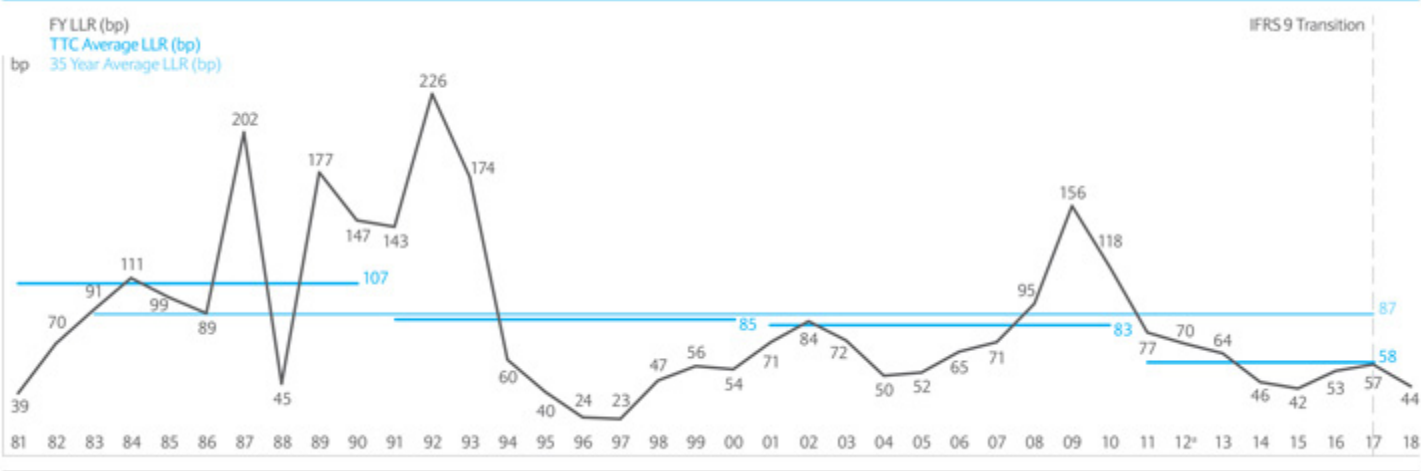


Additional information

Barclays' approach to managing risks

Management of credit risk and the internal ratings-based approach

Loan loss rate (bps) – longer-term trends



Notes

a Restated to reflect the impact of IFRS10, which results in some former Exit Quadrant exposures being recorded at fair value from 2012 onwards

b Figures from 2015 onwards exclude Africa

One area of particular review is concentration risk. A concentration of credit risk exists when a number of counterparties or customers are engaged in similar activities or geographies, and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions. As a result, the Barclays Group constantly reviews its concentration in a number of areas including, for example, geography, maturity and industry.

Mandate and scale limits are used to maintain concentrations at appropriate levels, which are aligned with the businesses' stated risk appetite. Limits are typically based on the nature of the lending and the amount of the portfolio meeting certain standards of underwriting criteria. Diversification, to reduce concentration risk, is achieved through setting maximum exposure limits to individual counterparties' exposures. Excesses are reported to the BRC.

Monitoring performance and asset quality

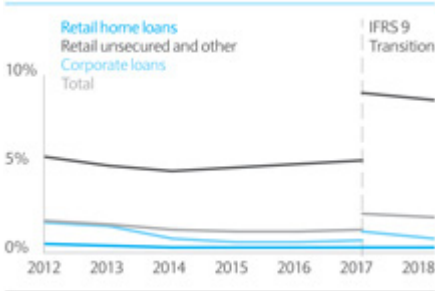
Trends in the quality of Barclays Group's loan portfolio are monitored in a number of ways including tracking loan loss rate and coverage ratios.

Loan loss rate

The loan loss rate (LLR) provides a way of consistently monitoring trends in loan portfolio quality at Barclays Group, business and product levels. The LLR represents the annualised impairment charges 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. Details of the LLR for the current period may be found in the Credit Risk Performance section on page xx in the 2018 Annual Report.

Coverage ratios

Loans and advances total impairment coverage



Total coverage ratios will vary according to the type of product. The increase in 2017 reflects the transition to the new accounting standard IFRS9. Overall, coverage ratios would therefore be expected to remain fairly steady over a defined period of time but in principle, a number of factors may affect Barclays Group's overall coverage ratios, including:

- **The mix of products:** coverage ratios will tend to be lower when there is a high proportion of secured Retail and corporate balances. This is due to the fact that the recovery outlook on these types of exposures is typically higher than Retail unsecured products, with the result that they will have lower impairment requirements;
- **The stage in the economic cycle:** coverage ratios will tend to be lower in the earlier stages of deterioration in credit conditions. At this stage, Retail delinquent balances will be predominantly in the early delinquency cycles and corporate names will have only recently shown signs of deterioration;

- **Staging:** coverage ratios will tend to be higher when there is a high proportion of balances that have met the criteria for significant increase in credit loss with associated expected credit losses (ECL) moving from a 12-month to a lifetime assessment; and
- **Write-off policies:** the speed with which defaulted assets are written off will affect coverage ratios. The more quickly assets are written off, the lower the ratios will be, since stock with 100% coverage will tend to roll out of more quickly.

Details of the coverage ratios for the current period are shown in the above chart and may be found in the analysis of loans and advances and impairment section at page xx in the 2018 Annual Report.

Monitoring weaknesses in portfolios

While the basic principles for monitoring weaknesses in Wholesale and Retail exposures are broadly similar, they reflect the differing nature of the assets. As a matter of policy, all facilities granted to corporate or Wholesale counterparties are subject to a review on, at least, an annual basis, even when they are performing satisfactorily.

Wholesale portfolios<sup>1</sup>

Within the Wholesale portfolios, the Basel definitions of default are used as default indicators which have been aligned to the IFRS9. Group definitions of default used are:

- Barclays Group puts the credit obligation on a non-accrued status;
- Barclays Group makes a charge-off or account specific identified impairment resulting from a significant perceived decline in credit quality;
- Barclays Group sells the credit obligation at a material credit-related economic loss;

1 Includes certain Business Banking facilities which are recorded as Retail for management purposes.



Additional information

Barclays’ approach to managing risks

Management of credit risk and the internal ratings-based approach



- Barclays Group triggers a petition for obligor’s bankruptcy or similar order;
- Barclays Group becomes aware of the obligor having sought or having been placed in bankruptcy or similar protection where this would avoid or delay repayment of the credit obligation to Barclays Group;
- Barclays Group becomes aware of an acceleration of an obligation by a firm;
- where the obligor is a bank – revocation of authorisation;
- where the obligor is a sovereign – trigger of default definition of an approved External Credit Assessment Institution (ECAI) such as a rating agency;
- Obligor past due more than 90 days on any material credit obligation to Barclays Group.

Wholesale accounts that are deemed to contain heightened levels of risk are recorded on graded watchlists (WL) comprising four categories graded in line with the perceived severity of the risk attached to the lending, and its probability of default. Examples of heightened levels of risk may include, for example:

- a material reduction in profits;
- a material reduction in the value of collateral held;
- a decline in net tangible assets in circumstances which are not satisfactorily explained;
- periodic waiver requests or changes to the terms of the credit agreement over an extended period of time.

These lists are updated monthly and circulated to the relevant risk control points. Once an account has been placed on WL, the exposure is monitored and, where appropriate, exposure reductions are effected.

While all counterparties, regardless of financial health, are subject to a full review of all facilities on at least an annual basis, more frequent interim reviews may be undertaken should circumstances dictate. Specialist recovery functions deal with counterparties

in higher levels of WL, default, collection or insolvency. Their mandate is to maximise shareholder value, ideally via working intensively with the counterparty to help them to either return to financial health or, in the cases of insolvency, obtain the orderly and timely recovery of impaired debts. Where a counterparty’s financial health gives grounds for concern, it is immediately placed into the appropriate watchlist category.

**Retail portfolios**  
Within the Retail portfolios, which tend to comprise homogeneous assets, statistical techniques more readily allow potential credit weaknesses to be monitored on a portfolio basis. Retail accounts can be classified according to specified categories of arrears status (or 30-day cycle), which reflects the level of contractual payments which are overdue. An outstanding balance is deemed to be delinquent when it is one day or “one penny” down.

Once a loan has passed through a prescribed number of cycles, normally six, it will be charged-off and enter recovery status. Charge-off refers to the point in time when collections activity changes from the collection of arrears to the recovery of the full balance. In most cases, charge-off will result in the account moving to a legal recovery function or debt sale. This will typically occur after an account has been managed by a collections function. However, in certain cases, an account may be charged off directly from a performing status, such as in the case of insolvency or death.

The timings of the charge-off points are established based on the type of loan. For the majority of products, the standard period for charging off accounts is six cycles (180 days past due date of contractual obligation). Early charge-off points are prescribed for unsecured assets. For example, in cases of customer bankruptcy or insolvency, associated accounts are charged off within 60 days of notification.

**Returning assets to a performing status**  
**Wholesale portfolios**  
In Wholesale portfolios, an account may only be returned to a performing status when it ceases to have any actual or perceived financial stress and no longer meets any of the watchlist criteria, or once facilities have been fully repaid or cancelled. Unless a facility is fully repaid or cancelled, the decision in Corporate Banking to return an account to performing status may only be taken by the credit risk team, while within the Investment Bank, the decision can only be taken by the BI Watch List Committee.

**Retail portfolios**  
A Retail asset, pre-point of charge-off, may only be returned to a performing status in the following circumstances:

- all arrears (both capital and interest) have been cleared and payments have returned to original contractual payments;
- for revolving products, a re-age event has occurred, when the customer is returned to an up-to-date status without having cleared the requisite level of arrears;

## Additional information

Barclays’ approach to managing risks

# Management of credit risk and the internal ratings-based approach

- for amortising products, which are performing on a programme of Forbearance and meet the following criteria may be returned to the performing book classified as High Risk<sup>2</sup>:
  - no interest rate concessions must have been granted
  - restructure must remain within original product parameters (original term + extension)
  - twelve consecutive payments at the revised contractual payment amount must have been received post the restructure event.

For residential mortgages, accounts may also be considered for rehabilitation post charge-off, where customer circumstances have changed. The customer must clear all unpaid capital and interest, and confirm their ability to meet full payments going forward.

### Recovery units

Recovery units are responsible for exposures where deterioration of the counterparty/ customer credit profile is severe, to the extent that timely or full recovery of exposure is considered unlikely and default has occurred or is likely in the short term. Recovery teams set and implement strategies to recover Barclays Group’s exposure through realisation of assets and collateral, in co-operation with counterparties/customers and where this is not possible through insolvency and legal procedures.

In Wholesale, for a case to be transferred to a recovery unit, it must be in default and have ceased to actively trade or be in insolvency. In Retail, the timings of the charge-off points to recovery units are established based on the type of loan. For the majority of products, the standard period for charging off accounts is six missed contractual payments (180 days past due date of contractual obligation) unless a Forbearance programme is agreed. Early points are prescribed for unsecured assets. For example, in case of customer bankruptcy or insolvency, associated accounts are charged off within 60 days of notification. See recovery information included in Analysis of Specific Portfolio and Asset Types section on page xx in the 2017 Annual Report.

### Foreclosures in process and properties in possession

Foreclosure is the process where Barclays Group initiates legal action against a customer, with the intention of terminating the loan agreement whereby Barclays Group may repossess the property subject to local law and recover amounts it is owed. This process can be initiated by Barclays Group independent of the impairment treatment.

Properties in possession include properties held as ‘loans and advances to customers’ and properties held as ‘other real estate owned’.

Held as ‘loans and advances to customers’ (UK and Italy) refers to the properties where the customer continues to retain legal title but where Barclays Group has enforced the possession order as part of the foreclosure process to allow for the disposal of the asset, or the court has ordered the auction of the property.

### Writing off assets

Write-off refers to the point where it is determined that the asset is irrecoverable, it is no longer considered economically viable to try and recover the asset, it is deemed immaterial, or full and final settlement is reached and a shortfall remains. In the event of write-off, the customer balance is removed from the balance sheet and the impairment reserve held against the asset is released.

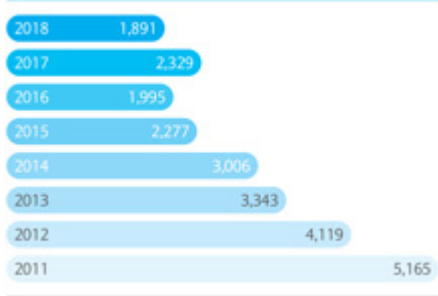
The timing and extent of write-offs may involve some element of subjective judgement. Nevertheless, a write-off will often be prompted by a specific event, such as the inception of insolvency proceedings or other formal recovery action, which makes it possible to establish that some or the entire advance is beyond realistic prospect of recovery. The position of impaired loans is also reviewed at least quarterly to make sure that irrecoverable advances are being written off in a prompt and orderly manner and in compliance with any local regulations.

For Retail portfolios, the timings of the write-off points are established based on the type of loan. For unsecured, assets in the recoveries book will be written-off if the required qualifying repayments are not made within a rolling twelve-month period. For secured loans, the shortfall after the receipt of the proceeds from the disposal of the collateral is written off within three months of that date if no repayment schedule has been agreed with the borrower. Such assets are only written off once all the necessary procedures have been completed and the amount of the loss has been determined.

Subsequent recoveries of amounts previously written off are written back and hence decrease the amount of the reported loan impairment charge in the income statement.

In 2018, total write-offs of impaired financial assets decreased 6% to £2.2bn (2017: £2.3bn).

### Total write-off of impaired financial assets (£m)



### Assessment of Impairment Under IFRS9

From 1 January 2018, a new accounting standard, IFRS 9, became effective which prescribes the rules for measuring impairment allowances for financial assets. Under the IFRS9 accounting standard, businesses are required to assess and recognise Expected Credit Losses (ECL) on financial assets from the point of origination or purchase, and to update said assessment at each reporting date, reflecting changes in the credit risk of the financial asset.

ECL represents present value measure of the credit losses expected to result from default events that may occur during a specified period of time. ECLs must reflect the present value of cash shortfalls, i.e. the difference between cash flows due under the contract and the cash flows that the business now expects to receive. Given ECLs take into account both the amount and the timing of payments, a credit loss may result if a contractual payment is missed or received late, even if the debt is ultimately paid in full. ECL assessments must reflect an unbiased and probability weighted assessment of a range of possible outcomes, including reasonable and supportable information about future economic conditions.

Exposures must be assessed and assigned to one of the following populations at each reporting point:

- Stage 1: Performing risk assets.**  
In scope items classified as stage 1 exposure for IFRS9 purposes are those assets performing in line with expectations in place at the point of origination/acquisition. This includes new originations or purchased assets (from the point of initial origination), but excludes exposures deemed credit impaired at point of origination.  
  
Businesses must recognise an impairment allowance equal to 12 months expected credit losses. This allowance must be raised at point of initial reporting of an asset and the assessment updated at each subsequent reporting point.
- Stage 2: Significantly deteriorated risk assets.**  
Assets classified as stage 2 exposures for IFRS9 purposes are those where credit risk has significantly increased compared with expectations at point of origination/ acquisition, but which are not yet considered ‘Credit Impaired’.

2 The identification and subsequent treatment of up-to-date customers who, either through an event or observed behaviour exhibit potential financial difficulty. High Risk includes customers who have suffered recent financial dislocation, i.e. prior forbearance or re-age.

Additional information

Barclays’ approach to managing risks

Management of credit risk and the internal ratings-based approach

In order to maintain that individual exposures or groups of assets are correctly classified as stage 2 assets, businesses must undertake regular assessments to identify whether a significant increase in credit risk has occurred since initial recognition. This must take the form of the following:

– **Quantitative Test**  
Where the residual annualised weighted average lifetime PD for an individual exposure at the latest reporting date shows a material deterioration compared with that at the origination/acquisition point, then the assets must be classified under stage 2 as having significantly increased credit risk. The assessment of materiality, i.e. at what point the PD increase is deemed ‘significant’, is based upon analysis of the portfolios risk profile against a common set of defined principles and key performance metrics.

– **Qualitative Test**  
For personal banking assets managed under Retail Portfolios, accounts meeting the portfolios ‘high risk’ criteria, must be classified under stage 2 as having significantly increased credit risk. For Wholesale portfolios and Business Banking assets managed under Retail portfolios where accounts are managed under the Watch List framework, then customers on WL 2/3, not breaching the quantitative test must be classified under stage 2 as having SICR. Obligors on WL1 may be classified as stage 1 for a maximum period of 6 months. In exceptional circumstances for an obligor on WL2 where it can be proven that a specific exposure is not deteriorated e.g. it is newly originated and therefore cannot have deteriorated, stage 1 ECL may be applied.

– **Backstop Criteria**  
For Retail portfolios, adverse changes in payment status must be considered within the assessment, and accounts 1 or more contractual payment in arrears at reporting date classified under stage 2, except where:

- a. The missed payment is a result of a bank error or technical issue;
- b. The arrears can be analytically proven not to represent deterioration from risk performance expectations at point of origination/acquisition, e.g. where there is a very small period between cycle point and reporting date. Such exceptions must be approved by the GCRD or nominated delegate. Exposures at 30 days or more past contractual payment due date at the reporting date must be classified as stage 2 assets without exception.

For Wholesale portfolios adverse changes in payment status must be considered within the assessment, and accounts with contractual payment 30 days or more in arrears at reporting date are included within the entry criteria for stage 2,

except where the missed payment is a result of a proven bank error or administrative issue. Where 30 days is used it must be proven that this is a backstop, not a lead driver of exposure moving to stage 2.

Where the assessment of SICR is undertaken on a collective basis, assets must be grouped on the basis of similar risk characteristics, taking into account asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Businesses must raise an impairment allowance equivalent to the latest assessment of lifetime expected credit losses. This increased allowance must be recognised at the first reporting point following entry to stage 2 and the assessment updated at each subsequent reporting date.

The assessment of lifetime ECLs for stage 2 (and stage 3) assets must consider the maximum contractual period over which the business is exposed to credit risk, including the impact of permitted extensions and pre-payments, i.e. those available at the option of the borrower to which the business must agree.

For loan commitments, the lifetime assessment period is normally the maximum contractual life, i.e. the period from the point the loan commitment is established to closure/full repayment of the exposure. However, where customer use of contractually available pre-payments and/ or extension has a material impact on the expected life of the asset, then use of behavioural life may be justified.

For revolving credit facilities, the lifetime assessment period may extend beyond the contractual life to include the period over which the business is expected to be exposed to credit risk, based on historical experience i.e. an assessment of the average time to default, closure or withdrawal of the facility.

Assets may be removed from stage 2 and re-assigned to stage 1 once there is objective evidence that the criteria used to indicate a significant increase in credit risk are no longer met.

- **Stage 3: Credit impaired risk assets.**  
Assets classified as stage 3 exposures for IFRS9 purposes are those where credit risk has increased to a point where they are now considered ‘Credit Impaired’. For Retail portfolios, this incorporates all accounts in forbearance, regardless of whether classified as performing or non-performing for EBA reporting purposes. For Wholesale portfolios cases of forbearance not captured by stage 3 (i.e. those not meeting the regulatory definition of default - EBA classification of non-performing) must be classified as stage 2 until such time as the relevant forbearance probation period has been completed.

Businesses must raise an impairment allowance equivalent to the latest assessment of lifetime expected credit losses, i.e. on the same basis as for stage 2 assets.

For Single Name Wholesale Assets, a threshold approach is taken with stage 3 impairment calculated individually. A discounted cash flow is completed establishing a base estimated impairment allowance, derived from the difference between asset carrying values and the recoverable amount.

Where the base allowance is greater than GBP 10m, a bespoke assessment is performed reflecting individual work out strategies. The assessment is clearly and specifically articulated including how general economic scenarios and downside analyses have been applied.

Interest and fee income on stage 3 assets is recognised based on the net amortised value, i.e. the gross carrying amount adjusted for the loss allowance in line with IFRS principles.

For exposures that are considered credit-impaired on purchase or origination, lifetime ECLs must be taken into account within the estimated cash flows at point of initial recognition, and the asset classified as stage 3.

In subsequent reporting periods, businesses must recognise cumulative changes in lifetime ECLs since initial recognition as a loss allowance, i.e. the amount of change in lifetime ECLs is treated as an impairment gain or loss. Assets may only exit stage 3 and be reclassified into stage 1 or stage 2 once the original default trigger event no longer applies.

To fully embed this new standard into businesses, management requires frequent periodic reviews of ECL performance across Barclays Group both in isolation and, more importantly, in comparison to the underlying performance of portfolios and product types.

Review and challenge is carried out through a hierarchy of committees confirming both the adequacy of provisions under the ECL requirements and that all policies, standards and processes have been adhered to (see below) and that appropriate controls are evidenced.



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Barclays’ approach to managing risks

Management of credit risk and the internal ratings-based approach

Governance and oversight of impairment under IFRS 9

Barclays Group’s organisational structure and internal governance processes oversee the estimation of ECL across several areas, including: i) setting requirements in policy, including key assumptions and the application of key judgements; ii) the design and execution of models; and iii) review of ECL results.

i. Impairment policy requirements are set and reviewed regularly, at a minimum annually, to maintain adherence to accounting standards. Key judgements inherent in policy, including the estimated life of revolving credit facilities and the quantitative criteria for assessing the SICR, are separately supported by analytical study. In particular, the quantitative thresholds used for assessing SICR are subject to a number of internal validation criteria, particularly in retail portfolios where thresholds decrease as the origination PD of each facility increases. Key policy requirements are also typically aligned to Barclays Group’s credit risk management strategy and practices, for example, wholesale customers that are risk managed on an individual basis are assessed for ECL on an individual basis upon entering Stage 3; furthermore, key internal risk management indicators of high risk are used to set SICR policy, for example, retail customers identified as High Risk Management Accounts are automatically deemed to have met the SICR criteria.

ii. ECL is estimated in line with internal policy requirements using models which are validated by a qualified independent party to the model development area, the Independent Validation Unit (IVU), before first use and at a minimum annually thereafter. Each model is designated an owner who is responsible for:

- Monitoring the performance of the model, which includes comparing predicted ECL versus flow into stage 3 and coverage ratios; and
- Proposing post-model adjustments (PMA) to address model weaknesses or to account for situations where known or expected risk factors and information have not been considered in the modelling process. Each PMA above an absolute and relative threshold is approved by the IVU for a set time period (usually a maximum of six months) together with a plan for remediation. The most material PMAs are also approved by the Barclays Group’s Chief Risk Officer.

Models must also assess ECL across a range of future economic conditions. These economic scenarios are generated via an independent model and ultimately set by the Senior Scenario Review Committee. Economic scenarios are regenerated at a minimum annually, to align with Barclays Group’s medium term

planning exercise, but also if the external consensus of the UK or US economy materially worsen. Each model used in the estimation of ECL, including key inputs, are governed by a series of internal controls, which include the validation of completeness and accuracy of data in golden source systems, documented data transformations and documented lineage of data transfers between systems.

iii. The Barclays Group’s Impairment Committee, formed of members from both Finance and Risk and attended by both the Barclays Group’s Finance Director and the Barclays Group’s Chief Risk Officer, is responsible for overseeing impairment policy and practice across Barclays Group and will approve impairment results. Reported results and key messages are communicated to the Barclays Group’s Board Audit Committee, which has an oversight role and provides challenge of key assumptions, including the basis of the scenarios adopted.

Forbearance and other concession programmes

Forbearance programmes

Forbearance takes place when a concession is made on the contractual terms of a facility in response to an obligor’s financial difficulties. Barclays Group offers forbearance programmes to assist customers and clients in financial difficulty through agreements that may include accepting 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 Group or a third party.

Forbearance programmes for Wholesale portfolios

The majority of Wholesale client relationships are individually managed, with lending decisions made with reference to specific circumstances and on bespoke terms.

Forbearance measures consist of concessions made towards a debtor that is experiencing or about to experience difficulties in meeting their financial commitments.

A concession is a sanctioned action, outside of market terms that is beneficial to the debtor. The concession arises solely due to the financial distress of the debtor and the terms are more favourable than those which would be offered to a new or existing obligor with a similar risk profile. Concessions are represented by:

- A change or alteration to the previous terms and conditions of a contract,
- A total or partial refinancing of a troubled debt contract.

The following are some examples of concessions which would be deemed forbearance (where granted to debtors in financial difficulties and outside of market terms):

- A restructuring of the contractual terms of a credit facility (such as a reduction in the interest rate).
- An extension to the maturity date.
- Change to the collateral structure (typically resulting in a net reduction in collateral).
- Favourable adjustment to covenants where repayment profile changes, or non-enforcement of material covenant breach.
- Repayment in some form other than cash (e.g. equity).
- Capitalisation of accrued interest.
- Any other concession made which is designed to alleviate actual or apparent financial stress e.g. a capital repayment holiday.

Where a concession is granted that is not a result of financial difficulty and/or is within Barclays Group’s current market terms, the concession would not amount to forbearance. For example, a commercially balanced restructure within the Barclays Group’s current terms which involves the granting of concessions and receiving risk mitigation/ structural enhancement of benefit to Barclays Group would not be indicative of forbearance.

Forbearance is not deemed to have occurred in the following situations:

- There is a pending maturity event anticipated at the onset of lending i.e. the loan was never structured to amortise to zero.
- A maturity extension or a temporary covenant waiver (e.g. short term standstill) is granted to support a period of negotiation, subject to Barclays Group being satisfied that:
  - the debtor is actively pursuing refinancing or the sale of an asset enabling full repayment at expiry of the extended term
  - no loss is anticipated
  - payments of interest and capital continues as originally scheduled,
  - there is a high probability of a successful outcome within a “reasonable” time scale (6 months for bilateral facilities, 9 months for multi-lender).
- Immaterial amendments to lending terms are agreed, including changes to non-financial internal risk triggers that are only used for internal monitoring purposes.

Forbearance is considered evidence of a Significant Increase in Credit Risk and all forborne debtors are impaired as IFRS9 stage 2 (Lifetime Expected Credit Loss) regardless of Watch List category as a minimum for the lifetime of the forbearance. Those forbearance cases in regulatory default will attract stage 3 impairment treatment.

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Barclays’ approach to managing risks

Management of credit risk and the internal ratings-based approach

Debtors granted forbearance are classified on watch list (WL) for the duration of the forbearance. Counterparties placed on WL status are subject to increased levels of credit risk oversight.

Forborne debtors are classified for reporting as either Performing or Non-Performing.

- Non-Performing debtors are defined as:
- More than 90 days past due.
  - Assessed as unlikely to pay credit obligations in full without realisation of collateral, regardless of the existence of any past due amount or of the number of days past due.
  - Credit impaired.
  - Performing forborne debtors granted additional forbearance measures or becoming more than 30 days past-due on a facility obligation.

Performing debtors are classified as debtors that are less than 30 days past due and are without risk of non-payment.

Non-performing status remains in force for a minimum 12 months from the date of classification before the debtor can be considered for performing status. Performing debtors remain forborne for a minimum 24 months before forborne status may be reviewed. The minimum time spent in forbearance for a case that is Non-Performing at the point forbearance is granted is therefore 36 months.

A control framework exists along with regular sampling so that policies for watch list and impairment are enforced as defined and all assets have suitable levels of impairment applied. Portfolios are subject to independent assessment.

Aggregate data for Wholesale forbearance cases is reviewed by the Wholesale Credit Risk Management Committee.

**Forbearance programmes for retail portfolios**

Retail forbearance is available to customers experiencing financial difficulties. Forbearance solutions take a number of forms depending on individual customer circumstances. It is imperative that the solution agreed is both appropriate to that customer and sustainable, with a clear demonstration from the customer of both willingness and ability to repay. Before any permanent programme of forbearance is granted, an affordability assessment is undertaken to confirm suitability of the offer. Short-term solutions focus on temporary reductions to contractual payments and may change from capital and interest payments to interest only. For loan customers with longer-term financial difficulties, term extensions may be offered, which may include interest rate concessions. For credit card customers with longer-term financial difficulties, a switch to a fully amortising plan may be offered, which may include an interest rate concession.

When an account is placed into a programme of forbearance, the asset will be classified as such until a defined cure period has been successfully completed, incorporating a successful track record of payment in line with the revised terms, upon which it will be returned to the up-to-date book. When Barclays Group agrees a forbearance programme with a customer, impairment allowances recognise the impact on cash flows of the agreement to receive less than the original contractual payments. The Retail Impairment Policy prescribes the methodology for the impairment of forbearance assets, in line with the new IFRS9 methodology adopted in January 2018. Forborne exposures are classified as stage 3 (credit impaired) assets under IFRS9, resulting in higher impairment than for fully performing assets, reflecting the additional credit risk attached to loans subject to forbearance.

When customers exit forbearance, the accounts are ring-fenced as High Risk within the up-to-date book for a period of at least twelve months.

Barclays has continued to assist customers in financial difficulty through the use of forbearance programmes. However, the extent of forbearance offered by Barclays Group to customers and clients remains small in comparison to the overall size of the loan book.

The level of forbearance extended to customers in other Retail portfolios is not material and, typically, does not currently play a significant part in the way customer relationships are managed. However, additional portfolios will be added to this disclosure should the forbearance in respect of such portfolios become material.

A Retail loan is not considered to be renegotiated where the amendment is at the request of the customer, there is no evidence of actual or imminent financial difficulty and the amendment meets with all underwriting criteria. In this case it would be treated as a new loan. In the normal course of business, customers who are not in financial difficulties frequently apply for new loan terms, for example to take advantage of a lower interest rate or to secure a further advance on a mortgage product. Where these applications meet our underwriting criteria and the loan is made at market interest rates, the loan is not classified as being in forbearance. Only in circumstances where a customer has requested a term extension, interest rate reduction or further advance and there is evidence of financial difficulty is the loan classified as forbearance and included in our disclosures on forbearance on page xx of the 2018 Annual Report.

Please see the credit risk performance section on page xx of the 2018 Annual Report for details of principal Wholesale and Retail assets currently in forbearance.

**Other programmes**

**Retail re-aging activity**

Re-aging refers to the placing of an account into an up-to-date position without the requisite repayment of arrears. The re-age policy applies to revolving products that have a minimum payment requirement only. No reduction is made to the minimum due payment amounts which are calculated, as a percentage of balance, with any unpaid principal included in the calculation of the following month’s minimum due payment.

The changes in timing of cash flows following re-aging do not result in any additional cost to Barclays Group. The following are the conditions required to be met before a re-age may occur:

- the account must not have been previously charged off or written off
- the borrower cannot be bankrupt, subject to an Individual Voluntary Arrangement (a UK contractual arrangement with creditors for individuals wishing to avoid bankruptcy), or deceased
- the borrower must show a renewed willingness and ability to repay the debt. This will be achieved by the borrower making at least three consecutive contractual monthly payments or the equivalent cumulative amount. Contractual monthly payment is defined as the contractual minimum due. Funds may not be advanced for any part of this
- no account should be re-aged more than once within any twelve-month period, or more than twice in a five-year period.

Re-aged assets are included in portfolios High Risk population, and are classified as stage 2 assets (i.e. as having significantly increases credit risk) for IFRS9 impairment purposes. This results in an appropriately higher impairment allowance being recognised on the assets.

**Retail small arrears capitalisation**

All small arrears capitalisations are now considered a form of Forbearance, based on the European Banking Authority’s requirements for Supervisory Reporting on Forbearance and Non-Performing exposures.





Additional information

Barclays’ approach to managing risks

Management of credit risk and the internal ratings-based approach

**Applications of internal ratings**  
The three components – PD, LGD and CF – are the building blocks used in a variety of applications that measure credit risk across the entire portfolio:

- **credit approval:** PD models are used in the approval process in both retail and wholesale portfolios. In high-volume retail portfolios, application and behaviour scorecards are frequently used as decision-making tools. In wholesale and some retail mortgage portfolios, PD models are used to direct applications to an appropriate credit-sanctioning level
- **credit grading:** this was originally introduced in the early 1990s to provide a common measure of risk across Barclays Group. Barclays now employs a 21-point scale of default probabilities. In some applications, grades in this scale are divided further to permit more detailed analysis.
- **risk-reward and pricing:** PD, LGD and CF estimates are used to assess the profitability of deals and portfolios and to facilitate risk-adjusted pricing and strategy decisions
- **risk appetite:** estimates are used to calculate the expected loss and the potential volatility of loss in Barclays Group’s risk appetite framework. See page 363
- **impairment calculation:** under IFRS9, ECL outputs are produced based on PD, EAD and CF IRB feeder models, with scenario and weighting. See page 372
- **collections and recoveries:** model outputs are used to identify segments of the portfolio where collection and recovery efforts should be prioritised
- **economic capital (EC) calculation:** most EC calculations use similar inputs as the regulatory capital (RC) process
- **risk management information:** Risk generate reports to inform senior management on issues such as business performance, risk appetite and EC consumption. Model outputs are used as key indicators in those reports. Risk also generates regular reports on model risk, which covers model accuracy, model use, input data integrity and regulatory compliance among other issues.

**Ratings processes and models for credit exposures**  
**Wholesale credit**  
To construct ratings for wholesale customers, including financial institutions, corporations, specialised lending, purchased corporate receivables and equity exposures, Barclays complements its internal models suite with external models and rating agencies’ information. A model hierarchy is in place requiring users/credit officers to adopt a consistent approach/model to rate each counterparty based on the asset class type and the nature of the transaction.

**Wholesale PD models**  
Barclays employs a range of methods in the construction of these models:

- statistical models are used for our high volume portfolios such as small or medium enterprises (SME). The models are typically built using large amounts of internal data, combined with supplemental data from external data suppliers where available. Wherever external data is sourced to validate or enhance internally held data, similar data quality standards to those applicable to the internal data management are enforced.
- structural models incorporate, in their specification, the elements of the industry-accepted Merton framework to identify the distance to default for a counterparty. This relies upon the modeller having access to specific time series data or data proxies for the portfolio. Data samples used to build and validate these models are typically constructed by appropriately combining data sets from internal default observations with comparable externally obtained data sets from commercial providers such as rating agencies and industry data gathering consortia.
- expert lender models are used for those parts of the portfolio where there is insufficient internal or external data to support the construction of a statistically robust model. These models utilise the knowledge and in-depth expertise of the senior credit officers dealing with the specific customer type being modelled. For all portfolios with a low number of default observations, Barclays Group adopts specific regulatory rules, methodologies and floors in its estimates so that the calibration of the model meets the current regulatory criteria for conservatism.

**Wholesale LGD models**  
The LGD models typically rely on statistical analysis to derive the model drivers (including seniority of claim, collateral coverage, recovery periods, industry and costs) that best explain Barclays Group’s historical loss experience, often supplemented with other relevant and representative external information where available. The models are calibrated to downturn conditions for regulatory capital purposes and, where internal and external data is scarce, they are subject to SIRB floors so that the calibration of the model meets the current regulatory criteria for conservatism.

**Wholesale CF models**  
The wholesale CF models estimate the potential utilisation of the currently available headroom based on statistical analysis of the available internal and external data and past client behaviour. As is the case with the LGD models, the CF models are subject to downturn calibration for regulatory capital purposes and to floors where data is scarce.

**Retail credit**  
Retail banking and cards operations have long and extensive experience of using credit models in assessing and managing risks. As a result, models play an integral role in customer approval and management decisions. Most retail portfolios are data rich; consequently, most models are built in-house

using statistical techniques and internal data. Exceptions are some expert lender models (similar to those described in the wholesale context) where data scarcity precludes the statistically robust derivation of model parameters. In these cases, appropriately conservative assumptions are typically used, and wherever possible these models are validated/benchmarked against external data.

**Retail PD models**  
Application and behavioural scorecards are most commonly used for retail PD modelling:

- application scorecards are derived from historically observed performance of new clients. They are built using customer demographic and financial information, supplemented by credit bureau information where available. Through statistical techniques, the relationship between these candidate variables and the default marker is quantified to produce output scores reflecting a PD. These scores are used primarily for new customer decisioning but are, in some cases, also used to allocate a PD to new customers for the purpose of capital calculation.
- behavioural scorecards differ from application scorecards in that they rely on the historically observed performance of existing clients. The statistically derived output scores are used for existing customer management activities as well as for the purpose of capital calculation.

**Retail LGD models**  
Retail LGD models are built using bespoke methods chosen to best model the operational recovery process and practices. In a number of secured portfolios, LGD drivers are parameterised with market factors (e.g. house price indices, haircut of the property value) to capture market trends. For most unsecured portfolios, where recoveries are not based on collateral, statistical models of cash flows are used to estimate ultimate recoveries and LGDs. In all instances, cash flows are discounted to the point of default by using bespoke country and product level factors. For capital calculations, customised economic downturn adjustments, taking into account loss and default dependency, are made to adjust losses to stressed conditions.

**Retail CF models**  
CF models within retail portfolios are split into two main methodological categories. The general methodology is to derive product level credit conversion factors (CCFs) from historical balance migrations, typically for amortising product, such as mortgages, consumer loans. These are frequently further segmented at a bucket level (e.g. by delinquency). The most sophisticated CF models are based on behavioural factors, determining customer level CCFs from characteristics of the individual facility, typically for overdrafts and credit cards. For capital calculations, customised downturn adjustments, taking into account loss and default dependency, are made to adjust for stressed conditions.

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Barclays’ approach to managing risks

Management of credit risk and the internal ratings-based approach

**The control mechanisms for the rating system**

Model risk is a risk managed under the ERMF. Consequently, Barclays Group Model Risk Policy (GMRP) and its supporting standards covering the end-to-end model life cycle are in place to support the management of risk models.

- Key controls captured by the GMRP cover:
- model governance is anchored in assigning accountabilities and responsibilities to each of the main stakeholders:
    - model owner – each model must have an owner who has overall accountability for the model
    - model developers – support the model owner and drive development according to the model owner’s defined scope/ purpose
    - Independent Validation Unit (IVU) – responsible for independent review, challenge and approval of all models.
  - externally developed models are subject to the same governance standards as internal models
  - models are classified by materiality (high/low) and complexity (complex/non-complex)
  - all models must be validated and approved by IVU before initial implementation/use
  - models are subject to annual review by the model owner and periodic validation and approval by IVU
  - all models must be recorded in Barclays Group Models Database (GMD), which records model owners and developers
  - model owners must evidence that model implementation is accurate and tested.

If a model is found to perform sub-optimally, it may be rejected and/or subjected to a Post Model Adjustment (PMA) before approval for continued use is granted.

The IVU reporting line is separate from that of the model developers. IVU is part of Model Risk Management (MRM), and the head of MRM reports to Barclays’ Chief Risk Officer (GCRO). The model development teams have separate reporting lines to the Barclays UK and Barclays International Chief Risk Officers, who in turn report to the GCRO.

Under the Three Lines of Defence approach stated in the ERMF, the actions of all parties with responsibilities under the GMRP are subject to independent review by Barclays Internal Audit.

**Validation processes for credit exposures**

Validation of credit models covers observed model performance but also the scope of model use, interactions between models, data use and quality, the model’s theoretical basis, regulatory compliance and any remediation to model risk that are proposed or in place. The following sections provide more detail on processes for validating the performance of each model type.

**Wholesale PD models**

To assess model calibration, the IVU compares the model prediction of default frequency to the realised internal default rate both over the latest year and over all observable model history. Due to the relative infrequency of default of large wholesale obligors, a long-run perspective on default risk is vital. Default rates are also compared to external benchmarks where these are relevant and available, such as default rates in rating-agency data. In practice, since financial crises have been infrequent, IVU would expect the model PD used in calculating regulatory capital to exceed the long run observed default rate.

For portfolios where few internal defaults have been observed, portfolio PD is compared to the ‘most prudent PD’ generated by the industry-standard Pluto-Tasche method, using conservative parameter assumptions.

To assess model discrimination performance, the IVU compares the rank-ordering of internal ratings with the pattern of defaults, if any, to construct the industry-standard Gini statistic or similar. The ordering of internal ratings is also compared to the ordering of internal and external comparator ratings where these are available.

Measures of grade stability and the degree to which PD tracks default rates over time are also routinely calculated to infer relevant aspects of the model performance (i.g. rating philosophy).

**Wholesale LGD models**

To assess model calibration, model outputs are compared to the LGD observed on facilities that entered default in ‘downturn’ periods, as requested by the regulator. Both internal and external data on observed LGD are examined, but preference is given to internal data, since these reflect Barclays’ recovery policies. Comparisons are performed by product seniority and security status and for other breakdowns of the portfolio. Model outputs are also compared to the long-run average of observed LGD. The time-lapse between facility default and the closure of recovery is varied and may be long. In the construction of observed LGD, recoveries are discounted back to the date of default at a conservative interest rate, following regulatory guidance of at least 9%. As noted above, regulatory floors are in place for the LGD used in calculating regulatory capital for exposure types where few default observations are available.

To assess model discrimination, the IVU compares the rank-ordering of model predictions to that of observed LGD and calculates the Spearman’s Rank correlation coefficient and other measures of discrimination.

**Wholesale CF models**

To assess model calibration, the conversion factors observed in internal data are compared to model predictions, both in downturn periods as defined by the regulator, and on a long-run average basis. Comparisons are performed separately for different product types. Validation focuses on internal data, with external data used as a benchmark, because conversion factors are related to banks’ facility management practices. Particular care is used in separating cases where facility limits changed between the date of observation and default, as these can lead to measurements of conversion factors that take extreme values. As a benchmark only, total predicted exposure at default for all defaulted facilities is compared to realised exposure at default. This comparison is done because it is relatively insensitive to extreme values for observed CF on some facilities. The primary validation tests are performed on facility-weighted rather than exposure-weighted basis, however, in line with the relevant regulations.

**Retail PD models**

To assess rating philosophy, i.e. whether it is a Point-in-Time system or Through-the-Cycle system, the IVU produces migration indices to investigate relevant grade migration.

To assess model calibration, the IVU compares the model prediction of default frequency to the realised internal default rate by grade/pool as required by CRR. As a minimum, IVU expects the expected default rate is at least equal or above the level of observed default rate.

To assess model discrimination performance, the IVU compares the rank-ordering of internal ratings with the pattern of defaults, if any, to construct the industry-standard Gini statistic or similar.

To assess model stability, the population distribution, the character distribution and parameter estimates are assessed individually.

A 0.03% regulatory floor is in place for the facility level PD used in calculating regulatory capital.



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Retail LGD models

LGD model components are compared to observed value respectively, this may include but not limited to probability of possession/charge off, forced sale discount, time from default to crystallisation and discount rate. Where components are similar to PD in nature, the approach stated in the PD section applies to assess the calibration, discrimination and stability of the component.

The calibration of the overall LGD is assessed through the expected against actual comparison by default flow and stock population respectively. The downturn LGD appropriateness is further assessed to test that the downturn LGD is equal to or above the long-run average of observed LGD. This exercise is performed at grade/pool level according to CRR. In the construction of observed LGD, recoveries are discounted back to the date of default at a conservative interest rate, following regulatory guidance. As noted above, regulatory floors are in place for the LGD used in calculating regulatory capital where appropriate (this includes but not limited to the non-zero LGD floor at account level, the collateral uncertainty consideration, the portfolio level LGD floor and UK property haircut floor).

The primary validation tests are performed on facility-weighted rather than exposure-weighted basis, however, in line with the relevant regulations.

Retail CF models

The calibration of the overall CF is assessed through the expected against actual comparison by default flow and stock population respectively. The downturn CF appropriateness is further assessed to test that the downturn CF is equal to or above the long-run average of observed CF. This exercise is performed at grade/pool level according to CRR. Particular care is used in separating cases where facility limits changed between the date of observation and default, as these can lead to measurements of conversion factors that take extreme values.

Depending on the modelling approach, the relevant measure used for PD/LGD may be used accordingly to assess calibration, discrimination and stability.

CF is floored so that the exposure at the point of default cannot be less than exposure observed at point of regulatory reporting.

The primary validation tests are performed on facility-weighted rather than exposure-weighted basis, however, in line with the relevant regulations.

Selected features of material models

The table below contains selected features of the Group’s AIRB credit risk models which are used to calculate RWAs. Please note that the RWAs reported in this table are based on the models in production as of Nov’18.

- PD models listed in the table account for £105bn of total AIRB approach RWAs
- LGD models listed in the table account for £106bn of total AIRB approach RWAs

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Barclays’ approach to managing risks

Management of credit risk and the internal ratings-based approach

Table 93 IRB credit risk models’ selected features

| Component modelled | Portfolio                                                      | Size of associated portfolio (RWAs) |         | Model description and methodology                                                                                                                                                                 | Number of years loss data | Basel asset classes measured                                  | Applicable industry-wide regulatory thresholds           |
|--------------------|----------------------------------------------------------------|-------------------------------------|---------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|---------------------------------------------------------------|----------------------------------------------------------|
|                    |                                                                | BUK (£m)                            | BI (£m) |                                                                                                                                                                                                   |                           |                                                               |                                                          |
| PD                 | Publicly traded corporate                                      | 0                                   | 24811   | Statistical model using a Merton-based methodology. It takes quantitative factors as inputs.                                                                                                      | > 10 Years                | Corporate                                                     | PD floor of 0.03%                                        |
| PD                 | Customers rated by Moody’s and S&P                             | 0                                   | 29886   | Rating Agency Equivalent model converts agency ratings into estimated equivalent PIT default rates using credit cycles based on Moody’s data.                                                     | > 10 Years                | Corporate, Financial Institutions and Sovereigns              | PD floor of 0.03% for corporate and institutions         |
| PD                 | SME customers with turnover < £20m                             | 5489                                | 2926    | Statistical models that uses regression techniques to derive relationship between observed default experience and a set of behavioral variables.                                                  | > 10 Years                | Corporate SME, SME                                            | Regulatory PD floor of 0.03%                             |
| PD                 | Corporate customers with turnover >= £20m                      | 0                                   | 7171    | Statistically derived models sourced from an external vendor (Moody’s RiskCalc)                                                                                                                   | > 10 Years                | Corporate                                                     | PD floor of 0.03%                                        |
| PD                 | Home Finance                                                   | 17280                               | –       | Statistical scorecards estimated using regression techniques, segmented along arrears status and portfolio type.                                                                                  | >10 Years                 | Secured By Real Estate (residential and buy-to-let mortgages) | Regulatory PD floor of 0.03%                             |
| PD                 | Barclaycard UK                                                 | 17044                               | –       | Statistical scorecards estimated using regression techniques, segmented along arrears status and portfolio type.                                                                                  | 6 – 10 Years              | Qualifying Revolving Retail (QRRE)                            | PD floor of 0.03%                                        |
| LGD                | Corporate and Financial Institutions                           | –                                   | 50268   | Model based on a statistical regression that outputs a long run average LGD by estimating the expected value of recovery. Inputs include industry, seniority, instrument, collateral and country. | > 10 Years                | Corporate, Financial Institutions                             | LGD floor of 45% based on low default portfolio criteria |
| LGD                | All business customers (excluding certain specialized sectors) | 5080                                | 16565   | Model is based on a function estimated using actual recoveries experience. It takes account of collateral value and an allowance for non-collateral recovery.                                     | > 10 Years                | Corporate                                                     | LGD floor of 5%                                          |
| LGD                | UK Home Finance                                                | 17280                               | –       | Data driven estimates of loss and probability of possession                                                                                                                                       | 6 – 10 Years              | Secured By Real Estate (residential and buy-to-let mortgages) | The portfolio average downturn LGD is floored at 10%     |
| LGD                | Barclaycard UK                                                 | 17044                               | –       | Statistical models combining segmented regression and other forecasting techniques                                                                                                                | 6 – 10 Years              | Qualifying Revolving Retail (QRRE)                            | –                                                        |



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Credit Risk IRB models performance back testing - estimated versus actual

The following tables compare the PDs and LGDs estimated by the Group’s IRB models with the actual default and loss rates. Comparisons are based on the assets in IRB approach portfolios and are used to assess performance of the models. The estimates and actual figures represent direct outputs from the models rather than outputs used in regulatory capital calculations that may be adjusted to apply more conservative assumptions.

Back testing results are reported within each IRB exposure class at overall Bank level both for Retail and Wholesale, as the historical BUK and BI split is not available for the Wholesale obligors. We intend to report back testing results at BUK and BI level in future once adequate data history is available.

Risk models are subject to the Group Model Risk Policy which contains detailed guidance on the minimum standards for model risk management. For example, PDs must be estimated over a sufficient period, show sufficient differentiation in predictions for different customers, show conservatism where data limitations exist, and follow prescriptive techniques. These standards are achieved via an independent validation process through appropriately independent experts. Once validated and correctly implemented, models are subject to regular monitoring to ensure they can still be used. Comparing model estimates with actual default rates for PD and loss rates for LGD form part of this monitoring. Such analysis is used to assess and enhance the performance of the models.

Further detail is provided in the management of model risk on page 411.

PD measures

- The model estimated PIT PDs are compared with the actual default rates by PD ranges within each IRB exposure class. PD ranges, estimated PDs and actual default rates are based on the existing models default definitions. UK Cards, UK Home Finance, SME are the only CRD IV compliant portfolio as of the reference month (Nov’17), for the remaining portfolios CRD IV compliant models are either implemented post the reference month or under implementation or currently under development/approval as per the CRD IV roll out plan agreed with the PRA.
- The estimated PDs are forward-looking average PD by the model at the beginning of the twelve-month period, i.e. average PD of the Nov’17 non-defaulted obligors including inactive and non-borrowers. Both EAD weighted and simple average PDs have been reported.
- The estimated PDs are compared with the simple average of historical annual default rates over the past 5 years, starting Nov’13.
- The PIT PD is used as a predicted measure in internal monitoring and annual validation of the models. In contrast, the capital calculation uses TTC or Regulatory PDs (not shown below), calibrated to long-run default averages with additional adjustments where modelled outputs display evidence of risk understatement (including credit expert overrides, regulatory adjustments etc.). The PIT measure is subject to under or over prediction depending on the relative position of the portfolio to the credit cycle.
- A mapping has been provided between external ratings and internal PD ranges based on the published reports from the two rating agencies - Moody’s and S&P.
- For the wholesale models, the average default probabilities in the tables have been determined from the full scope of clients graded by the IRB model suite, which may include some clients that have either zero exposure or zero limits marked at the time of calculation.

LGD measures

- The model estimated LGDs, unadjusted for regulatory floors and for downturn adjustments, are compared with the actual LGDs within each IRB exposure class.
- The estimated LGDs are derived from a simple average of LGDs at the time of default for the set of cases closed over the previous twelve months.
- The actual LGD rate is the simple average observed loss rate for the set of cases closed over the previous twelve months, regardless of the time of default.
- The LGD measures are used as a predicted measure in internal monitoring and annual validation of the models. The capital calculation uses Downturn LGDs with additional adjustments and regulatory floors where modelled outputs display evidence of risk understatement.

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**Table 93: Analysis of expected performance versus actual results**

This table provides an overview of credit risk model performance, assessed by the analysis of average PDs and average LGDs.

The table compares the raw model output to the actual experience in our portfolios. Such analysis is used to assess and enhance the adequacy and accuracy of models. The raw outputs are subject to a number of adjustments before they are used in the calculation of capital, for example to allow for the position in the credit cycle and the impact of stress on recovery rates.

| Asset Class        |                                      |                                            |                                            | Weighted<br>Average<br>PD<br>%     | Arithmetic<br>Average<br>PD by<br>obligors<br>% | Number of obligors    |                       | Defaulted<br>obligors<br>in the<br>year<br>£m | of which:<br>new<br>defaulted<br>in the year<br>£m | Average<br>historical<br>annual<br>default<br>% |       |
|--------------------|--------------------------------------|--------------------------------------------|--------------------------------------------|------------------------------------|-------------------------------------------------|-----------------------|-----------------------|-----------------------------------------------|----------------------------------------------------|-------------------------------------------------|-------|
|                    | EBA PD Range<br>(%)                  | External Ratings Equivalent                |                                            |                                    |                                                 | As at<br>Nov'17<br>£m | As at<br>Nov'18<br>£m |                                               |                                                    |                                                 |       |
|                    |                                      | Moody's                                    | S&P                                        |                                    |                                                 |                       |                       |                                               |                                                    |                                                 |       |
| Wholesale          |                                      |                                            |                                            |                                    |                                                 |                       |                       |                                               |                                                    |                                                 |       |
|                    | Central governments or central banks | 0.00 to <0.15                              | Aaa, Aa1, Aa2, Aa3, A1, A2, A3, Baa1, Baa2 | AAA, AA+, AA, AA-, A+, A, A-, BBB+ | 0.01%                                           | 0.04%                 | 57                    | 43                                            | 0                                                  | 0                                               | 0.00% |
|                    |                                      | 0.15 to <0.25                              | Baa2, Baa3                                 | BBB+, BBB                          | 0.17%                                           | 0.18%                 | 4                     | 8                                             | 0                                                  | 0                                               | 0.00% |
|                    |                                      | 0.25 to <0.50                              | Baa3, Ba1                                  | BBB, BBB-                          | 0.28%                                           | 0.37%                 | 7                     | 4                                             | 0                                                  | 0                                               | 0.00% |
|                    |                                      | 0.50 to <0.75                              | Ba1, Ba2                                   | BBB-, BB+                          | 0.00%                                           | 0.62%                 | 4                     | 2                                             | 0                                                  | 0                                               | 0.00% |
|                    |                                      | 0.75 to <2.50                              | Ba2, Ba3, B1                               | BB, BB-                            | 1.15%                                           | 1.36%                 | 7                     | 9                                             | 0                                                  | 0                                               | 0.00% |
|                    |                                      | 2.50 to <10.00                             | B1, B2, B3                                 | BB-, B+, B                         | 3.39%                                           | 4.48%                 | 9                     | 10                                            | 0                                                  | 0                                               | 0.00% |
|                    |                                      | 10.00 to <100.00                           | B3, Caa1, Caa2, Caa3, Ca, C                | B, B-, CCC+, CCC, CCC-, CC+, CC, C | 0.00%                                           | 20.76%                | 4                     | 5                                             | 0                                                  | 0                                               | 0.00% |
| 100.00 (default)   |                                      | D                                          | D                                          | 100.00%                            | 100.00%                                         | —                     | —                     | —                                             | —                                                  | —                                               |       |
| Institutions       | 0.00 to <0.15                        | Aaa, Aa1, Aa2, Aa3, A1, A2, A3, Baa1, Baa2 | AAA, AA+, AA, AA-, A+, A, A-, BBB+         | 0.03%                              | 0.03%                                           | 9,156                 | 8,641                 | 0                                             | 0                                                  | 0.00%                                           |       |
|                    | 0.15 to <0.25                        | Baa2, Baa3                                 | BBB+, BBB                                  | 0.17%                              | 0.18%                                           | 909                   | 623                   | 0                                             | 0                                                  | 0.00%                                           |       |
|                    | 0.25 to <0.50                        | Baa3, Ba1                                  | BBB, BBB-                                  | 0.37%                              | 0.42%                                           | 417                   | 380                   | 0                                             | 0                                                  | 0.00%                                           |       |
|                    | 0.50 to <0.75                        | Ba1, Ba2                                   | BBB-, BB+                                  | 0.60%                              | 0.60%                                           | 53                    | 86                    | 0                                             | 0                                                  | 0.00%                                           |       |
|                    | 0.75 to <2.50                        | Ba2, Ba3, B1                               | BB, BB-                                    | 1.27%                              | 1.26%                                           | 223                   | 199                   | 0                                             | 0                                                  | 0.00%                                           |       |
|                    | 2.50 to <10.00                       | B1, B2, B3                                 | BB-, B+, B                                 | 3.93%                              | 4.73%                                           | 141                   | 152                   | 1                                             | 0                                                  | 0.29%                                           |       |
|                    | 10.00 to <100.00                     | B3, Caa1, Caa2, Caa3, Ca, C                | B, B-, CCC+, CCC, CCC-, CC+, CC,C          | 11.78%                             | 22.17%                                          | 46                    | 57                    | 0                                             | 0                                                  | 0.48%                                           |       |
|                    | 100.00 (default)                     | D                                          | D                                          | 100.00%                            | 100.00%                                         | 15                    | 9                     | 0                                             | —                                                  | —                                               |       |
| Corporate          | 0.00 to <0.15                        | Aaa, Aa1, Aa2, Aa3, A1, A2, A3, Baa1, Baa2 | AAA, AA+, AA, AA-, A+, A, A-, BBB+         | 0.02%                              | 0.05%                                           | 1,430                 | 1,365                 | 1                                             | 0                                                  | 0.06%                                           |       |
|                    | 0.15 to <0.25                        | Baa2, Baa3                                 | BBB+, BBB                                  | 0.20%                              | 0.20%                                           | 375                   | 353                   | 0                                             | 0                                                  | 0.05%                                           |       |
|                    | 0.25 to <0.50                        | Baa3, Ba1                                  | BBB, BBB-                                  | 0.34%                              | 0.35%                                           | 622                   | 584                   | 3                                             | 0                                                  | 0.22%                                           |       |
|                    | 0.50 to <0.75                        | Ba1, Ba2                                   | BBB-, BB+                                  | 0.58%                              | 0.62%                                           | 375                   | 251                   | 1                                             | 0                                                  | 0.25%                                           |       |
|                    | 0.75 to <2.50                        | Ba2, Ba3, B1                               | BB, BB-                                    | 1.38%                              | 1.39%                                           | 763                   | 601                   | 5                                             | 0                                                  | 0.60%                                           |       |
|                    | 2.50 to <10.00                       | B1, B2, B3                                 | BB-, B+, B                                 | 3.76%                              | 4.27%                                           | 1,061                 | 436                   | 5                                             | 0                                                  | 1.84%                                           |       |
|                    | 10.00 to <100.00                     | B3, Caa1, Caa2, Caa3, Ca, C                | B, B-, CCC+, CCC, CCC-, CC+, CC, C         | 16.32%                             | 20.19%                                          | 311                   | 90                    | 7                                             | 0                                                  | 6.21%                                           |       |
|                    | 100.00 (default)                     | D                                          | D                                          | 100.00%                            | 100.00%                                         | 165                   | 128                   | —                                             | —                                                  | —                                               |       |
| Corporate SME      | 0.00 to <0.15                        | Aaa, Aa1, Aa2, Aa3, A1, A2, A3, Baa1, Baa2 | AAA, AA+, AA, AA-, A+, A, A-, BBB+         | 0.06%                              | 0.08%                                           | 705                   | 13,346                | 3                                             | 2                                                  | 0.20%                                           |       |
|                    | 0.15 to <0.25                        | Baa2, Baa3                                 | BBB+, BBB                                  | 0.19%                              | 0.19%                                           | 1,483                 | 4,236                 | 3                                             | 1                                                  | 0.16%                                           |       |
|                    | 0.25 to <0.50                        | Baa3, Ba1                                  | BBB, BBB-                                  | 0.34%                              | 0.35%                                           | 2,764                 | 6,202                 | 9                                             | 3                                                  | 0.45%                                           |       |
|                    | 0.50 to <0.75                        | Ba1, Ba2                                   | BBB-, BB+                                  | 0.63%                              | 0.62%                                           | 2,090                 | 3,154                 | 7                                             | 2                                                  | 0.62%                                           |       |
|                    | 0.75 to <2.50                        | Ba2, Ba3, B1                               | BB, BB-                                    | 1.36%                              | 1.39%                                           | 3,723                 | 5,061                 | 17                                            | 4                                                  | 1.08%                                           |       |
|                    | 2.50 to <10.00                       | B1, B2, B3                                 | BB-, B+, B                                 | 5.11%                              | 4.71%                                           | 3,769                 | 2,985                 | 32                                            | 2                                                  | 3.49%                                           |       |
|                    | 10.00 to <100.00                     | B3, Caa1, Caa2, Caa3, Ca, C                | B, B-, CCC+, CCC, CCC-, CC+, CC, C         | 20.95%                             | 20.17%                                          | 510                   | 766                   | 19                                            | 3                                                  | 10.32%                                          |       |
|                    | 100.00 (default)                     | D                                          | D                                          | 100.00%                            | 100.00%                                         | 178                   | 692                   | —                                             | —                                                  | —                                               |       |
| Specialist Lending | 0.00 to <0.15                        | Aaa, Aa1, Aa2, Aa3, A1, A2, A3, Baa1, Baa2 | AAA, AA+, AA, AA-, A+, A, A-, BBB+         | 0.08%                              | 0.08%                                           | 28                    | 39                    | 0                                             | 0                                                  | 0.00%                                           |       |
|                    | 0.15 to <0.25                        | Baa2, Baa3                                 | BBB+, BBB                                  | 0.20%                              | 0.19%                                           | 31                    | 11                    | 0                                             | 0                                                  | 0.00%                                           |       |
|                    | 0.25 to <0.50                        | Baa3, Ba1                                  | BBB, BBB-                                  | 0.29%                              | 0.33%                                           | 153                   | 57                    | 0                                             | 0                                                  | 0.00%                                           |       |
|                    | 0.50 to <0.75                        | Ba1, Ba2                                   | BBB-, BB+                                  | 0.59%                              | 0.63%                                           | 140                   | 38                    | 0                                             | 0                                                  | 0.45%                                           |       |
|                    | 0.75 to <2.50                        | Ba2, Ba3, B1                               | BB, BB-                                    | 0.90%                              | 0.90%                                           | 211                   | 138                   | 0                                             | 0                                                  | 0.09%                                           |       |
|                    | 2.50 to <10.00                       | B1, B2, B3                                 | BB-, B+, B                                 | 3.88%                              | 6.41%                                           | 117                   | 138                   | 0                                             | 0                                                  | 2.02%                                           |       |
|                    | 10.00 to <100.00                     | B3, Caa1, Caa2, Caa3, Ca, C                | B, B-, CCC+, CCC, CCC-, CC+, CC, C         | 0.00%                              | 0.00%                                           | 6                     | 30                    | 0                                             | 0                                                  | 11.82%                                          |       |
|                    | 100.00 (default)                     | D                                          | D                                          | 100.00%                            | 100.00%                                         | 45                    | 25                    | —                                             | —                                                  | —                                               |       |

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Table 93: Analysis of expected performance versus actual results continued

| Asset Class                    |                     |                                      |                                    |                                |                                                 |                                                                         |                                   |                                               |                                                    |                                                 |
|--------------------------------|---------------------|--------------------------------------|------------------------------------|--------------------------------|-------------------------------------------------|-------------------------------------------------------------------------|-----------------------------------|-----------------------------------------------|----------------------------------------------------|-------------------------------------------------|
|                                |                     |                                      |                                    |                                | Arithmetic<br>Average<br>PD by<br>obligors<br>% | Number of obligors                                                      |                                   | Defaulted<br>obligors<br>in the<br>year<br>£m | of which:<br>new<br>defaulted<br>in the year<br>£m | Average<br>historical<br>annual<br>default<br>% |
|                                | EBA PD Range<br>(%) | External Ratings Equivalent          |                                    | Weighted<br>Average<br>PD<br>% |                                                 | As at<br>Nov'17<br>£m                                                   | As at<br>Nov'18<br>£m             |                                               |                                                    |                                                 |
|                                |                     | Moody's                              | S&P                                |                                |                                                 |                                                                         |                                   |                                               |                                                    |                                                 |
| Retail                         |                     |                                      |                                    |                                |                                                 |                                                                         |                                   |                                               |                                                    |                                                 |
| SME                            | 0.00 to <0.15       | Aaa, Aa1, Aa2, Aa3, A1, A2, A3, Baa1 | AAA, AA+, AA, AA-, A+, A, A-, BBB+ | 0.12%                          | 0.06%                                           | 515,312                                                                 | 478,321                           | 315                                           | 306                                                | 0.07%                                           |
|                                | 0.15 to <0.25       | Baa2                                 | BBB+, BBB                          | 0.20%                          | 0.20%                                           | 103,582                                                                 | 111,982                           | 211                                           | 184                                                | 0.19%                                           |
|                                | 0.25 to <0.50       | Baa3, Ba1                            | BBB, BBB-                          | 0.37%                          | 0.36%                                           | 126,861                                                                 | 130,072                           | 418                                           | 349                                                | 0.36%                                           |
|                                | 0.50 to <0.75       | Ba1, Ba2                             | BB+                                | 0.62%                          | 0.62%                                           | 74,978                                                                  | 76,125                            | 480                                           | 337                                                | 0.65%                                           |
|                                | 0.75 to <2.50       | Ba2, Ba3, B1                         | BB, BB-                            | 1.46%                          | 1.38%                                           | 157,513                                                                 | 159,157                           | 1,906                                         | 985                                                | 1.40%                                           |
|                                | 2.50 to <10.00      | B1, B2, B3                           | BB-, B+, B, B-                     | 5.11%                          | 4.58%                                           | 84,305                                                                  | 74,184                            | 3,588                                         | 769                                                | 6.23%                                           |
|                                | 10.00 to <100.00    | B3, Caa1, Caa2, Caa3, Ca, C          | B-, CCC+, CCC, CCC-, CC+, CC, C    | 26.37%                         | 25.97%                                          | 25,796                                                                  | 21,434                            | 6,189                                         | 23                                                 | 28.62%                                          |
|                                | 100.00 (default)    | D                                    | D                                  | 100.00%                        | 100.00%                                         | 33,450                                                                  | 19,928                            | —                                             | —                                                  | —                                               |
| Secured by<br>Real Estate      | 0.00 to <0.15       | Aaa, Aa1, Aa2, Aa3, A1, A2, A3, Baa1 | AAA, AA+, AA, AA-, A+, A, A-, BBB+ | 0.07%                          | 0.08%                                           | 747,100                                                                 | 657,676                           | 727                                           | —                                                  | 0.08%                                           |
|                                | 0.15 to <0.25       | Baa2                                 | BBB+, BBB                          | 0.19%                          | 0.19%                                           | 105,683                                                                 | 156,014                           | 356                                           | —                                                  | 0.21%                                           |
|                                | 0.25 to <0.50       | Baa3, Ba1                            | BBB, BBB-                          | 0.34%                          | 0.34%                                           | 53,679                                                                  | 72,389                            | 332                                           | —                                                  | 0.42%                                           |
|                                | 0.50 to <0.75       | Ba1, Ba2                             | BB+                                | 0.60%                          | 0.61%                                           | 10,763                                                                  | 14,102                            | 126                                           | —                                                  | 0.86%                                           |
|                                | 0.75 to <2.50       | Ba2, Ba3, B1                         | BB, BB-                            | 1.41%                          | 1.39%                                           | 25,084                                                                  | 24,772                            | 401                                           | —                                                  | 1.61%                                           |
|                                | 2.50 to <10.00      | B1, B2, B3                           | BB-, B+, B, B-                     | 5.13%                          | 5.00%                                           | 13,049                                                                  | 14,074                            | 724                                           | —                                                  | 5.88%                                           |
|                                | 10.00 to <100.00    | B3, Caa1, Caa2, Caa3, Ca, C          | B-, CCC+, CCC, CCC-, CC+, CC, C    | 30.84%                         | 30.67%                                          | 8,544                                                                   | 8,019                             | 2,715                                         | —                                                  | 43.40%                                          |
|                                | 100.00 (default)    | D                                    | D                                  | 100.00%                        | 100.00%                                         | 15,843                                                                  | 15,348                            | —                                             | —                                                  | —                                               |
| Qualifying<br>Revolving Retail | 0.00 to <0.15       | Aaa, Aa1, Aa2, Aa3, A1, A2, A3, Baa1 | AAA, AA+, AA, AA-, A+, A, A-, BBB+ | 0.07%                          | 0.05%                                           | 10,874,865                                                              | 11,241,723                        | 3,705                                         | 1,083                                              | 0.03%                                           |
|                                | 0.15 to <0.25       | Baa2                                 | BBB+, BBB                          | 0.20%                          | 0.20%                                           | 1,814,018                                                               | 1,888,241                         | 2,918                                         | 768                                                | 0.16%                                           |
|                                | 0.25 to <0.50       | Baa3, Ba1                            | BBB, BBB-                          | 0.36%                          | 0.36%                                           | 2,143,393                                                               | 2,190,080                         | 6,255                                         | 1,164                                              | 0.29%                                           |
|                                | 0.50 to <0.75       | Ba1, Ba2                             | BB+                                | 0.61%                          | 0.61%                                           | 1,113,123                                                               | 1,125,606                         | 5,510                                         | 630                                                | 0.51%                                           |
|                                | 0.75 to <2.50       | Ba2, Ba3, B1                         | BB, BB-                            | 1.45%                          | 1.39%                                           | 2,633,447                                                               | 2,628,549                         | 29,655                                        | 1,393                                              | 1.14%                                           |
|                                | 2.50 to <10.00      | B1, B2, B3                           | BB-, B+, B, B-                     | 5.08%                          | 4.93%                                           | 1,555,954                                                               | 1,578,424                         | 70,386                                        | 1,130                                              | 4.51%                                           |
|                                | 10.00 to <100.00    | B3, Caa1, Caa2, Caa3, Ca, C          | B-, CCC+, CCC, CCC-, CC+, CC, C    | 24.11%                         | 26.81%                                          | 507,976                                                                 | 501,280                           | 135,770                                       | 102                                                | 28.18%                                          |
|                                | 100.00 (default)    | D                                    | D                                  | 100.00%                        | 100.00%                                         | 412,355                                                                 | 379,893                           | —                                             | —                                                  | —                                               |
| Other Retail                   | 0.00 to <0.15       | Aaa, Aa1, Aa2, Aa3, A1, A2, A3, Baa1 | AAA, AA+, AA, AA-, A+, A, A-, BBB+ | 0.13%                          | 0.13%                                           | 65                                                                      | 98                                | —                                             | —                                                  | 0.72%                                           |
|                                | 0.15 to <0.25       | Baa2                                 | BBB+, BBB                          | 0.22%                          | 0.22%                                           | 2,429                                                                   | 3,289                             | 6                                             | —                                                  | 0.74%                                           |
|                                | 0.25 to <0.50       | Baa3, Ba1                            | BBB, BBB-                          | 0.40%                          | 0.40%                                           | 51,697                                                                  | 60,623                            | 105                                           | —                                                  | 0.50%                                           |
|                                | 0.50 to <0.75       | Ba1, Ba2                             | BB+                                | 0.63%                          | 0.63%                                           | 92,866                                                                  | 101,324                           | 322                                           | —                                                  | 0.48%                                           |
|                                | 0.75 to <2.50       | Ba2, Ba3, B1                         | BB, BB-                            | 1.39%                          | 1.39%                                           | 347,877                                                                 | 352,788                           | 4,408                                         | —                                                  | 1.17%                                           |
|                                | 2.50 to <10.00      | B1, B2, B3                           | BB-, B+, B, B-                     | 4.26%                          | 4.36%                                           | 118,375                                                                 | 102,064                           | 6,160                                         | —                                                  | 4.41%                                           |
|                                | 10.00 to <100.00    | B3, Caa1, Caa2, Caa3, Ca, C          | B-, CCC+, CCC, CCC-, CC+, CC, C    | 44.57%                         | 39.64%                                          | 26,469                                                                  | 25,236                            | 11,802                                        | —                                                  | 38.35%                                          |
|                                | 100.00 (default)    | D                                    | D                                  | 100.00%                        | 100.00%                                         | 41,964                                                                  | 48,818                            | —                                             | —                                                  | —                                               |
| Asset Class                    |                     |                                      |                                    |                                |                                                 |                                                                         |                                   |                                               |                                                    |                                                 |
|                                |                     |                                      |                                    |                                |                                                 | Number of<br>resolved cases<br>over last one year<br>(Dec'17 to Nov'18) | Predicted LGD<br>(Simple Average) | Actual LGD<br>(Simple Average)                |                                                    |                                                 |
| Wholesale                      |                     |                                      |                                    |                                |                                                 | £m                                                                      | %                                 | %                                             |                                                    |                                                 |
| Investment Bank                |                     |                                      |                                    |                                |                                                 | 49                                                                      | 34%                               | 23%                                           |                                                    |                                                 |
| Corporate Bank                 |                     |                                      |                                    |                                |                                                 | 39                                                                      | 67%                               | 57%                                           |                                                    |                                                 |
| Retail                         |                     |                                      |                                    |                                |                                                 |                                                                         |                                   |                                               |                                                    |                                                 |
| SME                            |                     |                                      |                                    |                                |                                                 | 6,636                                                                   | 80%                               | 84%                                           |                                                    |                                                 |
| Secured by Real Estate         |                     |                                      |                                    |                                |                                                 | 1,943                                                                   | 4%                                | 7%                                            |                                                    |                                                 |
| Qualifying Revolving Retail    |                     |                                      |                                    |                                |                                                 | 317,499                                                                 | 73%                               | 68%                                           |                                                    |                                                 |
| Other Retail                   |                     |                                      |                                    |                                |                                                 | 18,836                                                                  | 78%                               | 79%                                           |                                                    |                                                 |

Additional information

Barclays’ approach to managing risks

Management of credit risk and the internal ratings-based approach

2018 AIRB models back testing summary

Section below provides AIRB model performance summary based on the above back testing results, along with the remediation plans.

Wholesale

8. The Wholesale book continues to maintain low default rates across IRB exposure classes, with no defaults observed for ‘Central Governments or Central Banks’. The estimated PDs are higher (conservative) compared to actual default rates for most PD ranges within each exposure class.
9. There are the two key LGD models used for the Wholesale IRB exposures. Both the LGD models overestimate (conservative) on a PIT basis.
10. New PD and LGD models have been developed to comply with CRD IV requirements for the material portfolios and have been submitted to the PRA. Interim Post Model Adjustments (PMAs) are in place to address existing models’ deficiencies.

For Wholesale - Investment Bank portfolio, the LGD analysis has been performed on latest one year of data available for the closed cases in period Nov’16-Nov’17, due to data unavailability in the more recent months.

The change in the Corporate SME population reflects the net impact of the movement of customers between BI and BUK, a change in model methodology that increases the number of graded customers and reporting of BUK customers that also have product exposures in BI.

For Specialist Lending, the reduction in number of obligors is largely attributable to the movement of obligors between BI and BUK.

Retail SME

- For SME, a new set of CRD IV compliant models approved by the PRA were implemented in Sep’17. The models were later split based on legal entities (BUK and BI) spanning SME and Corporate SME respectively. The split into BUK and BI prior to Structural Reform Program (SRP) is based on a proxy of Sales Turnover < 6.5m and updated post SRP implementation in Apr’18, leading to an increase in obligors for Corporate SME. Oct’18 data has been used instead of Nov’18, due to data unavailability. Historical average has been calculated using 4 years of data i.e. Oct’14, Oct’15, Oct’16 and Oct’17.
- The estimated PDs rank order the historical default experience for both the SME and Corporate SME book (except the first PD range), i.e. higher PDs implying higher actual default rates. LGD model underestimates for SME on a PIT basis primarily due to few operational issues affecting underlying data.

Secured by Real Estate

- This covers the Mortgage portfolios for UK and Italy. Rank ordering is maintained across PD ranges.
- For UK Mortgages, current back testing report is based on the latest CRD IV complaint models. The PD model underestimates shows non-conservatism at an overall level (0.43% expected vs. 0.49% actual). This is due to the data issue identified in Aug’18, which caused arrear inflation. The portfolio maintains low LGD and the LGD model underestimates (0.96% estimated vs.1.68% actual). LGD underestimation is caused by increasing Forced Sale Discount for the current year and lower expected Probability of Possession given Default (PPD), which is a major component in the expected LGD calculation for the new to default book on which numbers have been reported.
- 5 year averages of actual defaults are taken from 5 snapshot months of which Nov’13, Nov’14 are based on older generation of models and Nov’15, Nov’16 & Nov’17 are based on CRD IV complaint models (G4).
- For accounts where actual sale cost was not available, an average sale cost is used while calculating Actual LGD.
- G4 PPD model was developed on the total default population base whereas this analysis is done at the point of collaterals entering into default. The total default base contains a mixed set of collaterals, ranging from recent defaults to the ones in default for a longer time. We expect the predicted PPD (and hence LGD as well) for collaterals defaulting at any month to be lower compared to the total default base.
- For Italy Mortgages, both the PIT PD and LGD models are underestimates primarily due to a decrease in the House Price Index (HPI). A new set of CRD IV compliant models is due for regulatory submission in Q4’19. Interim Post Model Adjustments (PMAs) are in place to address existing models’ deficiencies. Oct’18 data has been used instead of Nov’18 due to data challenges.

Qualifying Revolving Retail

- This constitutes UK Cards, Germany Cards and UK Current Account portfolios. The estimated PDs rank order well across all 3 portfolios and at an overall level.
- For UK Cards, a slight underestimation is observed in the PD model driven by the high risk bands; 2.27% estimated vs. 2.35% actual at an overall level. However an additional layer of conservatism is applied through Regulatory PD buffers in the capital calculation, so overall PD is still conservative. The LGD model is conservative with an overestimation (71.1% estimated vs.65.4% actual). The existing CRD IV model suite has been re-calibrated to further improve its accuracy and submitted for PRA approval in Q217.

9. For Germany Cards, the PD model overestimates (1.23% estimated vs. 1.14% actual) at an overall level. The overestimation in the LGD model (84% estimated vs. 69% actual) is primarily driven by debt sale at a better price. A new set of CRD IV compliant models is currently under development and is due for regulatory submission by Dec’19. Interim Post Model Adjustments (PMAs) are in place to address existing models’ deficiencies.
- For Current Account, a new set of CRD IV compliant models has been approved by the PRA and implemented in Jul’18. However, the current back testing report is based on the models which were in production as of Nov’17. PD model overestimates primarily due to a decrease in actual default rates over the last year (0.67% estimated vs. 0.45% actual). The LGD model marginally overestimates (81.54% estimated vs. 79.21% actual).

Other Retail

- This covers UK Barclayloans portfolio. A new CRD IV compliant capital suite was approved by PRA in Sep’18. The new models will go live when additional work to align the forbearance definitions with the EBAs new definitions is complete. This backtesting report is based on the models currently in production.
- The PD rank ordering does not hold true for a few bands, and the model underestimates (3.33% estimated vs. 3.56% actual) at an overall level. The LGD model also marginally underestimates (77.80% expected vs. 78.85% actual) at an overall level.



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Barclays’ approach to managing risks

Management of credit risk mitigation techniques and counterparty credit risk

Counterparty credit risk arises from derivatives and similar contracts. This section details the specific aspects of the risk framework related to this type of credit risk. As credit risk mitigation is one of the principal uses of derivative contracts by banks, this is also discussed in this section.

- On page 386 a high level description of the types of exposures incurred in the course of Barclays’ activity supplements the analytical tables in pages 96 to 114 in the Barclays PLC Pillar 3 Report 2018.
- Mitigation techniques specific to counterparty credit risk are also discussed.



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Barclays’ approach to managing risks

Management of credit risk mitigation techniques and counterparty credit risk

Credit risk mitigation

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

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

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

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

Netting and set-off

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

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

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

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

Under US GAAP, netting is also permitted, regardless of a currently legally enforceable right of set-off and/or the intention to settle on a net basis, where there is a counterparty master agreement that would be enforceable in the event of bankruptcy.

Collateral

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

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

Risk transfer

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

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

Detailed policies are in place to appropriately recognise and record credit risk mitigation. For more information, refer to page 000 the Barclays PLC Pillar 3 Report 2018 (unaudited).

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

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

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

Off-balance sheet risk mitigation

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

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

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

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

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

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

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

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**Managing concentrations within credit risk mitigation**

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

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

Commercial real estate lending is another potential source of concentration risk arising from the use of credit risk mitigation. The portfolio is regularly reviewed to assess whether a concentration in a particular region, industry or property type exists, and portfolio limits are in place to control the level of exposure to commercial, residential, investment and development activity. See pages xx for more information on collateral, valuation and monitoring of concentrations.

Counterparty credit risk

**Derivative counterparty credit exposures**

Barclays Group enters into financial instruments that are traded or cleared on an exchange, including interest rate swaps, futures and options on futures. Holders of exchange traded instruments provide daily margins with cash or other securities at the exchange, to which the holders look for ultimate settlement.

Barclays Group also enters into financial instruments that are traded over the counter, rather than on a recognised exchange. These instruments range from standardised transactions in derivative markets, to trades where the specific terms are tailored to the requirements of Barclays Group’s counterparties. In most cases, industry standard documentation is used, most commonly in the form of a master agreement, with individual transaction confirmations. The existence of a signed master agreement is intended to give Barclays Group protection in situations where Barclays Group’s counterparty is in default.

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

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

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

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

‘Wrong-way risk’ in a trading exposure arises when there is significant correlation between the underlying asset and the counterparty, which in the event of default would lead to a significant MTM loss to the counterparty. Specific wrong-way risk trades, which are self-referencing or reference to other entities within the same counterparty group, require approval by a senior credit officer. The exposure to the counterparty will reflect the additional risk generated by these transactions.

**Derivative CCR (credit value adjustments)**

As Barclays Group participates in derivative transactions it is exposed to CCR, which is the risk that a counterparty will fail to make the future payments agreed in the derivative contract. This is considered as a separate risk to the volatility of the MTM payment flows. Modelling this counterparty risk is an important part of managing credit risk on derivative transactions.

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

CVAs for derivative positions are calculated as a function of the expected exposure, which is the average of future hypothetical exposure values for a single transaction or group of transactions with the same counterparty, the credit spread for a given horizon and the LGD.

The expected exposure is calculated using Monte Carlo simulations of risk factors that may affect the valuation of the derivative transactions in order to simulate the exposure to the counterparty through time. These simulated exposures include the effect of credit mitigants such as netting, collateral and mandatory break clauses. Counterparties with appropriate credit mitigants will generate a lower expected exposure profile compared to counterparties without credit mitigants in place for the same derivative transactions.

**Derivative netting and collateral arrangements**

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

Collateral is obtained against derivative assets, depending on the creditworthiness of the counterparty and/or nature of the transaction. Any collateral taken in respect of OTC trading exposures will be subject to a ‘haircut’, which is negotiated at the time of signing the collateral agreement. A haircut is the valuation percentage applicable to each type of collateral and will be largely based on liquidity and price volatility of the underlying security. The collateral obtained for derivatives is predominantly either cash, direct debt obligation government (G14+) bonds denominated in the domestic currency of the issuing country, debt issued by supranationals or letters of credit issued by an institution with a long-term unsecured debt rating of A+/A3 or better. Where Barclays Group has ISDA master agreements, the collateral document will be the ISDA CSA. The collateral document must give Barclays the power to realise any collateral placed with it in the event of the failure of the counterparty.



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Barclays’ approach to managing risks

Management of market risk

**This section describes the governance structure specific to the management of market risks, as well as a discussion of measurement techniques.**

- Market risks are varied, and a range of techniques must be used to manage them. From page 388 we provide an overview of the market risks we incur across Barclays Group
- The governance structure specific to market risks is discussed on pages 319 to 395.

The rest of the section consists of traded and other risks:

- Market risk, the risk of Barclays Group being impacted by changes in the level or volatility of positions in the trading book, is covered on pages 389 to 395. Measurement techniques such as VaR, are discussed, as well as techniques applied when statistical techniques are not appropriate.

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Management of market risk

Market risk

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

Overview

Market risk arises primarily as a result of client facilitation in wholesale markets, involving market making activities, risk management solutions and execution of syndications. Upon execution of a trade with a client, Barclays Group will look to hedge against the risk of the trade moving in an adverse direction. Mismatches between client transactions and hedges result in market risk due to changes in asset prices, volatility or correlations.

Organisation and structure

Market risk in the businesses resides primarily in Barclays International and Barclays Group Treasury. These businesses have the mandate to assume market risk. Market risk oversight and challenge is provided by business Committees and Group Committees, including the Market Risk Committee.

Risk management in the setting of strategy

Appetite for market risk is recommended by the risk function to BRC for agreement by the Board. Mandate and scales are set to control levels of market risk and maintain Barclays Group remains within the BRC approved risk appetite. Barclays Group runs an annual Group-wide stress testing exercise which aims to simulate the dynamics of exposures across Barclays Group and cover all risk factors. The exercise is also designed to measure the impact to Barclays Group’s fundamental business plan, and is used to manage the wider Group’s strategy.

Market risk culture

Market risk managers are independent from the businesses they cover, and their line management reports into the CRO. This embeds a risk culture with strong adherence to limits that support Group-wide risk appetite.

Management of market risk, mitigation and hedging policies

The governance structure helps maintain all market risks that Barclays Group is exposed to are well managed and understood. Traded market risk is generated primarily as a result of market making activities, syndications and providing risk management solutions to clients. Group Treasury supports the businesses in managing their interest rate risk. Positions will contribute both to market risk limits and regulatory capital if relevant. As part of the continuous monitoring of the risk profile, Market Risk meets with the businesses to discuss the risk profile on a regular basis. The outcome of these reviews includes further detailed assessments of event risk via stress testing, risk mitigation and risk reduction.

Market risk measurement – management view

Market risk management measures

A range of complementary approaches to measure market risk are used which aim to capture the level of losses that Barclays Group is exposed to due to unfavourable changes in asset prices. The primary tools to control Barclays Group’s exposures are:

| Measure                        | Description                                                                                                                                            |
|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|
| Management Value at Risk (VaR) | An estimate of the potential loss arising from unfavourable market movements, if the current positions were to be held unchanged for one business day. |
| Primary stress tests           | An estimate of potential losses that might arise from severe market moves or scenarios impacting key liquid market risk exposures.                     |
| Secondary stress tests         | Modelled losses from unfavourable market movements to illiquid market risk exposures.                                                                  |
| Business scenario stresses     | Multi asset scenario analysis of severe, but plausible events that may impact the market risk exposures of the investment bank.                        |

The use of Management VaR for traded market risk is broader than the application for use of VaR for regulatory capital, and captures standardised, advanced and certain banking books where market risks are deemed to exist. The wider scope of Management VaR is what Barclays Group deems as material market risk exposures which may have a detrimental impact on the performance of the trading business. The scope used in Regulatory VaR (see page 00) is narrower as it applies only to trading book positions as approved by the PRA.

Barclays PLC Board Risk Committee

- Reviews and recommends Barclays Group's risk appetite for market risk to the Barclays PLC Board
- Reviews material events impacting market risk

Barclays Group Risk Committee

- Monitors risk profile with respect to financial risk appetite
- Debates and agrees actions on the financial risk profile and risk strategy across Barclays Group
- Considers issues escalated by risk type heads and business risk directors

Barclays Group Market Risk Committee

- Reviews market risk appetite proposals from the business
- Oversees the management of Barclays Group's market risk profile
- Reviews arising market or regulatory issues
- Reviews state of the implementation of the risk frameworks in the businesses



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Barclays’ approach to managing risks

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Stress testing and scenario analysis are also an important part of the risk management framework, to capture potential risk that may arise in severe but plausible events.

Management VaR

- estimates the potential loss arising from unfavourable market movements, over one day for a given confidence level:
- differs from the Regulatory VaR used for capital purposes in scope, confidence level and horizon
- back testing is performed to evaluate that the model is fit for purpose.

VaR is an estimate of the potential loss arising from unfavourable market movements if the current positions were to be held unchanged for one business day. For internal market risk management purposes, a historical simulation methodology with a two-year equally weighted historical period, at the 95% confidence level is used for all trading books and some banking books. Risk factors driving VaR are grouped into key risk types as summarised below:

| Risk factor      | Description                                                                                                                                                                                                                                          |
|------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Interest rate    | Changes in the level or shape of interest rate expectations that can impact prices of interest rate sensitive assets, such as bonds and derivatives instruments, such as interest rate swaps.                                                        |
| Spread           | Difference between bond yields and swaps rates that arises when a business has positions in both bonds and interest rate/inflation derivatives instruments. Both assets may trade at different levels but are fundamentally exposed to similar risk. |
| Foreign exchange | The impact of changes in foreign exchange rates and volatilities.                                                                                                                                                                                    |
| Equity           | Risk due to changes in equity prices, volatilities and dividend yields, for example as part of market making activities, syndication or underwriting of initial public offerings.                                                                    |
| Commodity        | Arises primarily from providing hedging solutions to clients and access to financial investors via financially-settled energy derivatives exposed to changes in the level of energy spot or forward prices and their volatilities.                   |

| Risk factor   | Description                                                                                                                                                                                                                                                                                                |
|---------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Inflation     | Arises from the impact of changes in inflation rates and volatilities on cash instruments and derivatives. This arises as part of market marking activities, whereby Barclays Group may be exposed to changes in inflation rates, for example, market making syndications for inflation linked securities. |
| Traded credit | Arises from the uncertainty of credit quality impacting prices of assets, for example positions such as corporate bonds, securitised products and credit based derivative instruments, including credit default swaps.                                                                                     |
| Basis         | The impact of changes in interest rate tenor basis (e.g. the basis between swaps vs 3M LIBOR and swaps vs 6M LIBOR) and cross-currency basis and is primarily generated as a result of market making activities.                                                                                           |

In some instances, historical data is not available for particular market risk factors for the entire look-back period, for example, complete historical data would not be available for our equity security following an initial public offering. In these cases, market risk managers will proxy the unavailable market risk factor data with available data for a related market risk factor.

The output of the Management VaR model can be readily tested through back testing. This checks instances where actual losses exceed the predicted potential loss estimated by the VaR model. If the number of instances is higher than expected, where actual losses exceed the predicted potential loss estimated by the VaR model, this may indicate limitations with the VaR calculation, for example, a risk factor that would not be adequately captured by the model.

The Management VaR model in some instances may not appropriately measure some market risk exposures, especially for market moves that are not directly observable via prices. Market risk managers are required to identify risks which are not adequately captured in VaR ('risks not in VaR' or 'RNIVs', discussed below).

When reviewing VaR estimates, the following considerations are taken into account:

- the historical simulation uses the most recent two years of past data to generate possible future market moves, but the past may not be a good indicator of the future
- the one-day time horizon may not fully capture the market risk of positions that cannot be closed out or hedged within one day

- VaR is based on positions as at close of business and consequently, it is not an appropriate measure for intra-day risk arising from a position bought and sold on the same day
- VaR does not indicate the potential loss beyond the VaR confidence level.

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

See page 389 for a review of Management VaR in 2018.

Primary stress tests

Primary stress tests are key tools used by management to measure liquid market risks from extreme market movements or scenarios in each major trading asset class.

Stress testing provides an estimate of potential significant future losses that might arise from extreme market moves or scenarios. Primary stress tests apply stress moves to key liquid risk factors for each of the major trading asset classes, namely:

- interest rates: shock to the level and structure of interest rates and inflation across currencies
- credit: impact on traded corporate credit exposures and securities structures, including across rating grades, geography, sectors and products
- foreign exchange: impact of unfavourable moves in currency prices and volatility
- equity: shocks to share prices including exposures to specific markets and sectors
- commodities: adverse commodity price changes across both physical and derivative markets.

Primary stresses apply moves to liquid assets incorporating up to 10 days holding period. Shock scenarios are determined by a combination of observed extreme historical moves and forward looking elements as appropriate.

Primary stresses are calculated for each asset class on a standalone basis. Risk managers calculate several stress scenarios and communicate the results to senior managers to highlight concentrations and the level of exposures. Primary stress loss limits are applied across the trading businesses and is a key market risk control.

Secondary stress tests

Secondary stress tests are key tools used by management to measure illiquid market risks from extreme market movements or scenarios in each major trading asset class.

Secondary stress tests are used in measuring potential losses arising from market risks that are not captured in the primary stress tests. These may relate to financial instruments or risk exposures which are not readily or easily tradable or markets that are naturally sensitive to a rapid deterioration in market conditions.

For each asset class, secondary stresses are



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aggregated to a single stress loss which allows the business to manage its liquid and illiquid risk factors. Limits against secondary stress losses are also applied, which allows Barclays Group to manage and control the level of illiquid risk factors.

Stresses are specific to the exposure held and are calibrated on both observed extreme moves and some forward-looking elements as appropriate.

**Business scenario stresses**  
Business scenario stresses are key tools used by management to measure aggregated losses across the entire trading book as a result of extreme forward-looking scenarios encompassing simultaneous shocks to multiple asset classes.

Business scenario stresses apply simultaneous shocks to all risk factors assessed by applying changes to foreign exchange rates, interest rates, credit spreads, commodities and equities to the entire portfolio, for example, the impact of a rapid and extreme slowdown in the global economy. The measure shows results on a multi-asset basis across all trading exposures. Business scenarios are used for risk appetite monitoring purposes and are useful in identifying concentrations of exposures and highlighting areas that may provide some diversification.

The estimated impacts on market risk exposures are calculated and reported by the market risk management function on a frequent and regular basis. The stress scenario and the calibration on the shocks are also reviewed by market risk managers periodically for its relevance considering any market environment.

Scenarios focusing on adverse global recession, deterioration in the availability of liquidity, contagion effects of a slowdown in one of the major economies, easing of global growth concerns, and a historical event scenario are examples of business scenarios. If necessary, market event-specific scenarios are also calculated, such as:

- a unilateral decision to exit the Eurozone by a member country
- the impact of a large financial institution collapse, or
- a disorderly exit of quantitative easing programmes, including unexpected rapid and continuous interest rate rises as a result.

+

See page 133 for a review of business scenario stresses in 2018.

**Market risk measurement – regulatory view**  
**Regulatory view of traded positions**  
For regulatory purposes, the trading book is defined as one that consists of all positions in CRD financial instruments and commodities held either with trading intent, or in order to hedge other elements of trading, and which are either free of any restrictive covenants on their tradability, or able to be hedged. A CRD financial instrument is defined as a contract that gives rise to both a financial asset of one party and a financial liability or equity instrument of another party.

All of the below regulatory measures, including the standardised approach, generate market risk capital requirements, in line with the regulatory requirements set out in the Capital Requirements Directive (‘CRD IV’) and Regulation. Positions which cannot be included in the trading book are included within the banking book and generate risk capital requirements in line with this treatment.

**Inclusion of exposures in the regulatory trading book**  
Barclays Group maintains a Trading Book Policy, which defines the minimum requirements a business must meet to run trading positions and the process by which positions are allocated to trading or banking books. Trading intent is a key element in deciding whether a position should be treated as a trading or banking book exposure.

Positions in the trading book are subject to market risk capital, computed using models where regulatory approval has been granted, otherwise the market risk capital requirement is calculated using standard rules as defined in the Capital Requirement Regulation (CRR), part of the CRD IV package. If any of the criteria specified in the policy are not met for a position, then that position must be allocated to the banking book.

Most of Barclays Group’s market risk regulatory models are assigned the highest model materiality rating. Consequently, the Regulatory VaR model is subject to annual re-approval by the Independent Validation Unit. The Independent Validation Unit makes an assessment of model assumptions and considers evidence of model suitability provided by the model owner. The following table summarises the models used for market risk regulatory purposes and the applicable regulatory thresholds.

**Valuation standards**  
CRR article 105 defines regulatory principles which need to be applied to fair value assets and liabilities, in order to determine a prudent valuation.

The Prudent Valuation Adjustment (PVA) is applied to accounting fair values where there are a range of plausible alternative valuations. It is calculated in accordance with Article 105 of the CRR, and includes (where relevant) adjustments for the following factors: unearned credit spreads, close-out costs, operational risk, market price uncertainty, early termination, investing and funding costs,

future administrative costs and model risk. The PVA includes adjustment for all fair valued financial instruments and commodities, irrespective of whether they are in the trading or banking book.

Page 00 of the annual report sets out the valuation control framework for accounting valuations and the related responsibilities of the Finance-product control valuations function and the Valuation Committee. This function and committee are also responsible for the oversight of the PVA and maintaining compliance with article 105 of the CRR.

**Regulatory measures for Market risk**  
There are a number of regulatory measures which Barclays Group has permission to use in calculating regulatory capital (internal models approval):

| Measure                                 | Definition                                                                                                                                                                                                                                    |
|-----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Regulatory Value at Risk (VaR)</b>   | An estimate of the potential loss arising from unfavourable market movements calibrated to 99% confidence interval 10-day holding period.                                                                                                     |
| <b>Stressed Value at Risk (SVaR)</b>    | An estimate of the potential loss arising from a twelve-month period of significant financial stress calibrated to 99% confidence interval 10-day holding period.                                                                             |
| <b>Incremental Risk Charge (IRC)</b>    | An estimate of the incremental risk arising from rating migrations and defaults, beyond what is already captured in specific market risk VaR for the non-correlation trading portfolio. Uses a 99.9% confidence level and a one-year horizon. |
| <b>Comprehensive Risk Measure (CRM)</b> | An estimate of all the material market risk, including rating migration and default for the correlation trading portfolio.                                                                                                                    |

The legal entities for which the PRA has given permission to use internal models for market risk regulatory capital are: BBPlc Trading and BCSL (consolidated), BBPlc Trading and BCSL. The legal entity for which the FRBNY has given permission to use internal models is IHC.

Additional information

Barclays’ approach to managing risks

Management of market risk

- Regulatory VaR
- Estimates the potential loss arising from unfavourable market movements.
  - Regulatory VaR differs from the management approach in the following respects.

| VaR Variable                       | Regulatory                                  | Management                                                                                               |
|------------------------------------|---------------------------------------------|----------------------------------------------------------------------------------------------------------|
| Confidence interval                | 99%                                         | 95%                                                                                                      |
| Scope                              | As approved by the regulator (PRA or FRBNY) | Management view of market risk exposures. Includes trading books and banking books exposed to price risk |
| Look-back period                   | 2 years                                     | 2 years                                                                                                  |
| Liquidity Horizon (holding period) | 10 days                                     | 1 day                                                                                                    |

Regulatory VaR allows oversight of the total potential losses, at a given confidence level, of those trading books which received approval from the regulator to be covered via an internal model. Barclays Group uses a Regulatory VaR model that diversifies general and specific market risk for regulatory capital. Market risks are captured in the Regulatory VaR model using either full revaluation or an approximate revaluation approach depending on the type of product. When simulating potential movements in risk factors, returns are modelled using a combination of absolute changes, proportional changes or a blended mix of these two approaches.

Management VaR allows Barclays Group to supervise the total market risk across Barclays Group, including all trading books and some banking books. Management VaR is also utilised for the internal capital model (economic capital).

Regulatory VaR is fundamentally the same as the Management VaR (see page 00), with the key differences listed above. The model is complemented with RNIVs, as described on page 00. See page 00 for significant RNIVs over the year.

- Stressed Value at Risk (SVaR)
- Estimates the potential loss arising from unfavourable market movements in a stressed environment.
  - Identical to Regulatory VaR, but calibrated over a one-year stressed period.
  - Regulatory capital is allocated to individual businesses. For regulatory capital calculation purposes Barclays Group computes a market risk capital requirement based on a one-day scaled to ten-day, 99% VaR metric calibrated to a period of significant financial stress. This SVaR capital requirement is added to the market risk capital requirement arising from regulatory VaR, the Incremental Risk Charge and the All Price Risk on an undiversified basis.

The SVaR model must be identical to the VaR model used by Barclays Group, with the exception that the SVaR model must be calibrated to a one-year period of significant financial stress ('the SVaR period'). Barclays Group selects the SVaR period to be a one-year period that maximises the sum of general market risk Regulatory VaR and

specific market risk Regulatory VaR for positions in scope of regulatory approval. The SVaR period is reviewed on a monthly basis or when required by material changes in market conditions or the trading portfolio.

SVaR cannot be meaningfully backtested as it is not sensitive to current market conditions. Many market risk factors with complete historical data over a two-year period may not have complete data covering the SVaR period and consequently, more proxies may be required for SVaR than for VaR. The SVaR metric itself has the same strengths and weaknesses as Barclays Group's VaR model.

- Incremental Risk Charge (IRC)
- Captures risk arising from rating migrations and defaults for traded debt instruments incremental to that already captured by Regulatory VaR and SVaR.

IRC captures the risk arising from ratings migrations or defaults in the traded credit portfolio. IRC measures this risk at a 99.9% confidence level with a one-year holding period and applies to all positions in scope for specific risk including sovereign exposure.

Barclays Group's IRC model simulates default and ratings transition events for individual names. The behaviour of names is correlated with one another to simulate a systemic factor to model the possibility of multiple downgrades or defaults. The correlations between non-sovereign names are based on the Basel-defined correlations stipulated in the IRB approach to measuring credit risk capital, with a fixed correlation between sovereign names.

Barclays Group's IRC model simulates the impact of a ratings transition by estimating the improvement or deterioration in credit spreads resulting from the transition and assumes that the historically observed average change in credit spreads (measured in relative terms) resulting from ratings transitions provides an accurate estimate of likely widening or tightening of credit spreads in future transitions. For each position, the model computes the impact of spread moves up or down at pre-specified relative movements, and the actual impact is obtained by interpolating or extrapolating the actual spread move from these pre-computed values.

Barclays Group's IRC model assumes that ratings transitions, defaults and any spread increases occur on an instantaneous basis.

- Comprehensive Risk Measure (CRM)
- Captures all market risks affecting the correlation trading portfolio.

CRM covers the correlation trading portfolio and is intended to adequately capture all risk factors relevant to corporate Nth-to-default (on a basket of referenced names) and tranch ed credit derivatives. The capital requirement is based on a 99.9% confidence interval over a one-year holding period. The model generates a scenario based on a Monte Carlo simulation and revalues the portfolio under the simulated market scenario.

The model captures the following risk factors in the correlation trading portfolio:

- default and ratings migration over a one-year time horizon
- credit spread volatility
- recovery risk: uncertainty of the recoverable value under default
- correlation risk
- basis risk: basis between credit indices and its underlying constituents
- hedge slippage: portfolio rebalancing assumption.

Barclays Group's CRM model is based on the IRC model but also captures market risks not related to transition or default events, such as movements in credit spreads or correlations. These risk factors are included as part of the Monte Carlo simulation using distributions calibrated to historically observed moves. Barclays Group's CRM model assumes that ratings transitions, defaults and any spread increases occur on an instantaneous basis. Barclays Group applies stress tests to the modelling parameters based on combinations of changes in credit spreads, correlations and default events.

See page 134 for a review of regulatory measures in 2018.

Additional information

Barclays’ approach to managing risks

Management of market risk

Table 95: Market risk models selected features

| Component modelled | Number of significant models and size of associated portfolio (RWAs) | Model description and methodology                                                                                                                | Applicable regulatory thresholds                                                                                                                                                    |
|--------------------|----------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Regulatory VaR     | 1 model;<br>£3.3bn                                                   | Equally-weighted historical simulation of potential daily P&L arising from market moves                                                          | Regulatory VaR is computed with ten-day holding period and 99% confidence level                                                                                                     |
| SVaR               | 1 model;<br>£8.9bn                                                   | Same methodology as used for VaR model, but using a different time series                                                                        | Regulatory SVaR is computed with ten-day holding period and 99% confidence level                                                                                                    |
| IRC                | 1 model;<br>£1.9bn                                                   | Monte Carlo simulation of P&L arising from ratings migrations and defaults                                                                       | IRC is computed with one-year holding period and 99.9% confidence level                                                                                                             |
| CRM                | 1 model;<br>£0.0bn                                                   | Same approach as IRC, but it incorporates market-driven movements in spreads and correlations for application to correlation trading portfolios. | CRM is computed with one-year holding period and 99.9% confidence level.<br>As required in CRD IV, the CRM charge is subject to a floor set with reference to standard rules charge |



See pages 134 for a review of regulatory measures in 2018.

Regulatory back testing

Back testing is the method by which Barclays Group checks and affirms that its procedures for estimating VaR are reasonable and serve its purpose of estimating the potential loss arising from unfavourable market movements. The back testing process is a regulatory requirement and seeks to estimate the performance of the regulatory VaR model. Performance is measured by the number of exceptions to the model i.e. actual or hypothetical P&L loss in one trading day is greater than the estimated VaR for the same trading day. Barclays Group’s procedures could be underestimating VaR if exceptions occur more frequently than expected (a 99% confidence interval indicates that one exception will occur in 100 days).

Back testing is performed at a legal entity level, sub-portfolio levels and business-aligned portfolios (shown in the table below and in the charts on the next page) on Barclays Group’s regulatory VaR model. Regulatory

back testing compares Regulatory VaR at 99% confidence level (one-day holding period equivalent) to actual and hypothetical changes in portfolio value as defined in CRR Article 366. The consolidated Barclays Bank PLC and Barclays Capital Securities Ltd is the highest level of consolidation for the VaR model that is used in the calculation of regulatory capital.

A back testing exception is generated when a loss is greater than the daily VaR for any given day.

As defined by the PRA, a green status is consistent with a good working VaR model and is achieved for models that have four or fewer back testing exceptions in a 250-day period. Back testing counts the number of days when a loss exceeds the corresponding VaR estimate, measured at the 99% regulatory confidence level. For the Investment Bank’s regulatory DVaR model at the consolidated legal entity level, green model status was maintained for 2018 apart from the period May to October 2018 when the model status was amber.

Back testing is also performed on management VaR to validate it remains reasonable and fit for purpose.

The table below shows the VaR back testing exceptions on legal entities aligned to Barclays Group’s business as at 31 December 2018. Model performance at a legal entity level determines regulatory capital within those entities. Legal entity disclosure is also relevant from a management perspective as Barclays’ VaR and model performance of VaR for a legal entity across asset class are key metrics in addition to asset class metrics across legal entity.

For the Investment Bank’s regulatory DVaR model at the consolidated legal entity level, green model status was maintained for 2018 apart from the period May to October.

The IHC backtesting process compares IHC 99% Regulatory VAR against Hypothetical P&L. The definition of Hypothetical P&L and the scope of Regulatory VaR for the IHC are consistent with the Federal Reserve’s Market Risk Rule.

| Legal Entity           | Actual P&L       |          | Hypo P&L         |          |
|------------------------|------------------|----------|------------------|----------|
|                        | Total Exceptions | Status** | Total Exceptions | Status** |
| BBPlc Trading and BCSL | 1                | G        | 3                | G        |
| BBPlc Trading          | 2                | G        | 4                | G        |
| BCSL                   | 3                | G        | 4                | G        |
| IHC                    | n/a              | n/a      | 3                | G        |

\*\*RAG status is accurate as of year-end.

Additional information

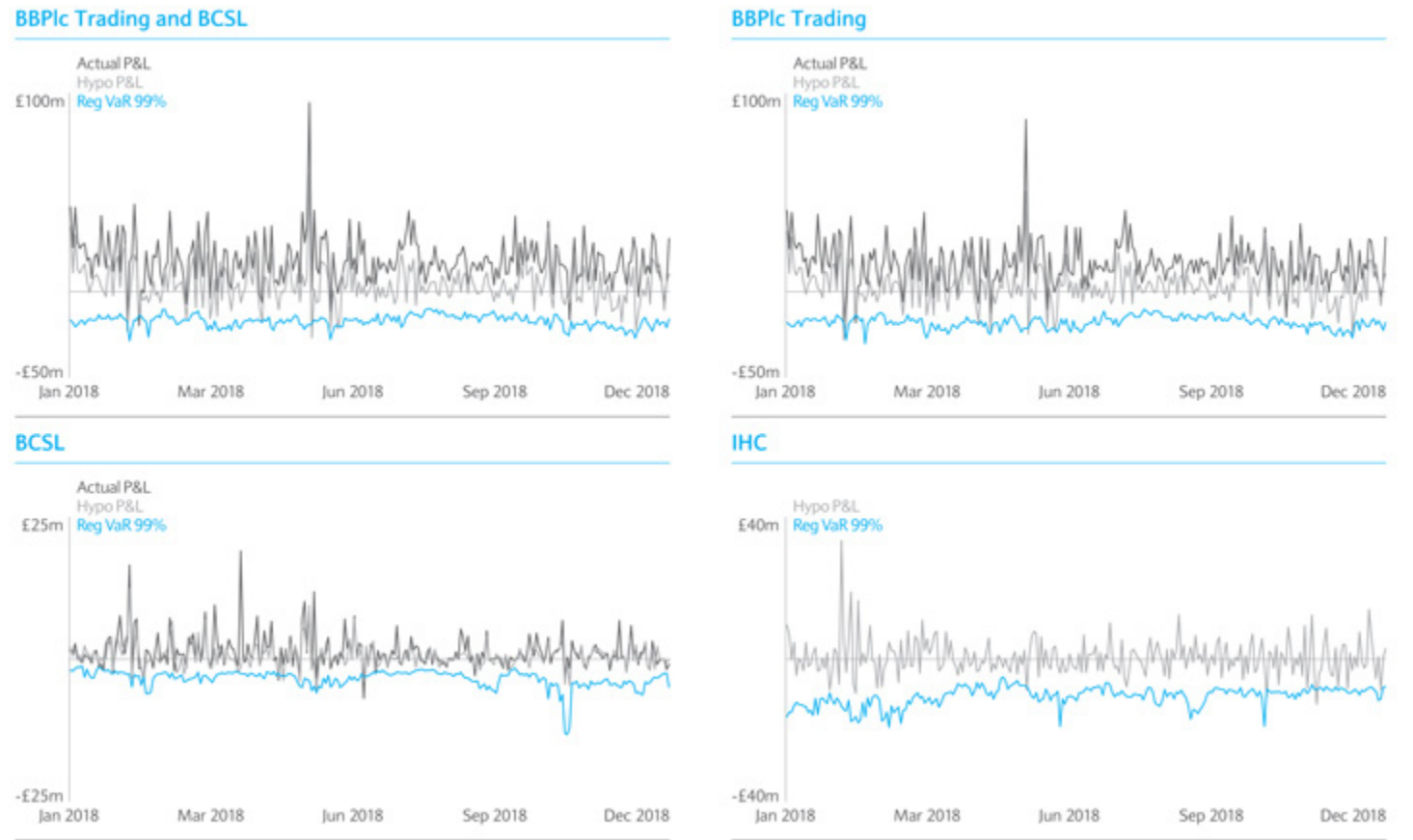
Barclays’ approach to managing risks

Management of market risk

The charts below show VaR for Barclays Group’s regulatory portfolios aligned by legal entity. The dark blue and grey points on the charts indicate losses on the small number of days on which actual and hypo P&L respectively exceeded the VaR amount.

In addition to being driven by market moves in excess of the 99% confidence level, back testing exceptions can be caused by risks that impact P&L not captured directly in the VaR itself but separately captured as non VaR-type, namely Risks Not in VaR (RNIVs).

Exceptions are reported to internal management and regulators on a regular basis and investigated to evaluate the model performs as expected. Overall back testing for the consolidated legal entity remains in the green zone, suggesting that the VaR remains fit for purpose.



**Management of risks not fully captured in models, including Risks not in VaR (RNIVs)**

Barclays Group’s risk identification process captures risks that either have been observed to, or have the capacity to, produce material losses in normal and stressed market conditions. To maintain risk coverage, the range of core risks is identified following either market convention, regulatory guidance, or the specific historical experience of Barclays Group and is considered as part of the new product processes.

In some instances, the Management and Regulatory VaR model may not appropriately measure some market risks, especially where market moves are not directly observable via prices. Barclays Group has policies to apply add-ons where risks are not captured by the model. RNIVs refer to those core risks that are not captured, or not adequately captured, in VaR and SVaR. RNIVs can include:

- risks not fully captured elsewhere and/or illiquid risk factors such as cross-risks;
- basis risks;
- higher-order risks;
- calibration parameters, for instance to model parameter uncertainty; and

- potential losses in excess of fair valuation adjustments taken in line with the Valuation Control Framework. Please see Note 00 in the Barclays PLC Annual Report 2018 ‘Fair value of assets and liabilities’ for more details on fair value adjustments.

The treatment of RNIVs follows whether the risks are considered VaR type or non-VaR type, which depends on, and can change with, the evolving state of financial markets:

- VaR-type RNIVs:** Typically represent risks that are not well captured in VaR, mainly because of infrastructure limitations or methodology limitations. In this instance two metrics are calculated, a VaR RNIV and a SVaR RNIV, using the same confidence level, capital horizon and observation period as VaR and SVaR respectively and are capitalised using the same multipliers as VaR and SVaR

- Non VaR-type RNIVs:** Typically represent risks which would not be well captured by any VaR model either because it represents an event not historically observed in the VaR time series (e.g., currency peg break) or a market risk factor which is not seen to move frequently (e.g. correlation). These are typically estimated using stress scenarios. The stress methodology is calibrated equivalently to at least 99% confidence level and a capital horizon of at least 10 days over an appropriate observation period, depending on the liquidity of the risk. For the purpose of regulatory capital, the capital charge is equal to the loss arising from the stress test except when these risks are already adequately captured elsewhere e.g. via the IRC or CRM models, which are intended to capture certain risks not adequately covered by VaR

For regulatory capital these RNIVs are aggregated without any offsetting or diversification benefit.



Additional information

Barclays’ approach to managing risks

Management of market risk

Market risk control

The metrics that are used to measure market risk are controlled through the implementation of appropriate limit frameworks. Limits are set at the total Barclays Group level, asset class level, for example, interest rate risk, and at business level, for example, rates trading. Stress limits and many book limits, such as foreign exchange and interest rate sensitivity limits, are also used to control risk appetite.

Barclays Group-wide limits are reported to the BRC and are termed A-level limits for total management VaR, primary stress and secondary stresses and business scenarios. These are then cascaded down by risk managers in order to meet the Barclays Group-wide risk appetite.

Each A-level limit is set after consideration is given to revenue generation opportunities and overall risk appetite approved by the Board. Compliance with limits is monitored by the independent risk functions in the trading businesses with oversight provided by Barclays Group Market Risk.

Throughout 2018, Barclays Group Market Risk continued its ongoing programme of control testing and conformance testing on the trading businesses’ market risk management practices. These reviews are intended to verify the business’s conformance with the Market Risk Control Framework and best practices.

Market risk reporting

Trading businesses market risk managers produce a number of detailed and summary market risk reports daily, weekly, fortnightly and monthly for business and risk managers. Where relevant on a Barclays Group-wide basis, these are sent to Barclays Group Market Risk for review and a risk summary is presented at Barclays Group Market Risk Committee and the trading businesses’ various market risk committees. The overall market risk profile is also presented to BRC on a regular basis.





Additional information

Barclays’ approach to managing risks

Management of securitisation exposures

This section discloses information about Barclays Group’s securitisation activities distinguishing between the various functions performed in supporting its customers and managing its risks. It includes traditional securitisations as well as synthetic transactions effected through the use of derivatives or guarantees.

For the purposes of Pillar 3 disclosures a securitisation is defined as a transaction or scheme where the payments are dependent upon the performance of a single exposure or pool of exposures and where the subordination of tranches determines the distribution of losses during the ongoing life of the transaction or scheme. Such transactions are ordinarily undertaken to transfer risk for Barclays Group or on behalf of a client.

Certain transactions undertaken by Barclays Group are not disclosed in the quantitative section as they do not fall under the regulatory securitisation framework (defined under Part Three, Title II, Chapter 5 of the CRR, part of the CRD IV package). These include funding transactions for the purposes of generating term liquidity, and certain government guaranteed transactions.

Objectives of securitisation activities

In the course of its business, Barclays Group has undertaken securitisations of its own originated assets as well as the securitisation of third party assets via special purpose vehicles, sponsored conduit vehicles and shelf programmes.

Barclays Group has securitised its own originated assets in order to manage Barclays Group’s credit risk position and to generate term funding for Barclays Group balance sheet. Barclays Group also participates in primary securitisations and distributes bonds to the market to facilitate term liquidity for its clients.

Barclays Group also purchases asset backed loans and securities for the purpose of supporting client franchise, and purchases asset backed securities (ABS) for the purpose of investing its liquidity pool.

Further, Barclays Group makes a secondary market for a range of securitised products globally, including residential mortgage backed securities (RMBS), commercial mortgage backed securities (CMBS) and ABS.

The role and involvement of Barclays Group in securitisations in 2018

Barclays Group adopts the following roles in the securitisation processes in which it is involved:

**Originator of assets prior to securitisation**  
Barclays Group originates or purchases commercial mortgage loans for the purpose of securitisation. The securities are then sold to investors through a broker-dealer subsidiary.

Barclays Group securitises assets otherwise originated in the ordinary course of business including corporate loans, consumer loans and commercial mortgage loans. Barclays Group also provides derivative transactions to securitisations sponsored by itself and third parties. These transactions carry counterparty credit risk and are included in Barclays Group trading book.

**Providing warehousing facilities collateralised by third party assets prior to securitisation or exit via whole-loan sale**  
Barclays Group provides warehouse financing to third party loan originators, including for agency eligible loans that can be securitised by the Federal National Mortgage Association (‘Fannie Mae’), the Federal Home Loan Mortgage Corporation (‘Freddie Mac’), or the Government National Mortgage Association (‘Ginnie Mae’) and for corporate loans that can be securitised via collateralised loan obligations (CLO).

**Executor of securitisation trades including bond marketing and syndication**  
Barclays Group transacts primarily as a principal in RMBS, ABS, CLO and CMBS with institutional investors and other broker-dealers. Agency backed residential and commercial mortgage securitisations include Credit Risk Transfer securities (Fannie Mae-sponsored CAS and Freddie Mac-sponsored STACR bonds). ABS securitisations include consumer ABS (e.g. credit card, student loan and auto) and non-traditional ABS (e.g. timeshares, wireless towers and whole business securitisations). Non-agency commercial mortgage securitisations include CMBS and commercial real estate collateralised loan obligations (CRE CLO). Barclays Group makes secondary market in CLOs and acts as arranger on behalf of clients to structure and place arbitrage CLOs. In certain limited instances, Barclays Group may also hold a portion of securitisations, which are required for risk retention purposes.

**Purchaser of third party securitisations to support client franchise**  
Barclays Group may purchase third party securitisations. Barclays Group also funds on its own balance sheet securitisations similar to the ones funded via its sponsored conduits (see below).

**Sponsoring conduit vehicles**  
Barclays Group acts as managing agent and administrative agent of two multi-seller asset backed commercial paper (ABCP) conduits, Sheffield Receivables Company, LLC (Sheffield) and Salisbury Receivables Company, LLC (Salisbury), through which interests in securitisations of third party originated assets are funded via a variety of funding mechanics including the issuance of ABCP.

From a regulatory perspective, Barclays acts as a sponsor of Sheffield and Salisbury. In relation to such conduit activity, Barclays Group provides all or a portion of the backstop liquidity to the commercial paper, programme-wide credit enhancement and, as appropriate, interest rate and foreign currency hedging facilities. Barclays Group receives fees for the provision of these services.

Sheffield and Salisbury hold securities classified as available for sale, measured at fair value with changes in fair value recognised through other comprehensive income (OCI) and non-securities classified as loans and receivables, measured at amortised cost on its standalone financial statements. It funds the assets through the issuance of ABCP. Note that Sheffield and Salisbury are consolidated for accounting but not regulatory purposes.

**Funding transactions to generate term liquidity**  
Secured funding forms one of the key components of Barclays Group’s diversified funding sources providing access to the secured wholesale market and complementing the diversification of funding by maturity, currency and geography. Barclays Group issues ABS and covered bonds secured primarily by customer loans and advances.

Barclays Group currently manages four key, on-balance sheet asset backed funding programmes to obtain term financing for mortgage loans and credit card receivables. These programmes also support retained issuances for Barclays Group to access central bank liquidity and funding. The UK regulated covered bond and the residential mortgage master trust securitisation programmes both utilise assets originated by Barclays Group’s UK residential mortgage business. The third programme is a credit card master trust securitisation and uses receivables from Barclays Group’s UK credit card business. The fourth programme is a SEC registered securitisation programme backed by US domiciled credit card receivables.

**Risk transfer transactions**  
Barclays Group has entered into synthetic and cash securitisations of corporate and commercial loans (originated in the ordinary course of business) for the purposes of the transfer of credit risk to third party investors. The regulatory capital requirements of these transactions fall under CRD IV.

Additional information

Barclays’ approach to managing risks

Management of securitisation exposures

Securitisation risks, monitoring and hedging policies

Capital requirements against securitisation exposures are subject to a separate framework under CRD IV (see CRR article 449) to account for the particular characteristics of this asset class. For risk management purposes, however, a securitisation is aligned to the risk type to which it gives rise.

Credit risks

In a securitisation structure, the payments are dependent upon the performance of a single exposure or pool of exposures. As these underlying exposures are usually credit instruments, the performance of the securitisation is exposed to credit risk.

Securitisation exposures are subject to Barclays Group Credit Risk policies and standards and business level procedures. This includes the requirement to review in detail each transaction at a minimum on an annual basis. As collateral risk is the primary driver the analysis places a particular focus on the underlying collateral performance, key risk drivers, servicer due diligence and cash flows, and the impact of these risks on the securitisation notes. The risk is addressed through the transaction structure and by setting an appropriate modelled tolerance level. Structural features incorporate wind-down triggers set against factors including, but not limited to, defaults/ charge-offs, delinquencies, excess spread, dilution, payment rates and yield, all of which help to mitigate potential credit deterioration. Qualitative aspects such as counterparty risk and ancillary issues (operational and legal risk) are also considered. Changes to the credit risk profile of securitisation exposures will also be identified through ongoing transaction performance monitoring. In addition, periodic stress tests of the portfolio as part of ongoing risk management are conducted as well as in response to Barclays Group-wide or regulatory requests.

The principal committee responsible for the monitoring of the credit risk arising from securitisations is Wholesale Credit Risk Management Committee (WCRMC).

Market and liquidity risks

Market risk for securitised products is measured, controlled and limited through a suite of VaR, non-VAR and stress metrics in accordance with Barclays Group’s Market Risk Policies and Procedures. The key risks of securitisation structures are interest rate, credit, spread, prepayment and liquidity risk. Interest rate and spread risk are hedged with standard liquid interest rate instruments (including interest rate swaps, US Treasuries and US Treasury futures). The universe of hedging instruments for credit and prepayment risk is limited and relatively illiquid, resulting in basis risks. In providing warehouse financing, Barclays Group is exposed to mark to market (if counterparty defaults on related margin call).

Hedging

Securitisation and re-securitisation exposures benefit from the relative seniority of the exposure in the capital structure. Due to lack of availability in the credit default swap market for individual asset backed securities, there are no material CDS hedge counterparties relating to the securitisation and re-securitisation population.

Operational risks

Operational risks are incurred in all of Barclays Group’s operations. In particular, all securitised (and re-securitised) assets are subject to a degree of risk associated with documentation and the collection of cash flows.

In providing warehouse financing, Barclays Group incurs potential contingent operational risks related to representations and warranties should there be a need to foreclose on the line and it later be discovered that the underlying loans were not underwritten to agency agreed criteria. Such risks are mitigated by daily collateral margining and ready agency bids. Market risk is also mitigated by employing forward trades.

The Operational Risk Review Forum oversees the management of operational risks for the entire range of Barclays Group’s activities.

Rating methodologies, ECAIs and RWA calculations

RWAs reported for securitised and re-securitised banking book and trading book assets at 31 December 2018 are calculated in line with CRR and UK PRA rules and guidance. Barclays Group has approval to use, and therefore applies, the internal ratings based approach for the calculation of RWAs where appropriate, and the Standardised Approach elsewhere.

Barclays Group employs eligible ratings issued by nominated External Credit Assessment Institutions (ECAIs) to risk weight its securitisation and re- securitisation exposure where their use is permitted. Ratings are considered eligible for use based on their conformance with the internal rating standard which is compliant with both CRR and European Credit Rating Agency regulation. The ECAIs nominated by Barclays Group for this purpose are Standard & Poor’s, Moody’s, Fitch, DBRS and Kroll.

As required by CRR, Barclays Group uses credit ratings issued by these ECAIs consistently for all exposures within the securitisation exposure class. For that reason, there is no systematic assignment of particular agencies to types of transactions within the securitisation exposure class.

For Sheffield and Salisbury, the Internal Assessment Approach (IAA) framework mirrors the ECAI methodology, which also includes Moody’s and Fitch, who rate the Sheffield and Salisbury programmes. Under the IAA framework, the securitisation exposure must be internally rated, and Barclays Group internal assessment process must meet certain requirements in order to map its own internal rating to an ECAI. Cash flow stress analysis on a securitisation structure is performed as prescribed by an ECAI methodology for the relevant ratings level, and is at least as conservative as the published methodology. Stress factors may include, among other factors, asset yields, principal payment rates, losses, delinquency rates and interest rates.

In determining an internal rating, collateral risks are the primary driver and are addressed through the transaction structure and modelled statistical confidence. The analysis reflects Barclays Group’s view on the transaction, including dilution risk, concentration and tenor limits, as well as qualitative aspects such as counterparty risk and important ancillary issues (operational and legal risks). The adequacy and integrity of the servicer’s systems and processes for underwriting, collections policies and procedures are also reviewed. Barclays Group conducts a full due diligence review of the servicer for each transaction. Each transaction is reviewed on, at least, an annual basis with a focus on the performance of underlying assets. The results of any due diligence review and the financial strength of the seller/ servicer, are also factored into the analysis. Ratings of the transaction are reaffirmed with the most up to date ECAI methodologies. Any transaction which deviates from the current methodology is amended accordingly.

Summary of the accounting policies for securitisation activities

Certain Group-sponsored entities have issued debt securities or have entered into funding arrangements with lenders in order to finance specific assets. An entity is consolidated by Barclays Group when Barclays Group has control over the entity. Barclays Group controls an entity if it has all of the three elements of control which are i) power over the entity; and ii) exposure, or rights, to variable returns from its involvement with the entity; iii) the ability to use its power over the entity to affect the amount of Barclays Group returns.

The consolidation treatment must be initially assessed at inception and is reassessed if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Additional information

Barclays’ approach to managing risks

Management of securitisation exposures

Typically, assets that are awaiting securitisation on Barclays Group balance sheet are measured at fair value through P&L, using the appropriate method for the asset class as they are classified as held for trading or are designed at fair value through profit and loss, under the IAS 39 fair value option. However, some non-derivative assets held prior to securitisation may qualify as loans and receivables and are measured at amortised cost. When securitised assets have been included on Barclays Group balance sheet it is necessary to consider whether those assets may be removed from Barclays Group balance sheet. Assets which have been transferred to third parties (i.e. an unconsolidated Barclays Group entity), will remain on Barclays Group balance sheet, and treated as financings, unless the following criteria apply:

- substantially all the risks and rewards associated with the assets have been transferred, in which case, they are derecognised in full
- if a significant portion, but not all, of the risks and rewards have been transferred, the asset is derecognised entirely if the transferee has the ability to sell the financial asset, otherwise the asset continues to be recognised only to the extent of Barclays Group’s continuing involvement.

Any financial support or contractual arrangements provided to unconsolidated entities, over securitised assets, would be recognised as a liability on balance sheet if it met the relevant IFRS criteria, or gave rise to a provision under IAS 37, and have to be disclosed (see Note 25). Note, however, that Barclays Group has a Significant Risk Transfer policy that does not allow for any support to be provided to any transactions that fall under the securitisation framework.

Assets may be transferred to a third party through a legal sale or an arrangement that meets the ‘pass-through’ criteria where the substance of the arrangement is principally that Barclays Group is acting solely as a cash collection agent on behalf of the eventual recipients.

Where the transfer applies to a fully proportionate share of all or specifically identified cash flows, the relevant accounting treatment is applied to that proportion of the asset.

When the above criteria support the case that the securitisation should not be accounted for as financing, the transaction will result in sale treatment or partial continued recognition of the assets to the extent of Barclays Group’s continuing involvement in those assets. Gains are recognised to the extent that proceeds that can be measured using observable market data exceed the assets derecognised.

Any retained interests, which will consist of loans and/or securities depending on the nature of the transaction, are valued in accordance with Barclays Group’s Accounting Policies, as set out in the Barclays PLC Annual Report 2018. To the extent that these interests are measured at fair value, they will be included within the fair value disclosures in the financial statements in the Annual Report. As outlined in these disclosures, key valuation assumptions for retained interests of this nature will include spreads to discount rates, default and recovery rates and prepayment rates that may be observable or unobservable.

In a synthetic securitisation transaction, the underlying assets are not sold into the relevant special purpose entity (SPE). Instead, their performance is transferred into the vehicle through a synthetic instrument such as a CDS, a credit linked note or a financial guarantee. The accounting policies outlined above will apply to synthetic securitisations.



Additional information

Barclays’ approach to managing risks

Management of treasury and capital risk

**This section provides an overview of the management of liquidity risk, capital risk and interest rate risk in the banking book.**

- Liquidity risk, with a focus on how it is managed so that highly quality liquid assets are adequate at all times including under stress, is discussed on pages 137 to 147
- Capital risk, including how the risk of insufficient capital and leverage ratios and pension risk are managed, is discussed on pages 151 to 158
- The management of Interest rate risk in the banking book is discussed on pages 159 to 161



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Barclays’ approach to managing risks

Management of treasury and capital risk

Treasury and capital risk

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

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

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

Overview

Barclays Group Treasury manages treasury and capital risk exposure on a day-to-day basis with the Treasury Committee acting as the principal management body. To enforce effective oversight and segregation of duties and in line with the ERMF, the Treasury and Capital Risk function is responsible for oversight of key capital, liquidity, interest rate risk in the banking book (IRRBB) and pension risk management activities. The following describes the structure and governance associated with the risk types within the Treasury and Capital Risk function.

Liquidity risk management

Overview

The efficient management of liquidity is essential to Barclays Group in retaining the confidence of the financial markets and maintaining the sustainability of the business. There is a control framework in place for managing liquidity risk and this is designed to meet the following objectives:

- To maintain liquidity resources that are sufficient in amount and quality and funding tenor profile that is adequate to meet the liquidity risk appetite as expressed by the Board based on internal and regulatory liquidity metrics
- To maintain market confidence in Barclays Group’s name.

This is achieved via a combination of policy formation, review and governance, analysis, stress testing, limit setting and monitoring. Together, these meet internal and regulatory requirements.

Roles and responsibilities

The Treasury and Capital Risk function is responsible for the management and governance of the liquidity risk mandate defined by the Board and the production of ILAAPs. Treasury has the primary responsibility for managing liquidity risk within the set risk appetite.

Barclays Group’s comprehensive control framework for managing Barclays Group’s liquidity risk is designed to deliver the appropriate term and structure of funding, consistent with the liquidity risk appetite set by the Board.

The control framework incorporates a range of ongoing business management tools to monitor, limit and stress test Barclays Group’s balance sheet and contingent liabilities and the Recovery Plan. Limit setting and transfer pricing are tools that are designed to control the level of liquidity risk taken and drive the appropriate mix of funds. Together, these tools reduce the likelihood that a liquidity stress event could lead to an inability to meet Barclays Group’s obligations as they fall due. The control framework is subject to internal conformance testing and internal audit review.

Organisation and structure

Barclays PLC Board Risk Committee

- Reviews and recommends Barclays Group’s risk appetite for treasury and capital risk to the Barclays PLC Board
- Reviews material issues impacting treasury and capital risk
- Recommends the approval of ICAAP and ILAAP to the Barclays PLC Board

Barclays Group Risk Committee

- Reviews and recommends risk appetite to the Barclays PLC Board Risk Committee
- Escalates material issues impacting treasury and capital risk to the Barclays PLC Board Risk Committee
- Reviews and recommends the ICAAP and ILAAP to the Barclays PLC Board Risk Committee for approval

Barclays Group Treasury and Capital Risk Committee

- Manages treasury and capital risk appetite
- Monitors the treasury and capital risk profile
- Monitors the treasury and capital risk control environment
- Recommends risk appetite to the Barclays Group Risk Committee and Barclays PLC Board Risk Committee
- Escalates material issues impacting treasury and capital risk to the Barclays Group Risk Committee and Barclays PLC Board Risk Committee

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Barclays’ approach to managing risks

Management of treasury and capital risk

| Ongoing business management                                                                                                                 | Early signs/mild stress                                                                                                                         | Severe stress                                                                                                                         | Recovery                                                                                                                                              |
|---------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>■ stress testing and planning</li><li>■ liquidity limits</li><li>■ early warning indicators</li></ul> | <ul style="list-style-type: none"><li>■ monitoring and review</li><li>■ management actions requiring minimal business rationalisation</li></ul> | <ul style="list-style-type: none"><li>■ monitoring and review</li><li>■ management actions with limited impact on franchise</li></ul> | <ul style="list-style-type: none"><li>■ activate appropriate recovery options to restore the capital and/or liquidity position of the Group</li></ul> |

The Board approves the Barclays Group funding plan, internal stress tests and results of regulatory stress tests, and the Barclays Group recovery plan. The Treasury Committee is responsible for monitoring and managing liquidity risk in line with Barclays Group’s funding management objectives, funding plan and risk frameworks. The Treasury and Capital Risk Committee monitors and reviews the liquidity risk profile and control environment, providing Second Line oversight of the management of liquidity risk. The BRC reviews the risk profile, and annually reviews risk appetite and the impact of stress scenarios on the Barclays Group funding plan/forecast in order to agree Barclays Group’s projected funding abilities.

Barclays Group maintains a range of management actions for use in a liquidity stress, these are documented in the Barclays Group Recovery Plan. Since the precise nature of any stress event cannot be known in advance, the actions are designed to be flexible to the nature and severity of the stress event and provide a menu of options that can be drawn upon as required. The Barclays Group Recovery Plan also contains more severe recovery options to generate additional liquidity in order to facilitate recovery in a severe stress. Any stress event would be regularly monitored and reviewed using key management information by Treasury, Risk and business representatives.

Risk Appetite and planning

Barclays has established an LRA over Group stress tests to represent the level of liquidity risk Barclays Group chooses to take in pursuit of its business objectives and in meeting its regulatory obligations.

The key expression of the liquidity risk is through stress tests. It is measured with reference to the liquidity pool compared to anticipated net stressed outflows for each of five stress scenarios. Barclays has defined both internal short term and long term LRA stress test metrics.

The LRA for internal stress tests is approved by the Board. The LRA is reviewed on a continuous basis and is subject to formal review at least annually as part of the Internal Liquidity Adequacy Assessment Process (ILAAP).

Statement of Liquidity Risk Appetite: For 2018, the Board has approved that Barclays Group will maintain an amount of available liquidity resources to meet modelled and prescribed regulatory liquidity stress outflows over a period of time (minimum buffer duration):

- 30 days in a Barclays specific stress
- 90 days in a market wide stress
- 30 days in a combined stress
- Long term LRA 80% LCR (Pillar 2)
- LCR 30 days minimum ratio 100% (Pillar 1 basis) and 100% (Pillar 2 basis)

The stress outflows are used to determine the size of Barclays Group Liquidity Pool, which represents those resources immediately available to meet outflows in a stress. In addition to the liquidity pool, the control framework and policy provides for other management actions, including generating liquidity from other liquid assets on Barclays Group’s balance sheet in order to meet additional stress outflows, or to preserve or

restore the Liquidity Pool in the event of a liquidity stress.

Liquidity limits

Barclays manages limits on a variety of on and off-balance sheet exposures, a sample of which is shown in the table below. These limits serve to control the overall extent and composition of liquidity risk taken by managing exposure to the cash outflows.

Early warning indicators

Barclays Treasury FLM monitors a range of market indicators for early signs of liquidity risk either in the market or specific to Barclays, a sample of which are shown in the table below. These are designed to immediately identify the emergence of increased liquidity risk to maximise the time available to execute appropriate mitigating actions. Early warning indicators are used as part of the assessment of whether to invoke Barclays Group Recovery Plan, which provides a framework for how the liquidity stress would be managed.

Recovery & resolution planning

Barclays maintains a Group Recovery Plan (GRP) which is designed to provide a framework to effectively manage a severe financial stress. The GRP is proportionate to the nature, scale and complexity of the business and is tested to evaluate that it is operationally robust. The GRP details the escalation and invocation process for the plan, including integration with i) BAU monitoring of capital and liquidity Early Warning Indictors (EWI) to detect signs of approaching financial stress, ii) existing processes within Barclays Treasury and Risk to respond to mild/ moderate stress and iii) a governance process for formally invoking the GRP. The Plan would be formally invoked by Barclays Group Board

| Examples of liquidity limits |                     |                                     |                          |
|------------------------------|---------------------|-------------------------------------|--------------------------|
| Gross Repo limits            | FX Cashflow limits  | Concentration limits                | Minimum Cash Requirement |
| Secured Mismatch limits      | Debt Buyback limits | Off-Balance Sheet commitment limits | Ratings Downgrade limits |

| Examples of early warning indicators |                                      |                             |
|--------------------------------------|--------------------------------------|-----------------------------|
| Change in composition of deposits    | Deterioration in stress test surplus | Rising funding costs        |
| Widening CDS spreads                 | Change in maturity profile           | Stress in financial markets |

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Barclays’ approach to managing risks

Management of treasury and capital risk

and would be overseen and executed by the Barclays Crisis Leadership Team (BCLT), a flexible committee of senior management for responding to all types of stress events. In invoking and executing the plan, the BCLT (in consultation with Barclays Group Board) would assess the likely impact of the stress event on Barclays Group and its subsidiaries and determine the appropriate response for the nature and severity of the stress. The GRP includes a range of recovery options to respond to financial stresses of varying severity and includes detailed information on financial and non-financial impacts of options and a communications plan.

Liquidity risk management

A control framework is in place for Liquidity Risk under which the Treasury function operates. The control framework describes liquidity risk management processes, associated policies and controls that Barclays Group has implemented to manage liquidity risk within the Liquidity Risk Appetite and is subject to annual review. Internal architecture is in place to record and measure our group wide liquidity metrics reporting

The Board sets the Liquidity Risk Appetite based on the internal liquidity risk stress test model (LRA) and external regulatory requirements namely the Liquidity Coverage Ratio (LCR). The Liquidity Risk Appetite is represented as the level of risk Barclays Group chooses to take in pursuit of its business objectives and in meeting its regulatory obligations. The approved Liquidity Risk Appetite is implemented in line with the control framework and policy for liquidity risk.

Capital risk management

Overview

Capital risk is managed through ongoing monitoring and management of the capital position, regular stress testing and a robust capital governance framework.

Roles and responsibilities

The management of capital risk is integral to Barclays Group’s approach to financial stability and sustainability management, and is embedded in the way businesses and legal entities operate.

Capital risk management is underpinned by a control framework and policy. The capital management strategy, outlined in Barclays Group and legal entity capital plans, is developed in alignment with the control framework and policy for capital risk, and is implemented consistently in order to deliver on Barclays Group’s objectives.

The Board approves the Barclays Group capital plan, internal stress tests and results of regulatory stress tests, and the Barclays Group recovery plan. The Barclays Group Treasury Committee is responsible for monitoring and managing capital risk in line with Barclays Group’s capital management objectives, capital plan and risk frameworks. The Barclays Group Treasury and Capital Risk Committee monitors and reviews the capital risk profile and control environment, providing Second Line oversight of the management of capital risk. The Barclays PLC BRC reviews the risk profile, and annually reviews risk appetite and the impact of stress scenarios on the Barclays Group capital plan/forecast in order to agree Barclays Group’s projected capital adequacy.

Local management assures compliance with an entity’s minimum regulatory capital requirements by reporting to local Asset and Liability Committees with oversight by Barclays Group Treasury Committee, as required.

Treasury has the primary responsibility for managing and monitoring capital and reports to the Barclays Group Finance Director. The Barclays Group Treasury and Capital Risk function provides oversight of capital risk and is an independent risk function that reports to the Barclays Group CRO. Production of the Barclays PLC ICAAP is the joint responsibility of Barclays Group Risk and Barclays Group Finance.

Capital risk management

Barclays Group’s capital management strategy is driven by the strategic aims of Barclays Group and the risk appetite set by the Board. Barclays Group’s objectives are achieved through well embedded capital management practices.

Capital planning and allocation

Barclays Group assesses its capital requirements on multiple bases, with Barclays Group’s capital plan set in consideration of Barclays Group’s risk profile and appetite, strategic and performance objectives, regulatory requirements, international financial reporting standards (including IFRS 9), and market and internal factors, including the results of stress testing. The capital plan is managed on a top-down and bottom-up basis through both short-term and medium-term financial planning cycles, and is developed with the objective that Barclays Group maintains an adequate level of capital to support its capital requirements. The planning process captures the impact of IFRS 9 to the capital plan, both including and excluding the impacts of transitional regulatory adjustments.

| Primary objectives                                                                                                                                                                                                             | Core practices                                                                                                                                                                                                                                                                                                                                                                        |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>■ Maintain adequate capital for Barclays Group and its legal entities to withstand the impact of the risks that may arise under normal and stressed conditions.</li></ul>                | <ul style="list-style-type: none"><li>■ Meet minimum regulatory requirements in all jurisdictions</li><li>■ Maintain capital buffers over regulatory minimums</li><li>■ Perform Barclays Group-wide internal and regulatory stress tests</li><li>■ Develop contingency plans for severe and extreme stresses, which include stress management actions and recovery actions.</li></ul> |
| <ul style="list-style-type: none"><li>■ Maintain adequate capital to cover Barclays Group’s current and forecast business needs and associated risks in order to provide a viable and sustainable business offering.</li></ul> | <ul style="list-style-type: none"><li>■ Maintain capital ratios aligned with rating agency expectations.</li><li>■ Maintain a capital plan on a short-term and medium-term basis aligned with Barclays Group’s strategic objectives, balancing capital generation of the business with business growth and shareholder distributions.</li></ul>                                       |



Additional information

Barclays’ approach to managing risks

Management of treasury and capital risk

The PRA determines the regulatory capital requirements for the consolidated Barclays Group. Under these regulatory frameworks, capital requirements are set in consideration of the level of risk that Barclays Group is exposed to and the factors above, and are measured through both risk-based Risk Weighted Assets (RWAs) and leverage-based metrics. An internal assessment of Barclays Group’s capital adequacy is undertaken through the Internal Capital Adequacy Assessment Process (ICAAP) and is used to inform the capital requirements of Barclays Group.

Barclays Group expects to meet the minimum requirements for capital and leverage at all times and also holds an internal buffer sized according to Barclays Group’s assessment of capital risk.

Through the capital planning process, capital allocations are approved by Barclays Group Executive committee, taking into consideration the risk appetite and strategic aims of Barclays Group. Regulated legal entities are, at a minimum, capitalised to meet their current and forecast regulatory and business requirements.

Monitoring and reporting

Capital is managed and monitored to maintain that Barclays’ capital plans remain appropriate and that risks to the plans are considered. Limits are set by Risk to control the level of capital risk within Barclays Group. Treasury are responsible for complying with these limits as the first line of deference for the management of capital risk. Limits are monitored through appropriately governed forums in the first and second line of defence.

To support compliance with risk limits, Treasury monitor capital risks against firm-specific and macroeconomic early warning indicators and report on these to the Barclays Group Treasury Committee and entity ALCOs. This enables a consistent and objective approach to monitoring the capital outlook against the capital plan, and supports the early identification when outlooks deteriorate.

Capital management information is readily available to support Senior Management’s strategic and day-to-day business decision making.

Stress testing and risk mitigation

Internal group-wide stress testing is undertaken to quantify and understand the impact of sensitivities on the capital plan and capital ratios arising from stressed macroeconomic conditions. Recent economic, market and peer institution stresses are used to inform the assumptions developed for internal stress tests and to assess the effectiveness of mitigation strategies.

Barclays Group also undertakes stress tests prescribed by the BoE and EBA, and legal entities undertake stress tests prescribed by their local regulators. These stress tests inform decisions on the size and quality of the internal capital buffer required and the results are incorporated into Barclays Group capital plan to maintain adequacy of capital under normal and severe, but plausible stressed conditions.

Actions are identified as part of the stress tests that can be taken to mitigate the risks that may arise in the event of material adverse changes in the current economic and business outlook. As an additional layer of protection, Barclays Group Recovery Plan defines the actions and implementation strategies available to Barclays Group to increase or preserve capital resources in the situation that a stress occurs that is more severe than anticipated.

Capitalisation of legal entities

Barclays as a group comprises legal entities across multiple jurisdictions. Barclays Group and regulated legal entities are subject to prudential requirements from the PRA and/or local regulators. Sufficient capital needs to be available to meet these requirements both at a consolidated Group and individual legal entity level.

Where aggregate requirements for individual entities in Barclays Group are higher than the consolidated requirement, Barclays Group may use debt or capital other than CET1 to meet these incremental requirements (so called ‘double leverage’). There are regulatory and rating agency expectations that constrain the amount of double leverage that can be used. This might increase the overall level of capital Barclays Group is required to hold.

The capitalisation of legal entities is reviewed annually as part of the capital planning process and monitored on an ongoing basis.

Transferability of capital

Surplus capital held in Group entities is required to be repatriated to the immediate parent in the form of dividends and/or capital repatriation, subject to local regulatory requirements, exchange controls and tax implications. This approach provides optimal flexibility on the re-deployment of capital across legal entities. Capital is managed for Barclays Group as a whole as well as for its operating subsidiaries to allow fungibility and redeployment of capital while meeting relevant internal and regulatory targets at entity levels.

Foreign exchange risk

Barclays Group has capital resources and risk weighted assets denominated in foreign currencies. Changes in foreign exchange rates result in changes in the Sterling equivalent value of foreign currency denominated capital resources and RWAs. As a result, Barclays Group’s CET1 ratio is sensitive to foreign currency movements.

Barclays Group seeks to minimise the volatility of the CET1 ratio caused by foreign exchange rate movements by maintain that the CET1 capital movements broadly match the revaluation of Barclays Group’s foreign currency RWA exposures. This is achieved by seeking to align the ratio of CET1 sensitive to foreign exchange rate movements to foreign currency RWAs with Barclays Group CET1 ratio.

Pension risk

Barclays Group maintains a number of defined benefit pension schemes for past and current employees. The ability of the pension fund to meet pension payments is maintained through investments and contributions.

Pension risk arises because the estimated market value of the pension fund assets might decline; investment returns might reduce; or the estimated value of the pension liabilities might increase. Barclays Group monitors the pension risks arising from its defined benefit pension schemes and works with Trustees to address shortfalls. In these circumstances Barclays Group could be required or might choose to make extra contributions to the pension fund. Barclays Group’s main defined benefit scheme was closed to new entrants in 2012.

Management of pension risk

Many of Barclays Group’s defined benefit (DB) pension funds are established as trusts in order to keep the fund’s assets separate from the sponsor (Barclays). As such the Trustees are responsible for:

- The investment strategy including asset allocation and performance.
- Assessing the level of technical provision required.
- Monitoring progress against funding objectives.
- Complying with local legislation.

The legal structure of Barclays’ DB pension funds and the role of the Trustees mean that Pension Risk is not part of Barclays Group’s risk appetite assessment used to manage other key risks.

Pension Forums

The Pension Executive Board (PEB) has accountability for the effective operation of pensions across Barclays Group. It is the most senior executive body for pensions in Barclays.

The Pension Management Group (PMG) is accountable for the oversight and management of Barclays Group’s responsibilities relating to its pension arrangements. The PMG is accountable to the PEB.

The PEB and PMG are not created or mandated under the ERMF. However, these forums provide Risk the opportunity to discuss and comment on pension risk in a wider context with other relevant stakeholders from HR, Legal, Treasury and Finance.

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Barclays’ approach to managing risks

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Key Pension Risk controls and governance include:

- Annual review, challenge and proposal of the IAS19 market-driven assumptions used for the calculation of the pension scheme liabilities used in Barclays disclosures.
- Representation and input at key pension forums.
- Input into Barclays Group’s ICAAP for pension risk.
- Input into Barclays Group’s strategic planning and stress test exercises.
- Provide independent oversight of the pension risk profiles from Barclays Group’s perspective.
- Coordinates response to regulatory initiatives, developments and proposals on pensions, which may include inputs from material overseas schemes.

Interest rate risk in the banking book management

Overview

Banking book operations generate non-traded market risk, primarily through the mismatch between the duration of assets and liabilities and where interest rates on products reset at different dates. As per Barclays Group’s policy to remain within the defined risk appetite, interest rate and FX risks residing in the banking books of the businesses are transferred to Treasury where they are centrally managed. Currently these risks are transferred to Treasury via funding arrangements and interest rate or FX swaps. However, the businesses remain susceptible to non-traded market risk from seven key sources:

- **Repricing/residual risk:** the impact from the mismatch between the run-off of product balances and the associated interest rate hedges or from un-hedged liquidity buffer investments.
- **Structural risk:** the change to the net interest income on rolling structural hedge replenishment due to adverse movements in interest rates, assuming that the balance sheet remains constant.
- **Prepayment risk:** the potential loss in value if actual prepayment or early withdrawal behaviour from customers deviates from the expected or contractually agreed behaviour, which may result in a hedge or funding adjustment at a cost to Barclays Group. Exposures are typically considered (where appropriate) net of any applicable offsetting early repayment charges. This risk principally relates to early repayment of fixed rate loans or withdrawal from fixed rate savings products.
- **Recruitment risk:** the potential loss in value if the actual completion or drawdown behaviour from customers deviates from the expected behaviour, which may result in a hedge or funding adjustment at a cost to Barclays Group. This risk principally relates to the completion timing around Barclays

- Group’s fixed rate mortgage pipeline process.
- **Margin compression risk:** the effect of internal or market forces on the Barclays Group’s net margin where, for example, in a low rate environment a fall in interest rates may further decrease interest income earned on the assets whereas funding costs may not be reduced given the already minimum level of interest rates.
  - **Lag risk:** arises from the delay in repricing customer rates for certain variable/managed rate products, following an underlying change to market interest rates. This is typically driven by either regulatory constraints around customer notification on pricing changes, processing time for Barclays Group’s notification systems or contractual agreements within a product’s terms and conditions.
  - **Asset swap spread risk:** the spread between Libor and sovereign bond yields that arises from the management of the liquidity buffer investments and its associated hedges.

Furthermore, liquidity pool investments are generally subject to fair value through other comprehensive income (FVOCI) accounting rules, whereby changes in the fair value of these assets impact capital via other comprehensive income (OCI).

Roles and responsibilities

The non-traded market risk team provides risk management oversight and monitoring of all traded and non-traded market risk in Treasury and Customer Banking Books, which specifically includes:

- Interest rate risk assessment in the customer banking books.
- Review and challenge the behavioural assumptions used in hedging and transfer pricing.
- Risk management of the liquidity buffer investments and funding activities.
- Oversight of balance sheet hedging.
- Review of residual risk in the hedge accounting solution and hedging of net investments.
- Proposal and monitoring of risk limits to manage traded and non-traded market risk within the agreed risk appetite.

The Barclays Group Treasury Committee is responsible for monitoring and managing IRRBB risk in line with Barclays Group’s management objectives and risk frameworks. The Barclays Group Risk Committee monitors and reviews the IRRBB risk profile and control environment, providing Second Line oversight of the management of IRRBB risk. The Barclays Group Board Risk Committee reviews the interest rate risk profile, including annual review of the risk appetite and the impact of stress scenarios on the interest rate risk of the Barclays Group.

Management of IRRBB

Barclays seeks to minimise interest rate risk in the banking book and maintain it is within the agreed risk appetite, whilst actively managing the associated risks which could reduce the value of liquidity buffer investments. Therefore, the primary control for IRRBB is calculating the risk measures described below and monitoring risk exposure vs. defined limits. Limits are set at an aggregate business level and then cascaded down.

Barclays uses a range of complementary technical approaches to measure IRRBB as described below. The risk is measured and controlled using both an income based metric (EaR) and value based metrics (EVE, EC and VaR).

Summary of measures for non-traded market risk

| Measure                        | Definition                                                                                                                                                                                            |
|--------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Earnings at risk (EaR)         | A measure of the potential change in Net Interest Income (NII) due to an adverse interest rate movement over a predefined time horizon.                                                               |
| Economic value of equity (EVE) | A measure of the potential change in value of expected future cash flows due to adverse interest rate movement, based on the existing balance sheet run-off profile.                                  |
| Economic capital (EC)          | A measure of the potential loss from a severe stress scenario over a predefined time horizon at a particular confidence level.                                                                        |
| Value at risk (VaR)            | A measure of the potential loss of value arising from unfavourable market movements at a specific confidence level, if current positions were to be held unchanged for the predefined holding period. |
| Stress testing                 | A measure to assess risk exposures under severely adverse market scenarios.                                                                                                                           |

Annual Earnings at Risk (AEaR)

AEaR measures the sensitivity of net interest income over a one-year period. It is calculated as the difference between the estimated income using the expected rate forecast and the lowest estimated income following a parallel increase or decrease in interest rates.

The main model assumptions are:

The balance sheet is kept at the current level, i.e. no growth is assumed, and run-off balances are reinvested to maintain a constant balance sheet



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Contractual positions are adjusted for an assumed behavioural profile, more closely matching the expected product life-cycle.

AEaR sensitivity is calculated for the entire banking book, including the liquidity buffer investments. The metric provides a measure of how interest rate risk may impact Barclays Group’s earnings, providing a simple comparison between risk and returns. The main disadvantage of the metric is its short-term focus, as it only measures the impact on a position in the first 12 months. In order to counter this, Barclays Group has implemented additional economic value risk metrics.

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See pages 159 to 160 for a review of AEaR in 2018.

**Economic Value of Equity (EVE)**

EVE calculates the change in the present value of Barclays Group’s expected cash-flows from a parallel upward or downward interest rate (100bps) shock. Note that the EVE calculation measures sensitivity in terms of present value, while AEaR measures income sensitivity, and as such are complimentary.

The EVE measure is applied to the entire banking book, that is, the same coverage as AEaR, and covers the full life of transactions and hedges allowing the risk over the whole life of positions to be considered. It does not capture the impact of business growth or management actions, and is based on the expected balance sheet run-off profile.

**Economic Capital (EC, for recruitment, prepayment and residual risk)**

EC consistent models, based on VaR methodologies, are used to measure unexpected losses to a 99% confidence interval over a one-year period. Within non-traded market risk, this measure aims to capture recruitment, prepayment and residual risks for banking book products (see definitions on page 405). EC metrics typically measure variations in economic value from specific sources of risk, for example, prepayment risk EC for fixed rate mortgages predicts the cost of hedging in order to reduce any mismatch exposure resulting from the impact of unexpected customer prepayment levels.

Limits are set against EC metrics and breaches trigger mitigating actions to reduce exposure to appropriate levels. EC modelling is typically applied only to contractually fixed rate products, with the majority of variable and administered rate portfolios not subject to an EC measure.

Advantages of EC are that it can calculate unexpected losses to an appropriate degree of confidence given the nature of the risks, and that it covers sources of loss beyond the scope of other models (one-year period for AEaR, only existing business being considered for EVE, etc). However, as with any statistical model, the choice of the distribution may drive under-prediction of very extreme events, i.e. the real distribution may be fat-tailed. To mitigate this, Barclays Group continues to improve its models using longer time series of historical data to capture extreme moves.

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See pages 159 to 161 for a review of EC in 2018.

**Value at Risk (VaR)**

VaR is an estimate of the potential loss arising from unfavourable market movements if the current position were to be held unchanged for a set period. For internal market risk management purposes, a historical simulation methodology is used with a two-year equally weighted historical period, at a 95% confidence level.

Daily VaR is used to measure residual interest and foreign exchange risks within certain banking book portfolios.

Quarterly scaled VaR is used to measure risk in the liquidity pool investments. The calculation uses a two-year historical period, a 95% confidence level and is scaled from daily to quarterly using a constant factor.

**Stress testing**

All non-traded market risk positions are subject to Barclays Group’s annual stress testing exercise, where scenarios based on adverse economic parameters are used to determine the potential impact of the positions on results and the balance sheet.



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Barclays’ approach to managing risks

# Management of operational risk

**The sources of operational risks, and how those risks are managed, are detailed in this section.**

- The types of risks that are classified as operational risks are described on page 408.
- Governance, management and measurement techniques are covered on pages 409-410.



Additional information

Barclays’ approach to managing risks

Management of operational risk

- **Transaction Operations Risk:** The risk of customer/client or Barclays Group detriment due to unintentional error and/or failure in the end-to-end process of initiation, processing and fulfilment of an interaction between a customer/client and Barclays Group with an underlying financial instrument (e.g. mortgage, derivative product, trade product etc.) in consideration.

In addition to the above, operational risk encompasses risks associated with prudential regulation. This includes the risk of failing to: adhere to prudential regulatory requirements, including capital adequacy requirements; provide regulatory submissions; or monitor and manage adherence to new prudential regulatory requirements.

These risks may result in financial and/or non-financial impacts including legal/ regulatory breaches or reputational damage.

Barclays Group also recognises that there are certain threats/risk drivers that are more thematic and have the potential to impact Barclays Group’s strategic objectives. These are Enterprise Risk Themes which require an overarching and integrated risk management approach. Including:

- **Cyber:** The potential loss or detriment to Barclays caused by individuals or groups (threat actors) with the capabilities and intention to cause harm or to profit from attacks committed via network information systems against us, our suppliers, or customers/clients.
- **Data:** Aligned to the data strategy of Barclays Group and encompassing data risks to Barclays Group from multiple risk categories, including data management, data architecture, data security & protection, data resilience, data retention and data privacy.
- **Execution:** The risk of failing to deliver and implement the agreed initiatives, priorities and business outcomes required to deliver Barclays Group’s strategy within agreed timelines.
- **Resilience:** The risk of the organisation’s ability to survive and prosper in its commercial endeavours in the presence of adverse events, shocks and chronic or incremental changes.

Roles and responsibilities

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

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

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

Specific reports are prepared by Operational Risk on a regular basis for the Barclays Group Risk Committee, and the Barclays PLC Board Risk Committee.

Specific reports are prepared by legal entity and Barclays Group Operational Risk on a regular basis for BRC and BAC.

Operational risk framework

The Operational Risk Framework comprises a number of elements which allow Barclays Group to manage and measure its operational risk profile and to calculate the amount of operational risk capital that Barclays Group needs to hold to absorb potential losses. The minimum, mandatory requirements for each of these elements are set out in the Operational Risk Framework and supporting policies. This framework is implemented across Barclays Group with all legal entities, businesses and functions required to implement and operate an Operational Risk Framework that meets, as a minimum, the requirements detailed in the operational risk policies.

The Operational Risk Framework is a key component of the ERMF and has been designed to improve risk management and meet a number of external governance requirements including the Basel Capital Accord, the Capital Requirements Directive and Turnbull guidance as an evaluation framework for the purposes of Section 404(a) of the Sarbanes-Oxley Act. It also supports the Sarbanes-Oxley requirements.

The Operational Risk Framework includes the following elements:

**Risk and control self-assessments**  
Risk and control self-assessments (RCSAs) are the way in which Barclays Group identifies and assesses the risks which are inherent in the material processes operated by Barclays Group. Managers in the business use the RCSA approach to evaluate the key controls in place to mitigate those risks and assess the residual risk exposure to Barclays Group. The businesses / functions are then able to make decisions on what action, if any, is required to reduce the level of residual risk to Barclays Group. These risk assessments are monitored on a regular basis to maintain that each business understands the risks it faces.

**Risk events**  
An operational risk event is any circumstance where, through the lack or failure of a control, Barclays Group has actually, or could have, made a loss. The definition includes situations in which Barclays Group could have made a loss, but in fact made a gain, as well as incidents resulting in reputational damage or regulatory impact only.

A standard threshold is used across Barclays Group for reporting risk events and part of the analysis includes the identification of improvements to processes or controls, to reduce the recurrence and/or magnitude of risk events. For significant events, both financial and non-financial, this analysis includes the completion of a formal lessons learnt report.

Barclays Group also maintains a record of external risk events which are publicly available and is a member of the Operational Riskdata eXchange (ORX), a not-for-profit association of international banks formed to share anonymous loss data information. This external loss information is used to support and inform risk identification, assessment and measurement.

Additional information

Barclays’ approach to managing risks

Management of operational risk

Operational Risk Tolerance

The Board approves an Operational Risk Tolerance Statement on an annual basis, establishing the level of operational risk that is acceptable in pursuit of Barclays Group’s strategic objectives.

Operational risks are assessed and monitored against the Board approved Operational Risk Tolerance, with Risk Reduction Plans established for any risks that are above the acceptable level.

The Operational Risk Profile is monitored through Risk Committees at legal entity, Barclays Group and Board level in the context of Operational Risk Tolerance.

Key indicators

Key indicators (KIs) are metrics which allow the Operational Risk Profile to be measured and monitored against Management’s Risk Tolerance. KIs include defined thresholds and performance is reported regularly to Management to drive action when risk exceeds acceptable limits.

Risk scenarios

Risk scenarios are a summary of the extreme potential risk exposures for Barclays Group covering the complete range of risks. The scenarios include an assessment of the key drivers for the exposure, occurrence and impact of the scenario and a review of the corresponding control environment. The risk scenario assessments are a key input to the calculation and benchmarking of economic capital requirements (see following section on operational risk measurement). The assessment considers analysis of internal and external loss experience, Key Risk Indicators, Risk and Control Self-Assessments and other relevant information. The businesses and functions analyse potential extreme scenarios, considering the:

- circumstances and contributing factors that could lead to an extreme event;
- potential financial impacts;
- controls that seek to limit the likelihood of such an event occurring; and
- the mitigating actions that would be taken if the event were to occur (for example crisis management procedures, business continuity or disaster recovery plans).

Management then determine whether the potential risk exposure is acceptable or whether changes in risk management control or business strategy are required.

The risk scenarios are regularly re-assessed, taking into account trends in risk factors.

Reporting

The ongoing monitoring and reporting of operational risk is a key component of the Operational Risk Framework. Reports and management information are used by the Operational Risk function and by legal entity and business management to understand, monitor, manage and control operational risks and losses.

The operational risk profile is reviewed by senior management at legal entity Risk Committee meetings as well as the Operational Risk Profile Forum and BRC, BAC and the Board.

Operational risk measurement

Barclays Group assesses its Operational Risk Capital requirements using the Standardised Approach (TSA). Barclays Group also maintains a voluntary floor for the Regulatory Capital. The floor is based on the Capital calculated by Barclays Group under the previous AMA regime.

Insurance

As part of its risk management approach, Barclays Group also uses insurance to mitigate the impact of some operational risks.





Additional information

Barclays’ approach to managing risks

Management of model risk

The types of model risk, and how they are managed, are detailed in this section.

- The types of risks that are classified as model risk are described on page 412.
- Governance, management and measurement techniques are covered on page 412.

Additional information

Barclays’ approach to managing risks

Management of model risk

Model risk

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

Overview

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

Since models are imperfect and incomplete representations of reality, they may be subject to errors affecting the accuracy of their output. Model errors can result in inappropriate business decisions being made, financial loss, regulatory risk, reputational risk and/or inadequate capital reporting. Models may also be misused, for instance applied to products that they were not intended for, or not adjusted, where fundamental changes to their environment would justify re-evaluating their core assumptions. Errors and misuse are the primary sources of model risk.

Robust model risk management is crucial to assessing and managing model risk within a defined risk appetite. Strong model risk culture, appropriate technology environment, and adequate focus on understanding and resolving model limitations are crucial components.

Organisation and structure

Barclays Group allocates substantial resources to identify and record models and their usage, document and monitor the performance of models, validate models and adequately address model limitations. Barclays Group manages model risk as an enterprise level risk similar to other principal risks.

Barclays Group has a dedicated Model Risk Management (MRM) function that consists of two main units: the Independent Validation Unit (IVU), responsible for model validation and approval, and Model Governance and

Controls (MGC), covering model risk governance, controls and reporting, including ownership of model risk policy and the model inventory.

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

Barclays Group is continuously enhancing model risk management. The function reports to the Barclays Group CRO and operates a global framework. Implementation of best practice standards is a central objective of Barclays Group. Model risk reporting flows to senior management as depicted below.

Roles and responsibilities

The key model risk management activities include:

- Correctly identifying models across all relevant areas of Barclays Group, and recording models in the Barclays Group Models Database (GMD), the Barclays Group-wide model inventory. The heads of the relevant model ownership areas (typically, the Business Chief Risk Officers, Business Chief Executive Officers, Group Finance Director, Treasurer, etc.) annually attest to the completeness and accuracy of the model inventory. MGC undertakes regular conformance reviews on the model inventory.

- Enforcing that every model has a model owner who is accountable for the model. The model owner must sign off models prior to submission to IVU for validation. The model owner works with the relevant technical teams (model developers, implementation, monitoring, data services, regulatory) to maintain that the model presented to IVU is and remains fit for purpose.
- Overseeing that every model is subject to validation and approval by IVU, prior to being implemented and on a continual basis. While all models are reviewed and re-approved for continued use each year, the validation frequency and the level of review and challenge applied by IVU is tailored to the materiality and complexity of each model. Validation includes a review of the model assumptions, conceptual soundness, data, design, performance testing, compliance with external requirements if applicable, as well as any limitations, proposed remediation and overlays with supporting rationale. Material model changes are subject to prioritised validation and approval.
- Defining model risk appetite in terms of risk tolerance, and qualitative metrics which are used to track and report model risk.
- Maintaining specific standards that cover model risk management activities relating to stress testing challenger models, model overlays, vendor models, and model complexity and materiality.





Additional information

Barclays’ approach to managing risks

# Management of conduct risk

**This section provides an overview of the management of conduct risk.**

- Conduct risk is the risk that detriment is caused to our customers, clients, counterparties or Barclays Group and its employees because of inappropriate judgement in the execution of our business activities (see page 414).

Additional information

Barclays’ approach to managing risks

Management of conduct risk

Conduct risk

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

The Barclays Bank Group and the Barclays Bank UK Group Trading Entity Risk Committees are the primary Second Line governance forums for oversight of conduct risk profile and implementation of the CRMF. The responsibilities of the Business Unit Risk Committees include approval of the conduct risk tolerance and the business defined key indicators. Additional responsibilities include the identification and discussion of any emerging conduct risks exposures which have been identified.

Overview

Barclays Group defines, manages and mitigates Conduct risk with the goal of providing positive customer and client outcomes, protecting market integrity and promoting effective competition. This includes taking reasonable steps to assure that Barclays Group’s culture and strategy are appropriately aligned to these goals; its products and services are reasonably designed and delivered to meet the needs of customers and clients; promoting the fair and orderly operation of the markets in which Barclays Group does business; and that Barclays Group does not commit or facilitate money laundering, terrorist financing, bribery and corruption or breaches of economic sanctions.

Product Lifecycle, Culture and Strategy and Financial Crime are the risk categories within the Barclays Group definition of conduct risk.

Roles and responsibilities

The Conduct Risk Management Framework (CRMF) outlines how Barclays Group manages and measures its conduct risk profile.

Senior managers have accountability for managing conduct risk in their areas of responsibility. This is expressed in their Statements of Responsibilities. The primary responsibility for managing conduct risk and compliance with control requirements sits with the business where the risk arises. The First Line Business Control Committees provide oversight of controls relating to conduct risk.

The Barclays Group Chief Compliance Officer is responsible for owning and maintaining an appropriate Barclays Group-wide CRMF. This includes defining and owning the relevant conduct risk policies and oversight of the implementation of controls to manage and escalate the risk.

Businesses are required to report their conduct risks on both a quarterly and an event-driven basis to their respective trading entity risk committees. The quarterly reports detail conduct risks inherent within the business strategy and include forward looking horizon scanning analysis as well as backward looking evidence-based indicators from both internal and external sources.

Organisation and structure

The governance of conduct risk within Barclays Group is fulfilled through management committees and forums operated by the First and Second Lines of Defence with clear escalation and reporting lines to the Board.

The Barclays Group Risk Committee is the most senior executive body responsible for reviewing and monitoring the effectiveness of Barclays Group’s management of conduct risk.





Additional information

Barclays’ approach to managing risks

Management of reputation risk

This section provides an overview of the management of reputation risk.

- Reputation risk is the risk of damage to the Barclays brand arising from association, action or inaction which is perceived by stakeholders to be inappropriate or unethical (see page 416).



Additional information

Barclays’ approach to managing risks

Management of reputation risk

Reputation risk

The risk that an action, transaction, investment or event will reduce trust in the firm's integrity and competence by clients, counterparties, investors, regulators, employees or the public.

Overview

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

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

Organisation and structure

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

Roles and responsibilities

The Barclays Group Chief Compliance Officer is accountable for developing a reputation risk framework, policies and standards, including limits against which data is monitored, reported on and escalated, as required.

Reputation risk is by nature pervasive and can be difficult to quantify, requiring more subjective judgement than many other risks. The Reputation Risk Framework sets out what is required to manage reputation risk effectively and consistently across Barclays Group. During 2018, the Framework was updated to include a new reputation risk policy and supporting standards.

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

Barclays PLC Board Reputation Committee

- Reviews the effectiveness of the processes and policies by which Barclays Group identifies and manages reputation risk.
- Considers and evaluates regular reports on Barclays Group's reputation risk issues and exposures.
- Considers whether significant business decisions will compromise Barclays Group's ethical policies or core business beliefs and values



Barclays Group Risk Committee

- Reviews the monitoring processes utilised by Compliance and Corporate Relations to ensure they are proportionate given the level of risk identified in the businesses.
- Reports reputation issues in accordance with Barclays Group's Reputation Risk Management Framework for all material issues which may have the potential to incur reputation risk for Barclays Group.



Business Risk Committees

- Review and escalate reputation risks in accordance with Barclays Group's Reputation Risk Management Framework.



Additional information

Barclays’ approach to managing risks

Management of legal risk

This section provides an overview of the management of legal risk.

- Legal risk is the risk of loss or imposition of penalties, damages or fines from the failure of the firm to meet its legal obligations including regulatory or contractual requirements (see page 418).

Additional information

Barclays’ approach to managing risks

Management of legal risk

Legal risk

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

Overview

Overall, Barclays has limited tolerance for legal risk, however the multitude of laws and regulations across the globe are highly dynamic and their application to particular circumstances is often unclear. This results in a degree of legal risk. The Legal Risk Management Framework (LRMF) comprises a number of integrated components that allows Barclays to identify, manage and measure its legal risk profile, supported by Barclays Group-wide legal risk policies and associated standards aligned to the following legal risks:

- **contractual arrangements** – failure to engage Barclays Legal Function in relation to contractual arrangements
- **litigation management** – litigation not being managed by or with the support of Barclays Legal Function
- **intellectual property (IP)** – failure to protect Barclays’ IP assets or infringement of third party IP rights
- **competition/anti-trust** – failure to identify and escalate competition/anti-trust issues to Barclays Legal Function or inappropriate interactions with competition/anti-trust authorities.
- **use of law firms** – inappropriate instruction of external legal advisors
- **contact with regulators** – inappropriate interactions with regulators or inappropriate handling of confidential supervisory information from regulatory or government agencies

- **legal engagement** – failure to appropriately engage Barclays Legal Function in relation to key business decisions.

Organisation and structure

The Legal Executive Committee oversees, monitors and challenges legal risk across the Barclays Group. The Barclays Group Risk Committee is the most senior executive body responsible for reviewing and monitoring the effectiveness of management of risk across the Barclays Group. Escalation paths from this committee exist to the Barclays PLC Board Risk Committee.

Roles and responsibilities

The LRMF requires Barclays’ businesses and functions to integrate the management of legal risk within their strategic planning and business decision making, including managing adherence to minimum control requirements. Barclays’ businesses and functions are accountable and have primary responsibility for identifying legal risk in their area as well as responsibility for adherence to minimum control requirements and compliance with the LRMF and legal risk policies.

All employees, regardless of their position, business, function or location, must play a part in Barclays’ legal risk management. Employees are responsible for understanding and taking reasonable steps to manage and minimise legal risk that may arise in the context of their individual roles and responsibilities. Employees are required to be familiar with the LRMF and legal risk policies and to know how to escalate actual or potential legal risk issues.

Legal risk management is everyone’s responsibility, as part of a risk culture aligned to Barclays’ Values, promoting transparency and timely escalation and management of risks and issues, supported by clearly defined roles and responsibilities across the three lines of defence.

The Legal Function does not sit in any of the three lines of defence but supports them all. The LRMF details the main activities the Legal Function undertakes to support Barclays in managing risk, including the identification of issues and risks, coverage with appropriate expertise and escalation. The LRMF, legal risk policies and activities of the Legal Function are designed so that Barclays receives advice from appropriate legal professionals in circumstances that are most likely to give rise to legal risk.

The Group General Counsel, supported by the Legal Executive Committee and the Global Head of Legal Risk, Governance and Control, is responsible for maintaining an appropriate LRMF, developing non-financial legal risk tolerances and for overseeing legal risk management.



Additional information

Additional financial disclosure (unaudited)

Deposits and short-term borrowings

Deposits

Deposits include deposits from banks and customer accounts.

| Average for the year ended 31 December | 2018<br>£m | 2017<br>£m | 2016<br>£m |
|----------------------------------------|------------|------------|------------|
| Deposits at amortised cost             |            |            |            |
| UK                                     | 313,829    | 270,968    | 255,602    |
| Europe                                 | 32,707     | 32,857     | 31,759     |
| Americas                               | 33,441     | 44,543     | 41,585     |
| Asia                                   | 6,761      | 6,021      | 6,197      |
| Africa                                 | 7,273      | 6,746      | 12,073     |
| Total deposits at amortised cost       | 394,011    | 361,135    | 347,216    |

| For the year ended 31 December                        | 2018<br>£m | 2017<br>£m | 2016<br>£m |
|-------------------------------------------------------|------------|------------|------------|
| Deposits at amortised cost                            | 394,838    | 398,701    | 390,744    |
| In offices in the United Kingdom:                     |            |            |            |
| Current and demand accounts                           |            |            |            |
| - interest free                                       | 95,571     | 93,573     | 85,296     |
| - interest bearing                                    | 36,730     | 39,641     | 37,200     |
| Savings accounts                                      | 127,397    | 125,868    | 123,833    |
| Other time deposits - retail                          | 16,224     | 15,029     | 14,526     |
| Other time deposits - wholesale                       | 75,492     | 70,515     | 64,635     |
| Total repayable in offices in the United Kingdom      | 351,414    | 344,626    | 325,490    |
| In offices outside the United Kingdom:                |            |            |            |
| Current and demand accounts                           |            |            |            |
| - interest free                                       | 9,594      | 7,328      | 9,722      |
| - interest bearing                                    | 6,819      | 5,407      | 5,986      |
| Savings accounts                                      | 10,192     | 8,470      | 9,511      |
| Other time deposits                                   | 16,819     | 32,870     | 40,035     |
| Total repayable in offices outside the United Kingdom | 43,424     | 54,075     | 65,254     |

Deposits at amortised cost in offices in the United Kingdom received from non-residents amounted to £59,168m (2017: £45,626 m).

Additional information

Additional financial disclosure (unaudited)

Short-term borrowings

Short-term borrowings include deposits from banks, commercial paper, negotiable certificates of deposit and repurchase agreements.

Deposits from banks

Deposits from banks are taken from a wide range of counterparties and generally have maturities of less than one year.

|                                   | 2018   | 2017 <sup>b</sup> | 2016 <sup>b</sup> |
|-----------------------------------|--------|-------------------|-------------------|
|                                   | £m     | £m                | £m                |
| Year-end balance                  | 14,317 | 37,723            | 48,214            |
| Average balance <sup>a</sup>      | 19,887 | 49,938            | 59,681            |
| Maximum balance <sup>a</sup>      | 26,577 | 56,348            | 66,404            |
| Average interest rate during year | 2.0%   | 0.8%              | 0.4%              |
| Year-end interest rate            | 2.7%   | 0.8%              | 0.4%              |

Notes

a    Calculated based on month-end balances.

b    The balance includes non-interest bearing settlement balances.

Commercial paper

Commercial paper is issued by the Group, mainly in the United States, generally in denominations of not less than \$100,000, with maturities of up to 270 days.

|                                   | 2018   | 2017  | 2016  |
|-----------------------------------|--------|-------|-------|
|                                   | £m     | £m    | £m    |
| Year-end balance                  | 14,479 | 7,981 | 8,132 |
| Average balance <sup>a</sup>      | 12,192 | 8,375 | 7,711 |
| Maximum balance <sup>a</sup>      | 15,192 | 9,056 | 8,471 |
| Average interest rate during year | 1.1%   | 1.2%  | 0.8%  |
| Year-end interest rate            | 0.9%   | 1.3%  | 1.0%  |

Note

a    Calculated based on month-end balances.

Negotiable certificates of deposit

Negotiable certificates of deposits are issued mainly in the United Kingdom and United States, generally in denominations of not less than \$100,000.

|                                   | 2018   | 2017   | 2016   |
|-----------------------------------|--------|--------|--------|
|                                   | £m     | £m     | £m     |
| Year-end balance                  | 10,861 | 21,874 | 20,373 |
| Average balance <sup>a</sup>      | 18,485 | 24,984 | 15,540 |
| Maximum balance <sup>a</sup>      | 24,098 | 30,529 | 20,373 |
| Average interest rate during year | 1.2%   | 0.7%   | 0.4%   |
| Year-end interest rate            | 2.0%   | 0.8%   | 0.5%   |

Note

a    Calculated based on month-end balances.



Additional information

Additional financial disclosure (unaudited)

Repurchase agreements are entered into with both customers and banks and generally have maturities of not more than three months.

|                                   | 2018<br>£m | 2017<br>£m | 2016<br>£m |
|-----------------------------------|------------|------------|------------|
| Year-end balance                  | 18,578     | 40,338     | 19,760     |
| Average balance <sup>a</sup>      | 19,962     | 33,435     | 24,966     |
| Maximum balance <sup>a</sup>      | 23,341     | 40,338     | 28,057     |
| Average interest rate during year | 0.9%       | 1.8%       | 0.8%       |
| Year-end interest rate            | 1.0%       | 1.4%       | 0.7%       |

Note

a    Calculated based on month-end balances.

Additional information

Additional financial disclosure (unaudited)

Commitments and contractual obligations

Commercial commitments include guarantees, contingent liabilities and standby facilities.

| Commercial commitments                                              |                                            |                               |                                |                  |                            |
|---------------------------------------------------------------------|--------------------------------------------|-------------------------------|--------------------------------|------------------|----------------------------|
|                                                                     | Amount of commitment expiration per period |                               |                                |                  | Total amounts<br>committed |
|                                                                     | Less than one<br>year                      | Between one to<br>three years | Between three<br>to five years | After five years |                            |
|                                                                     | £m                                         | £m                            | £m                             | £m               |                            |
| <b>As at 31 December 2018</b>                                       |                                            |                               |                                |                  |                            |
| Guarantees and letters of credit pledged as collateral security     | 13,962                                     | 729                           | 637                            | 477              | 15,805                     |
| Performance guarantees, acceptances and endorsements                | 4,351                                      | 122                           | 4                              | 21               | 4,498                      |
| Documentary credits and other short-term trade related transactions | 1,727                                      | 14                            | -                              | -                | 1,741                      |
| Standby facilities, credit lines and other commitments              | 321,366                                    | 568                           | 424                            | 124              | 322,482                    |
| <b>As at 31 December 2017</b>                                       |                                            |                               |                                |                  |                            |
| Guarantees and letters of credit pledged as collateral security     | 13,631                                     | 227                           | 49                             | 368              | 14,275                     |
| Performance guarantees, acceptances and endorsements                | 4,396                                      | 199                           | 10                             | 133              | 4,738                      |
| Documentary credits and other short-term trade related transactions | 806                                        | 6                             | -                              | -                | 812                        |
| Standby facilities, credit lines and other commitments              | 314,364                                    | 90                            | 259                            | 48               | 314,761                    |

Contractual obligations include debt securities, operating lease and purchase obligations.

| Contractual obligations     |                        |                |               |                  |         |
|-----------------------------|------------------------|----------------|---------------|------------------|---------|
|                             | Payments due by period |                |               |                  |         |
|                             | Less than one          | Between one to | Between three | After five years | Total   |
|                             | year                   | three years    | to five years |                  |         |
|                             | £m                     | £m             | £m            | £m               | £m      |
| As at 31 December 2018      |                        |                |               |                  |         |
| Long-term debt <sup>a</sup> | 34,155                 | 19,996         | 16,919        | 40,223           | 111,293 |
| Operating lease obligations | 302                    | 496            | 290           | 1,257            | 2,345   |
| Purchase obligations        | 627                    | 755            | 404           | 153              | 1,939   |
| Total                       | 35,084                 | 21,247         | 17,613        | 41,633           | 115,577 |
| As at 31 December 2017      |                        |                |               |                  |         |
| Long-term debt <sup>a</sup> | 39,434                 | 19,287         | 24,160        | 31,894           | 114,775 |
| Operating lease obligations | 334                    | 522            | 343           | 1,337            | 2,536   |
| Purchase obligations        | 292                    | 272            | 90            | 82               | 736     |
| Total                       | 40,060                 | 20,081         | 24,593        | 33,313           | 118,047 |

Note

a Long-term debt has been prepared to reflect cash flows on an undiscounted basis, which includes interest payments.

Net cash flows from derivatives used to hedge long-term debt amount to £1.7bn (2017: £2.4bn).

Further information on the contractual maturity of the Group's assets and liabilities is given in the Funding section within the Risk review section.

Additional information

Additional financial disclosure (unaudited)

Securities

| Analysis of Securities                          |         |         |        |
|-------------------------------------------------|---------|---------|--------|
|                                                 | 2018    | 2017    | 2016   |
| As at 31 December                               | £m      | £m      | £m     |
| Investment securities <sup>a</sup>              |         |         |        |
| US government, other public bodies and agencies | 14,323  | 13,284  | 11,032 |
| United Kingdom government                       | 9,400   | 15,096  | 15,351 |
| Other government                                | 16,067  | 17,077  | 19,353 |
| Mortgage and asset backed securities            | 2,119   | 546     | 804    |
| Corporate and other issuers                     | 14,856  | 11,126  | 16,339 |
| Debt securities                                 | 56,765  | 57,129  | 62,879 |
| Equity securities                               | 1,122   | 1,786   | 438    |
| Investment securities                           | 57,887  | 58,915  | 63,317 |
| Other securities <sup>b</sup>                   |         |         |        |
| US government, other public bodies and agencies | 23,890  | 16,168  | 12,283 |
| United Kingdom government                       | 10,155  | 4,379   | 4,794  |
| Other government                                | 9,825   | 11,845  | 8,246  |
| Mortgage and asset backed securities            | 2,024   | 1,974   | 1,568  |
| Corporate and other issuers                     | 15,911  | 16,850  | 11,968 |
| Debt securities                                 | 61,805  | 51,216  | 38,859 |
| Equity securities                               | 45,584  | 64,008  | 42,887 |
| Other securities                                | 107,389 | 115,224 | 81,746 |

<sup>a</sup> Investment securities for 2018 includes securities reported within loans and advances at amortised cost and financial assets at fair value through other comprehensive income. Investment securities for 2017 & 2016 includes securities reported within financial investments.

<sup>b</sup> Other securities includes securities reported within trading portfolio and financial assets at fair value through the income statement.

Investment debt securities include government securities held as part of the Group's treasury management portfolio for asset and liability, liquidity and regulatory purposes and are for use on a continuing basis in the activities of the Group. In addition, the Group holds as investments listed and unlisted corporate securities.

| Maturities and yield of investment securities   |                        |       |                                    |       |                                          |       |                          |       |        |       |
|-------------------------------------------------|------------------------|-------|------------------------------------|-------|------------------------------------------|-------|--------------------------|-------|--------|-------|
|                                                 | Maturing with one year |       | Maturing one but within five years |       | Maturing after five but within ten years |       | Maturing after ten years |       | Total  |       |
|                                                 | Amount                 | Yield | Amount                             | Yield | Amount                                   | Yield | Amount                   | Yield | Amount | Yield |
| As at 31 December 2018                          | £m                     | %     | £m                                 | %     | £m                                       | %     | £m                       | %     | £m     | %     |
| US government, other public bodies and agencies | 1,358                  | 0.8%  | 6,336                              | 1.5%  | 4,598                                    | 2.1%  | 2,031                    | 1.8%  | 14,323 | 1.6%  |
| United Kingdom government                       | 4,179                  | 0.4%  | 626                                | 1.2%  | 3,053                                    | 2.2%  | 1,542                    | 2.3%  | 9,400  | 1.3%  |
| Other government                                | 602                    | 1.5%  | 4,009                              | 2.3%  | 9,266                                    | 1.1%  | 2,190                    | 1.7%  | 16,067 | 1.5%  |
| Other issuers                                   | 3,591                  | 1.3%  | 7,900                              | 1.9%  | 3,294                                    | 1.9%  | 2,190                    | 1.5%  | 16,975 | 1.7%  |
| Total book value                                | 9,730                  | 0.8%  | 18,871                             | 1.8%  | 20,211                                   | 1.6%  | 7,953                    | 1.8%  | 56,765 | 1.6%  |

The yield for each range of maturities is calculated by dividing the annualised interest income prevailing at reporting date by the book value of securities held at that date.

Additional information

Additional financial disclosure (unaudited)

Average balance sheet

Average balances are based upon monthly averages.

| Assets                                                                         |        | 2018            |                                               |                              |                |      |
|--------------------------------------------------------------------------------|--------|-----------------|-----------------------------------------------|------------------------------|----------------|------|
|                                                                                |        | Average balance | Interest presented within net interest income | Interest presented elsewhere | Total interest | Rate |
|                                                                                |        | £m              | £m                                            | £m                           | £m             | %    |
| Cash and balances at central banks                                             | UK     | 70,719          | 297                                           | -                            | 297            | 0.4  |
| Cash and balances at central banks                                             | Non-UK | 106,370         | 826                                           | -                            | 826            | 0.8  |
| Cash and balances at central banks <sup>a</sup>                                | Total  | 177,089         | 1,123                                         | -                            | 1,123          | 0.6  |
| Loans and advances at amortised cost                                           | UK     | 262,796         | 8,744                                         | -                            | 8,744          | 3.3  |
| Loans and advances at amortised cost                                           | Non-UK | 66,619          | 3,329                                         | -                            | 3,329          | 5.0  |
| Loans and advances at amortised cost <sup>a,b</sup>                            | Total  | 329,415         | 12,073                                        | -                            | 12,073         | 3.7  |
| Financial investments                                                          | UK     | -               | -                                             | -                            | -              | -    |
| Financial investments                                                          | Non-UK | -               | -                                             | -                            | -              | -    |
| Financial investments <sup>a</sup>                                             | Total  | -               | -                                             | -                            | -              | -    |
| Reverse repurchase agreements                                                  | UK     | 857             | 2                                             | -                            | 2              | 0.2  |
| Reverse repurchase agreements                                                  | Non-UK | 855             | 10                                            | -                            | 10             | 1.2  |
| Reverse repurchase agreements <sup>a</sup>                                     | Total  | 1,712           | 12                                            | -                            | 12             | 0.7  |
| Financial assets at fair value through other comprehensive income              | UK     | 53,499          | 956                                           | -                            | 956            | 1.8  |
| Financial assets at fair value through other comprehensive income              | Non-UK | 2,850           | 73                                            | -                            | 73             | 2.6  |
| Financial assets at fair value through other comprehensive income <sup>a</sup> | Total  | 56,349          | 1,029                                         | -                            | 1,029          | 1.8  |
| Other interest income <sup>c</sup>                                             |        | -               | 304                                           | -                            | 304            | -    |
| Total interest earning assets not at fair value through income statement       |        | 564,566         | 14,541                                        | -                            | 14,541         | 2.6  |
| Less interest expense                                                          |        | -               | (5,479)                                       | -                            | (5,479)        | -    |
| Net interest                                                                   |        | 564,566         | 9,062                                         | -                            | 9,062          | 1.6  |
| Interest earning assets at fair value through income statement                 | UK     | 171,318         |                                               |                              |                |      |
| Interest earning assets at fair value through income statement                 | Non-UK | 73,153          |                                               |                              |                |      |
| Interest earning assets at fair value through income statement                 | Total  | 244,471         |                                               |                              |                |      |
| Total interest earning assets                                                  |        | 809,037         |                                               |                              |                |      |
| Impairments                                                                    |        | (6,875)         |                                               |                              |                |      |
| Non-interest earning assets <sup>a</sup>                                       |        | 407,437         |                                               |                              |                |      |
| Total                                                                          |        | 1,209,599       |                                               |                              |                |      |
| Percentage of total average interest earning assets in offices outside the UK  |        | 31%             |                                               |                              |                |      |

Notes

a The Barclays Group introduced changes to the balance sheet presentation as at 31 December 2017 as a result of the adoption of new accounting policies on 1 January 2018. Further detail on the adoption of new accounting policies can be found in Note 1, Note 42 and the Credit risk disclosures. As part of this change the cash collateral balances have been reflected in non-interest earning assets.

b Loans and advances at amortised cost include all doubtful lending. Interest receivable on such lending has been included to the extent to which either cash payments have been received or interest has been accrued in accordance with the income recognition policy of the Barclays Group.

c Other interest income principally relates to hedging activity.

Additional information

Additional financial disclosure (unaudited)

| Assets                                                                        |        | 2017            |                                               |                              |                |      |
|-------------------------------------------------------------------------------|--------|-----------------|-----------------------------------------------|------------------------------|----------------|------|
|                                                                               |        | Average balance | Interest presented within net interest income | Interest presented elsewhere | Total interest | Rate |
|                                                                               |        | £m              | £m                                            | £m                           | £m             | %    |
| Cash and balances at central banks                                            | UK     | 55,453          | 147                                           | -                            | 147            | 0.3  |
| Cash and balances at central banks                                            | Non-UK | 96,262          | 436                                           | -                            | 436            | 0.5  |
| Cash and balances at central banks <sup>a</sup>                               | Total  | 151,715         | 583                                           | -                            | 583            | 0.4  |
| Loans and advances at amortised cost                                          | UK     | 242,212         | 8,761                                         | 75                           | 8,836          | 3.6  |
| Loans and advances at amortised cost                                          | Non-UK | 53,856          | 3,308                                         | 232                          | 3,540          | 6.6  |
| Loans and advances at amortised cost <sup>a,b</sup>                           | Total  | 296,068         | 12,069                                        | 307                          | 12,376         | 4.2  |
| Financial investments                                                         | UK     | 54,218          | 651                                           | -                            | 651            | 1.2  |
| Financial investments                                                         | Non-UK | 4,316           | 103                                           | -                            | 103            | 2.4  |
| Financial investments <sup>a</sup>                                            | Total  | 58,534          | 754                                           | -                            | 754            | 1.3  |
| Reverse repurchase agreements                                                 | UK     | 2,832           | 51                                            | 20                           | 71             | 2.5  |
| Reverse repurchase agreements                                                 | Non-UK | 14,507          | 30                                            | 374                          | 404            | 2.8  |
| Reverse repurchase agreements <sup>a</sup>                                    | Total  | 17,339          | 81                                            | 394                          | 475            | 2.7  |
| Other interest income <sup>c</sup>                                            |        | -               | 144                                           | -                            | 144            | -    |
| Total interest earning assets not at fair value through income statement      |        | 523,656         | 13,631                                        | 701                          | 14,332         | 2.7  |
| Less interest expense                                                         |        | -               | (3,786)                                       | (1,245)                      | (5,031)        | -    |
| Net interest                                                                  |        | 523,656         | 9,845                                         | (544)                        | 9,301          | 1.8  |
| Interest earning assets at fair value through income statement                | UK     | 81,639          |                                               |                              |                |      |
| Interest earning assets at fair value through income statement                | Non-UK | 87,253          |                                               |                              |                |      |
| Interest earning assets at fair value through income statement                | Total  | 168,892         |                                               |                              |                |      |
| Total interest earning assets                                                 |        | 692,548         |                                               |                              |                |      |
| Impairments                                                                   |        | (4,700)         |                                               |                              |                |      |
| Non-interest earning assets <sup>a</sup>                                      |        | 527,193         |                                               |                              |                |      |
| Total                                                                         |        | 1,215,041       |                                               |                              |                |      |
| Percentage of total average interest earning assets in offices outside the UK |        | 37%             |                                               |                              |                |      |

Notes

a The Barclays Group introduced changes to the balance sheet presentation as at 31 December 2017 as a result of the adoption of new accounting policies on 1 January 2018. Further detail on the adoption of new accounting policies can be found in Note 1, Note 42 and the Credit risk disclosures. As part of this change the cash collateral balances have been reflected in non-interest earning assets.

b Loans and advances at amortised cost include all doubtful lending. Interest receivable on such lending has been included to the extent to which either cash payments have been received or interest has been accrued in accordance with the income recognition policy of the Barclays Group.

c Other interest income principally relates to hedging activity.



Additional information

Additional financial disclosure (unaudited)

| Assets                                                                        |        | 2016                  |                                                     |                                    |                      |        |
|-------------------------------------------------------------------------------|--------|-----------------------|-----------------------------------------------------|------------------------------------|----------------------|--------|
|                                                                               |        | Average balance<br>£m | Interest presented within net interest income<br>£m | Interest presented elsewhere<br>£m | Total interest<br>£m | Rate % |
| Cash and balances at central banks                                            | UK     | 21,792                | 79                                                  | -                                  | 79                   | 0.4    |
| Cash and balances at central banks                                            | Non-UK | 57,662                | 107                                                 | -                                  | 107                  | 0.2    |
| Cash and balances at central banks <sup>a</sup>                               | Total  | 79,454                | 186                                                 | -                                  | 186                  | 0.2    |
| Loans and advances at amortised cost                                          | UK     | 244,322               | 10,174                                              | 139                                | 10,313               | 4.2    |
| Loans and advances at amortised cost                                          | Non-UK | 60,483                | 3,383                                               | 89                                 | 3,472                | 5.7    |
| Loans and advances at amortised cost <sup>a,b</sup>                           | Total  | 304,805               | 13,557                                              | 228                                | 13,785               | 4.5    |
| Financial investments                                                         | UK     | 71,697                | 520                                                 | 43                                 | 563                  | 0.8    |
| Financial investments                                                         | Non-UK | 7,661                 | 220                                                 | -                                  | 220                  | 2.9    |
| Financial investments <sup>a</sup>                                            | Total  | 79,358                | 740                                                 | 43                                 | 783                  | 1.0    |
| Reverse repurchase agreements                                                 | UK     | 5,949                 | (7)                                                 | 71                                 | 64                   | 1.1    |
| Reverse repurchase agreements                                                 | Non-UK | 14,752                | 34                                                  | 287                                | 321                  | 2.2    |
| Reverse repurchase agreements <sup>a</sup>                                    | Total  | 20,701                | 27                                                  | 358                                | 385                  | 1.9    |
| Other interest income <sup>c</sup>                                            |        | -                     | 31                                                  | -                                  | 31                   | -      |
| Total interest earning assets not at fair value through income statement      |        | 484,318               | 14,541                                              | 629                                | 15,170               | 3.1    |
| Less interest expense                                                         |        | -                     | (4,004)                                             | (214)                              | (4,218)              | -      |
| Net interest                                                                  |        | 484,318               | 10,537                                              | 415                                | 10,952               | 2.3    |
| Interest earning assets at fair value through income statement                | UK     | 65,449                |                                                     |                                    |                      |        |
| Interest earning assets at fair value through income statement                | Non-UK | 78,470                |                                                     |                                    |                      |        |
| Interest earning assets at fair value through income statement                | Total  | 143,919               |                                                     |                                    |                      |        |
| Total interest earning assets                                                 |        | 628,237               |                                                     |                                    |                      |        |
| Impairments                                                                   |        | (4,669)               |                                                     |                                    |                      |        |
| Non-interest earning assets <sup>a</sup>                                      |        | 670,286               |                                                     |                                    |                      |        |
| Total                                                                         |        | 1,293,854             |                                                     |                                    |                      |        |
| Percentage of total average interest earning assets in offices outside the UK |        | 35%                   |                                                     |                                    |                      |        |

Notes

a The Barclays Group introduced changes to the balance sheet presentation as at 31 December 2017 as a result of the adoption of new accounting policies on 1 January 2018. Further detail on the adoption of new accounting policies can be found in Note 1, Note 42 and the Credit risk disclosures. As part of this change the cash collateral balances have been reflected in non-interest earning assets.

b Loans and advances at amortised cost include all doubtful lending. Interest receivable on such lending has been included to the extent to which either cash payments have been received or interest has been accrued in accordance with the income recognition policy of the Barclays Group.

c Other interest income principally relates to hedging activity.

Additional information

Additional financial disclosure (unaudited)

| Liabilities                                                                        |        | 2018                     |                                                                 |                                          |                      |           |
|------------------------------------------------------------------------------------|--------|--------------------------|-----------------------------------------------------------------|------------------------------------------|----------------------|-----------|
|                                                                                    |        | Average<br>balance<br>£m | Interest<br>presented<br>within net<br>interest<br>income<br>£m | Interest<br>presented<br>elsewhere<br>£m | Total interest<br>£m | Rate<br>% |
| Deposits at amortised cost                                                         | UK     | 235,002                  | 1,301                                                           | -                                        | 1,301                | 0.6       |
| Deposits at amortised cost                                                         | Non-UK | 57,576                   | 949                                                             | -                                        | 949                  | 1.6       |
| Deposits at amortised cost <sup>a</sup>                                            | Total  | 292,578                  | 2,250                                                           | -                                        | 2,250                | 0.8       |
| Debt securities in issue                                                           | UK     | 48,973                   | 1,123                                                           | -                                        | 1,123                | 2.3       |
| Debt securities in issue                                                           | Non-UK | 32,177                   | 554                                                             | -                                        | 554                  | 1.7       |
| Debt securities in issue                                                           | Total  | 81,150                   | 1,677                                                           | -                                        | 1,677                | 2.1       |
| Subordinated liabilities                                                           | UK     | 21,369                   | 1,208                                                           | -                                        | 1,208                | 5.7       |
| Subordinated liabilities                                                           | Non-UK | 143                      | 15                                                              | -                                        | 15                   | 10.5      |
| Subordinated liabilities                                                           | Total  | 21,512                   | 1,223                                                           | -                                        | 1,223                | 5.7       |
| Repurchase agreements                                                              | UK     | 13,660                   | 157                                                             | -                                        | 157                  | 1.1       |
| Repurchase agreements                                                              | Non-UK | 6,302                    | 23                                                              | -                                        | 23                   | 0.4       |
| Repurchase agreements <sup>a</sup>                                                 | Total  | 19,962                   | 180                                                             | -                                        | 180                  | 0.9       |
| Other interest expense <sup>b</sup>                                                |        | -                        | 149                                                             | -                                        | 149                  | -         |
| Total interest bearing liabilities not at fair value through income statement      |        | 415,202                  | 5,479                                                           | -                                        | 5,479                | 1.3       |
| Interest bearing liabilities at fair value through income statement                | UK     | 225,502                  |                                                                 |                                          |                      |           |
| Interest bearing liabilities at fair value through income statement                | Non-UK | 56,872                   |                                                                 |                                          |                      |           |
| Interest bearing liabilities at fair value through income statement <sup>a</sup>   | Total  | 282,374                  |                                                                 |                                          |                      |           |
| Total interest bearing liabilities                                                 |        | 697,576                  |                                                                 |                                          |                      |           |
| Interest free customer deposits                                                    | UK     | 91,935                   |                                                                 |                                          |                      |           |
| Interest free customer deposits                                                    | Non-UK | 9,496                    |                                                                 |                                          |                      |           |
| Interest free customer deposits                                                    | Total  | 101,431                  |                                                                 |                                          |                      |           |
| Other non-interest bearing liabilities                                             |        | 348,803                  |                                                                 |                                          |                      |           |
| Shareholders' equity                                                               |        | 61,789                   |                                                                 |                                          |                      |           |
| Total                                                                              |        | 1,209,599                |                                                                 |                                          |                      |           |
| Percentage of total average interest bearing liabilities in offices outside the UK |        | 22%                      |                                                                 |                                          |                      |           |

Notes

a The Barclays Group introduced changes to the balance sheet presentation as at 31 December 2017 as a result of the adoption of new accounting policies on 1 January 2018. Further detail on the adoption of new accounting policies can be found in Note 1, Note 42 and the Credit risk disclosures.

b Other interest expense principally includes interest expense relating to hedging activity.

Additional information

Additional financial disclosure (unaudited)

| Liabilities                                                                        |        | 2017            |                                               |                              |                |      |
|------------------------------------------------------------------------------------|--------|-----------------|-----------------------------------------------|------------------------------|----------------|------|
|                                                                                    |        | Average balance | Interest presented within net interest income | Interest presented elsewhere | Total interest | Rate |
|                                                                                    |        | £m              | £m                                            | £m                           | £m             | %    |
| Deposits at amortised cost                                                         | UK     | 231,651         | 834                                           | 21                           | 855            | 0.4  |
| Deposits at amortised cost                                                         | Non-UK | 31,318          | 659                                           | 708                          | 1,367          | 4.4  |
| Deposits at amortised cost <sup>a</sup>                                            | Total  | 262,969         | 1,493                                         | 729                          | 2,222          | 0.8  |
| Debt securities in issue                                                           | UK     | 43,632          | 831                                           | -                            | 831            | 1.9  |
| Debt securities in issue                                                           | Non-UK | 34,819          | 84                                            | -                            | 84             | 0.2  |
| Debt securities in issue                                                           | Total  | 78,451          | 915                                           | -                            | 915            | 1.2  |
| Subordinated liabilities                                                           | UK     | 23,930          | 1,223                                         | -                            | 1,223          | 5.1  |
| Subordinated liabilities                                                           | Non-UK | 52              | -                                             | -                            | -              | -    |
| Subordinated liabilities                                                           | Total  | 23,982          | 1,223                                         | -                            | 1,223          | 5.1  |
| Repurchase agreements                                                              | UK     | 22,015          | 22                                            | 202                          | 224            | 1.0  |
| Repurchase agreements                                                              | Non-UK | 15,431          | 24                                            | 314                          | 338            | 2.2  |
| Repurchase agreements <sup>a</sup>                                                 | Total  | 37,446          | 46                                            | 516                          | 562            | 1.5  |
| Other interest expense <sup>b</sup>                                                |        | -               | 109                                           | -                            | 109            | -    |
| Total interest bearing liabilities not at fair value through income statement      |        | 402,848         | 3,786                                         | 1,245                        | 5,031          | 1.2  |
| Interest bearing liabilities at fair value through income statement                | UK     | 99,332          |                                               |                              |                |      |
| Interest bearing liabilities at fair value through income statement                | Non-UK | 81,565          |                                               |                              |                |      |
| Interest bearing liabilities at fair value through income statement <sup>a</sup>   | Total  | 180,897         |                                               |                              |                |      |
| Total interest bearing liabilities                                                 |        | 583,745         |                                               |                              |                |      |
| Interest free customer deposits                                                    | UK     | 88,813          |                                               |                              |                |      |
| Interest free customer deposits                                                    | Non-UK | 9,353           |                                               |                              |                |      |
| Interest free customer deposits                                                    | Total  | 98,166          |                                               |                              |                |      |
| Other non-interest bearing liabilities                                             |        | 468,245         |                                               |                              |                |      |
| Shareholders' equity                                                               |        | 64,885          |                                               |                              |                |      |
| Total                                                                              |        | 1,215,041       |                                               |                              |                |      |
| Percentage of total average interest bearing liabilities in offices outside the UK |        | 28%             |                                               |                              |                |      |

Notes

a The Barclays Group introduced changes to the balance sheet presentation as at 31 December 2017 as a result of the adoption of new accounting policies on 1 January 2018. Further detail on the adoption of new accounting policies can be found in Note 1, Note 42 and the Credit risk disclosures.

b Other interest expense principally relates to hedging activity.

Additional information

Additional financial disclosure (unaudited)

| Liabilities                                                                        |        | 2016            |                                               |                              |                |      |
|------------------------------------------------------------------------------------|--------|-----------------|-----------------------------------------------|------------------------------|----------------|------|
|                                                                                    |        | Average balance | Interest presented within net interest income | Interest presented elsewhere | Total interest | Rate |
|                                                                                    |        | £m              | £m                                            | £m                           | £m             | %    |
| Deposits at amortised cost                                                         | UK     | 224,246         | 545                                           | (82)                         | 463            | 0.2% |
| Deposits at amortised cost                                                         | Non-UK | 34,108          | 1,233                                         | 74                           | 1,307          | 3.8% |
| Deposits at amortised cost <sup>a</sup>                                            | Total  | 258,354         | 1,778                                         | (8)                          | 1,770          | 0.7% |
| Debt securities in issue                                                           | UK     | 39,956          | 757                                           | -                            | 757            | 1.9% |
| Debt securities in issue                                                           | Non-UK | 25,712          | 232                                           | -                            | 232            | 0.9% |
| Debt securities in issue                                                           | Total  | 65,668          | 989                                           | -                            | 989            | 1.5% |
| Subordinated liabilities                                                           | UK     | 22,437          | 1,104                                         | -                            | 1,104          | 4.9% |
| Subordinated liabilities                                                           | Non-UK | 228             | -                                             | -                            | -              | -    |
| Subordinated liabilities                                                           | Total  | 22,665          | 1,104                                         | -                            | 1,104          | 4.9% |
| Repurchase agreements                                                              | UK     | 13,736          | 116                                           | 110                          | 226            | 1.6% |
| Repurchase agreements                                                              | Non-UK | 11,424          | 47                                            | 112                          | 159            | 1.4% |
| Repurchase agreements <sup>a</sup>                                                 | Total  | 25,160          | 163                                           | 222                          | 385            | 1.5% |
| Other interest expense <sup>b</sup>                                                |        | -               | (30)                                          | -                            | (30)           | -    |
| Total interest bearing liabilities not at fair value through income statement      |        | 371,847         | 4,004                                         | 214                          | 4,218          | 1.1% |
| Interest bearing liabilities at fair value through income statement                | UK     | 78,036          |                                               |                              |                |      |
| Interest bearing liabilities at fair value through income statement                | Non-UK | 69,976          |                                               |                              |                |      |
| Interest bearing liabilities at fair value through income statement <sup>a</sup>   | Total  | 148,012         |                                               |                              |                |      |
| Total interest bearing liabilities                                                 |        | 519,859         |                                               |                              |                |      |
| Interest free customer deposits                                                    | UK     | 78,788          |                                               |                              |                |      |
| Interest free customer deposits                                                    | Non-UK | 10,074          |                                               |                              |                |      |
| Interest free customer deposits                                                    | Total  | 88,862          |                                               |                              |                |      |
| Other non-interest bearing liabilities                                             |        | 620,637         |                                               |                              |                |      |
| Shareholders' equity                                                               |        | 64,496          |                                               |                              |                |      |
| Total                                                                              |        | 1,293,854       |                                               |                              |                |      |
| Percentage of total average interest bearing liabilities in offices outside the UK |        | 27%             |                                               |                              |                |      |

Notes

a The Barclays Group introduced changes to the balance sheet presentation as at 31 December 2017 as a result of the adoption of new accounting policies on 1 January 2018. Further detail on the adoption of new accounting policies can be found in Note 1, Note 42 and the Credit risk disclosures.

b Other interest expense principally relates to hedging activity.

Additional information

Additional financial disclosure (unaudited)

**Changes in total interest – volume and rate analysis**

The following tables allocate changes in interest between changes in volume and changes in interest rates for the last two years. Volume and rate variances have been calculated on the movement in the average balances and the change in the interest rates on average interest earning assets and average interest bearing liabilities. Where variances have arisen from changes in both volumes and interest rates, these have been allocated proportionately between the two.

| Interest income                                                   |        | 2018/2017 Change due to increase/(decrease) in: |              |            | 2017/2016 Change due to increase/(decrease) in: |              |            |
|-------------------------------------------------------------------|--------|-------------------------------------------------|--------------|------------|-------------------------------------------------|--------------|------------|
|                                                                   |        | Total change<br>£m                              | Volume<br>£m | Rate<br>£m | Total change<br>£m                              | Volume<br>£m | Rate<br>£m |
| Cash and balances at central banks                                | UK     | 150                                             | 48           | 102        | 68                                              | 94           | (26)       |
| Cash and balances at central banks                                | Non-UK | 390                                             | 50           | 340        | 329                                             | 104          | 225        |
| Cash and balances at central banks                                | Total  | 540                                             | 98           | 442        | 397                                             | 198          | 199        |
| Loans and advances at amortised cost                              | UK     | (92)                                            | 719          | (811)      | (1,477)                                         | (88)         | (1,389)    |
| Loans and advances at amortised cost                              | Non-UK | (211)                                           | 739          | (950)      | 68                                              | (404)        | 472        |
| Loans and advances at amortised cost                              | Total  | (303)                                           | 1,458        | (1,761)    | (1,409)                                         | (492)        | (917)      |
| Financial investments                                             | UK     | (651)                                           | nm           | nm         | 88                                              | (160)        | 248        |
| Financial investments                                             | Non-UK | (103)                                           | nm           | nm         | (117)                                           | (84)         | (33)       |
| Financial investments                                             | Total  | (754)                                           | nm           | nm         | (29)                                            | (244)        | 215        |
| Reverse repurchase agreements                                     | UK     | (69)                                            | (30)         | (39)       | 7                                               | (47)         | 54         |
| Reverse repurchase agreements                                     | Non-UK | (394)                                           | (244)        | (150)      | 83                                              | (5)          | 88         |
| Reverse repurchase agreements                                     | Total  | (463)                                           | (274)        | (189)      | 90                                              | (52)         | 142        |
| Financial assets at fair value through other comprehensive income | UK     | 956                                             | nm           | nm         | -                                               | -            | -          |
| Financial assets at fair value through other comprehensive income | Non-UK | 73                                              | nm           | nm         | -                                               | -            | -          |
| Financial assets at fair value through other comprehensive income | Total  | 1,029                                           | nm           | nm         | -                                               | -            | -          |
| Other interest income                                             |        | 160                                             |              | 160        | 113                                             | -            | 113        |
| Total interest receivable                                         |        | 209                                             | 904          | (1,427)    | (838)                                           | (590)        | (248)      |

Note

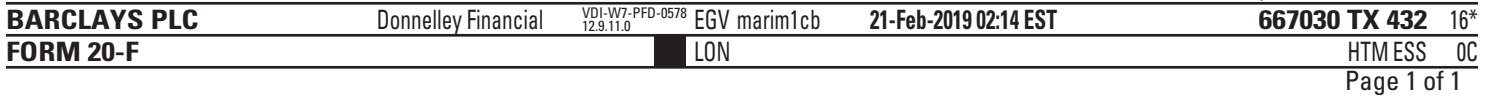
a Included in Other is the movement related to the adoption of IFRS9 where financial investment assets were reclassified to assets held at fair value through other comprehensive income, which is neither volume or rate driven.

| Interest expense           |        | 2018/2017 Change due to increase/(decrease) in: |              |            | 2017/2016 Change due to increase/(decrease) in: |              |            |
|----------------------------|--------|-------------------------------------------------|--------------|------------|-------------------------------------------------|--------------|------------|
|                            |        | Total change<br>£m                              | Volume<br>£m | Rate<br>£m | Total change<br>£m                              | Volume<br>£m | Rate<br>£m |
| Deposits at amortised cost | UK     | 446                                             | 12           | 434        | 392                                             | 15           | 377        |
| Deposits at amortised cost | Non-UK | (418)                                           | 737          | (1,155)    | 60                                              | (113)        | 173        |
| Deposits at amortised cost | Total  | 28                                              | 749          | (721)      | 452                                             | (98)         | 550        |
| Debt securities in issue   | UK     | 292                                             | 110          | 182        | 74                                              | 70           | 4          |
| Debt securities in issue   | Non-UK | 470                                             | (6)          | 476        | (148)                                           | 63           | (211)      |
| Debt securities in issue   | Total  | 762                                             | 104          | 658        | (74)                                            | 133          | (207)      |
| Subordinated liabilities   | UK     | (15)                                            | (138)        | 123        | 119                                             | 75           | 44         |
| Subordinated liabilities   | Non-UK | 15                                              | -            | 15         | -                                               | -            | -          |
| Subordinated liabilities   | Total  | -                                               | (138)        | 138        | 119                                             | 75           | 44         |
| Repurchase agreements      | UK     | (67)                                            | (93)         | 26         | (2)                                             | 104          | (106)      |
| Repurchase agreements      | Non-UK | (315)                                           | (131)        | (184)      | 179                                             | 68           | 111        |
| Repurchase agreements      | Total  | (382)                                           | (224)        | (158)      | 177                                             | 172          | 5          |
| Other interest expense     |        | 40                                              |              | 40         | 139                                             | -            | 139        |
| Total interest payable     |        | 448                                             | 491          | (43)       | 813                                             | 282          | 531        |





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## Additional information

### Additional financial disclosure (unaudited)

| Interest forgone on risk elements in loans and advances                              |            |            |            |
|--------------------------------------------------------------------------------------|------------|------------|------------|
|                                                                                      | 2018<br>£m | 2017<br>£m | 2016<br>£m |
| Interest income that would have been recognised under the original contractual terms |            |            |            |
| United Kingdom                                                                       | 84         | 87         | 91         |
| Rest of the World                                                                    | 180        | 151        | 196        |
| <b>Total</b>                                                                         | <b>264</b> | <b>238</b> | <b>287</b> |

## Potential problem loans

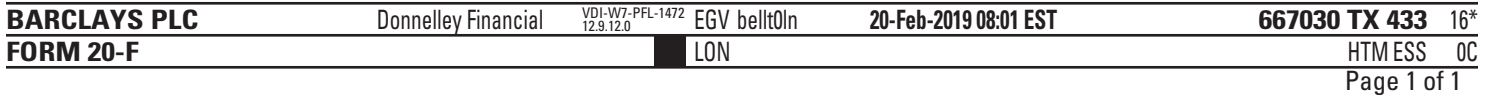
Potential problem loans are those loans for which serious doubt exists as to the ability of the borrower to continue to comply with repayment terms in the near future.

Loans and advances at amortised cost by product on page 109 includes gross exposure and associated impairment allowance for assets classified as Stage 2, but not past due i.e. assets satisfying the criteria for a Significant Increase in Credit Risk, but which are still complying with repayment terms.

Forbearance measures consist of concessions towards a debtor that is experiencing or is about to experience difficulties in meeting their financial commitments. 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 definition 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. Further details can be found on pages 125 to 128.

In order to assess asset credit quality, 12-month PDs are used to map assets into strong, satisfactory, higher risk or credit impaired. A credit risk profile by internal PD grade for gross loans and advances at amortised cost and allowance for ECL is shown in the credit risk section on page 123, analysing each of these categories by stage.

Wholesale accounts that are deemed to contain heightened levels of risk are recorded on graded watchlists comprising four categories, graded in line with the perceived severity of the risk attached to the lending, and its probability of default. Where a counterparty's financial health gives grounds for concern, it is immediately placed into the appropriate category. Once an account has been placed on a watchlist, the exposure is monitored and, where appropriate, exposure reductions are effected. Further information on monitoring weaknesses in portfolios can be found in the Barclays PLC Pillar 3 Report 2018 (unaudited).



**Impairment**  
The introduction of IFRS 9 has increased the total impairment allowance on Loans and advances held by Barclays Group by £2,450m from £4,652m as at 31 December 2017 to £7,102m as at 1 January 2018. The comparatives for 2017, 2016, 2015 and 2014 are presented on an IAS 39 basis.

| Movements in allowance for impairment by geography |                         |            |            |            |            |
|----------------------------------------------------|-------------------------|------------|------------|------------|------------|
|                                                    | 2018 <sup>a</sup><br>£m | 2017<br>£m | 2016<br>£m | 2015<br>£m | 2014<br>£m |
| Allowance for impairment as at 1 January           | 7,102                   | 4,620      | 4,921      | 5,455      | 7,258      |
| Exchange and other adjustments                     | (226)                   | (293)      | (816)      | (766)      | (1,187)    |
| Amounts written off:                               |                         |            |            |            |            |
| United Kingdom                                     | (949)                   | (1,111)    | (1,272)    | (1,354)    | (1,313)    |
| Europe                                             | (62)                    | (157)      | (218)      | (200)      | (742)      |
| Americas                                           | (862)                   | (1,038)    | (664)      | (411)      | (535)      |
| Africa and Middle East                             | -                       | (9)        | (20)       | (300)      | (423)      |
| Asia                                               | (18)                    | (14)       | (19)       | (12)       | (24)       |
| New and increased/(released) impairment allowance: |                         |            |            |            |            |
| United Kingdom                                     | 842                     | 1,345      | 1,371      | 1,239      | 1,215      |
| Europe                                             | 84                      | 110        | 260        | 258        | 420        |
| Americas                                           | 809                     | 1,192      | 1,025      | 590        | 340        |
| Africa and Middle East                             | 32                      | 23         | 44         | 416        | 404        |
| Asia                                               | 18                      | (16)       | 8          | 6          | 42         |
| Allowance for impairment as at 31 December         | 6,770                   | 4,652      | 4,620      | 4,921      | 5,455      |
| Average loans and advances for the year            | 329,415                 | 296,068    | 304,805    | 324,172    | 323,839    |

a Other financial assets subject to impairment not included in the table above include £12m impairment allowance relating to cash collateral and settlement balances, financial assets at fair value through other comprehensive income and other assets

| Analysis of impairment charges                                                   |              |              |              |              |              |
|----------------------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|
| As at 31 December                                                                | 2018<br>£m   | 2017<br>£m   | 2016<br>£m   | 2015<br>£m   | 2014<br>£m   |
| <b>Impairment charges:</b>                                                       |              |              |              |              |              |
| United Kingdom                                                                   | 742          | 1,138        | 1,130        | 960          | 1,071        |
| Europe                                                                           | 48           | 92           | 242          | 244          | 392          |
| Americas                                                                         | 758          | 1,084        | 921          | 539          | 339          |
| Africa and Middle East                                                           | 17           | 22           | 43           | 7            | 9            |
| Asia                                                                             | 25           | (16)         | 7            | 6            | 41           |
| Loans and advances                                                               | 1,590        | 2,320        | 2,343        | 1,756        | 1,852        |
| Provision for undrawn contractually committed facilities and guarantees provided | (125)        | 13           | 9            | (12)         | 5            |
| <b>Loans Impairment</b>                                                          | <b>1,465</b> | <b>2,333</b> | <b>2,352</b> | <b>1,744</b> | <b>1,857</b> |
| Cash collateral and settlement balances                                          | (1)          | -            | -            | -            | -            |
| Financial investments                                                            | -            | 3            | 21           | 18           | (31)         |
| Financial instruments at fair value through other comprehensive income           | 4            | -            | -            | -            | -            |
| Reverse repurchase agreements                                                    | -            | -            | -            | -            | (5)          |
| <b>Impairment charges</b>                                                        | <b>1,468</b> | <b>2,336</b> | <b>2,373</b> | <b>1,762</b> | <b>1,821</b> |

Additional information

Additional financial disclosure (unaudited)

The industry classifications in the tables below have been prepared at the level of the borrowing entity. This means that a loan to a subsidiary of a major corporation is classified by the industry in which the subsidiary operates, even though the Parent's predominant business may be in a different industry.

| Total impairment charges on loans and advances by industry |       |       |       |       |       |
|------------------------------------------------------------|-------|-------|-------|-------|-------|
|                                                            | 2018  | 2017  | 2016  | 2015  | 2014  |
| As at 31 December                                          | £m    | £m    | £m    | £m    | £m    |
| United Kingdom:                                            |       |       |       |       |       |
| Financial institutions                                     | 71    | (42)  | (1)   | (4)   | (9)   |
| Manufacturing                                              | (2)   | (11)  | 39    | (8)   | 1     |
| Construction                                               | -     | 10    | 7     | 10    | 8     |
| Property                                                   | (13)  | (10)  | (13)  | 11    | 10    |
| Energy and water                                           | -     | 35    | 12    | 42    | -     |
| Wholesale and retail distribution and leisure              | (38)  | 51    | 38    | 38    | 54    |
| Business and other services                                | (97)  | 220   | 56    | 110   | 76    |
| Home loans                                                 | 1     | 31    | (4)   | 27    | 28    |
| Cards, unsecured and other personal lending                | 877   | 856   | 975   | 735   | 893   |
| Other                                                      | (57)  | (2)   | 20    | (1)   | 10    |
| Total United Kingdom                                       | 742   | 1,138 | 1,129 | 960   | 1,071 |
| Overseas                                                   | 848   | 1,182 | 1,214 | 796   | 781   |
| Total Impairment charges                                   | 1,590 | 2,320 | 2,343 | 1,756 | 1,852 |

| Allowance for impairment by industry          |                   |       |       |       |       |       |       |       |       |       |
|-----------------------------------------------|-------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|                                               | 2018 <sup>a</sup> |       | 2017  |       | 2016  |       | 2015  |       | 2014  |       |
| As at 31 December                             | £m                | %     | £m    | %     | £m    | %     | £m    | %     | £m    | %     |
| United Kingdom:                               |                   |       |       |       |       |       |       |       |       |       |
| Financial institutions                        | 68                | 1.0   | 11    | 0.2   | 5     | 0.1   | 10    | 0.2   | 9     | 0.2   |
| Manufacturing                                 | 38                | 0.6   | 34    | 0.7   | 60    | 1.3   | 30    | 0.6   | 32    | 0.6   |
| Construction                                  | 41                | 0.6   | 37    | 0.8   | 35    | 0.8   | 32    | 0.7   | 33    | 0.6   |
| Property                                      | 94                | 1.4   | 48    | 1.0   | 89    | 1.9   | 122   | 2.5   | 140   | 2.6   |
| Government and central bank                   | 11                | 0.2   | 1     | -     | -     | -     | -     | -     | -     | -     |
| Energy and water                              | 6                 | 0.1   | 108   | 2.3   | 114   | 2.5   | 90    | 1.8   | -     | -     |
| Wholesale and retail distribution and leisure | 140               | 2.1   | 186   | 4.0   | 143   | 3.1   | 124   | 2.5   | 137   | 2.5   |
| Business and other services                   | 196               | 2.9   | 482   | 10.4  | 252   | 5.5   | 238   | 4.8   | 205   | 3.8   |
| Home loans                                    | 98                | 1.4   | 137   | 2.9   | 144   | 3.1   | 157   | 3.2   | 123   | 2.3   |
| Cards, unsecured and other personal lending   | 2,766             | 40.9  | 1,671 | 35.9  | 1,653 | 35.8  | 1,652 | 33.6  | 1,912 | 35.1  |
| Other                                         | 102               | 1.5   | 42    | 0.9   | 49    | 1.1   | 37    | 0.8   | 61    | 1.1   |
| Total United Kingdom                          | 3,560             | 52.6  | 2,757 | 59.3  | 2,544 | 55.1  | 2,492 | 50.6  | 2,652 | 48.6  |
| Overseas                                      | 3,210             | 47.4  | 1,895 | 40.7  | 2,076 | 44.9  | 2,429 | 49.4  | 2,803 | 51.4  |
| Total                                         | 6,770             | 100.0 | 4,652 | 100.0 | 4,620 | 100.0 | 4,921 | 100.0 | 5,455 | 100.0 |

Additional information

Additional financial disclosure (unaudited)

| Amounts written off and recovered by industry |                     |       |       |       |       |                                              |      |      |      |      |
|-----------------------------------------------|---------------------|-------|-------|-------|-------|----------------------------------------------|------|------|------|------|
|                                               | Amounts written off |       |       |       |       | Recoveries of amounts previously written off |      |      |      |      |
|                                               | 2018                | 2017  | 2016  | 2015  | 2014  | 2018                                         | 2017 | 2016 | 2015 | 2014 |
| As at 31 December                             | £m                  | £m    | £m    | £m    | £m    | £m                                           | £m   | £m   | £m   | £m   |
| United Kingdom:                               |                     |       |       |       |       |                                              |      |      |      |      |
| Financial institutions                        | 8                   | 2     | 2     | 3     | 1     | 2                                            | 47   | 1    | 8    | 11   |
| Manufacturing                                 | 12                  | 2     | 15    | 6     | 13    | 3                                            | 3    | 3    | 2    | 6    |
| Construction                                  | 7                   | 10    | 5     | 13    | 21    | 1                                            | 3    | 1    | 3    | 3    |
| Property                                      | 46                  | 22    | 18    | 24    | 19    | 6                                            | 1    | 11   | 13   | 17   |
| Energy and water                              | 4                   | 32    | -     | -     | -     | -                                            | -    | 2    | 2    | -    |
| Wholesale and retail distribution and leisure | 48                  | 23    | 25    | 94    | 48    | 15                                           | 8    | 5    | 17   | 13   |
| Business and other services                   | 227                 | 105   | 52    | 65    | 59    | 9                                            | 9    | 10   | 15   | 10   |
| Home loans                                    | 10                  | 13    | 11    | 22    | 15    | 3                                            | -    | -    | 3    | 2    |
| Cards, unsecured and other personal lending   | 552                 | 897   | 1,134 | 1,113 | 994   | 93                                           | 132  | 206  | 214  | 81   |
| Other                                         | 35                  | 5     | 10    | 14    | 144   | 7                                            | 4    | 2    | 4    | 4    |
| Total United Kingdom                          | 949                 | 1,111 | 1,272 | 1,354 | 1,314 | 139                                          | 207  | 241  | 281  | 147  |
| Overseas                                      | 942                 | 1,218 | 921   | 923   | 1,723 | 56                                           | 127  | 125  | 119  | 74   |
| Total                                         | 1,891               | 2,329 | 2,193 | 2,277 | 3,037 | 195                                          | 334  | 366  | 400  | 221  |

| Impairment ratios                                                                        |      |      |      |      |      |
|------------------------------------------------------------------------------------------|------|------|------|------|------|
|                                                                                          | 2018 | 2017 | 2016 | 2015 | 2014 |
|                                                                                          | %    | %    | %    | %    | %    |
| Impairment charges as a percentage of average loans and advances                         | 0.45 | 0.79 | 0.78 | 0.54 | 0.56 |
| Amounts written off (net of recoveries) as a percentage of average loans and advances    | 0.51 | 0.67 | 0.60 | 0.58 | 0.87 |
| Allowance for impairment balance as a percentage of loans and advances as at 31 December | 2.03 | 1.42 | 1.32 | 1.36 | 1.47 |



Additional information

Additional financial disclosure (unaudited)

Maturity analysis of loans and advances

| Maturity analysis of loans and advances at amortised cost |                 |                                  |                                                      |                                                  |                                                   |                                                     |                                                   |                      |             |
|-----------------------------------------------------------|-----------------|----------------------------------|------------------------------------------------------|--------------------------------------------------|---------------------------------------------------|-----------------------------------------------------|---------------------------------------------------|----------------------|-------------|
|                                                           | On demand<br>£m | Not more than three months<br>£m | Over three months but not more than six months<br>£m | Over six months but not more than one year<br>£m | Over one year but not more than three years<br>£m | Over three years but not more than five years<br>£m | Over five years but not more than ten years<br>£m | Over ten years<br>£m | Total<br>£m |
| As at 31 December 2018                                    |                 |                                  |                                                      |                                                  |                                                   |                                                     |                                                   |                      |             |
| United Kingdom                                            |                 |                                  |                                                      |                                                  |                                                   |                                                     |                                                   |                      |             |
| Corporate lending                                         | 1,146           | 2,132                            | 1,070                                                | 2,915                                            | 14,998                                            | 13,361                                              | 7,328                                             | 23,323               | 66,273      |
| Other lending to customers in the United Kingdom          | 4,108           | 2,823                            | 3,164                                                | 3,881                                            | 13,796                                            | 12,268                                              | 29,539                                            | 107,824              | 177,403     |
| Total United Kingdom                                      | 5,254           | 4,955                            | 4,234                                                | 6,796                                            | 28,794                                            | 25,629                                              | 36,867                                            | 131,147              | 243,676     |
| Europe                                                    | 2,788           | 1,995                            | 1,127                                                | 2,057                                            | 8,515                                             | 3,947                                               | 3,347                                             | 4,968                | 28,744      |
| Americas                                                  | 4,334           | 2,247                            | 1,710                                                | 3,294                                            | 13,872                                            | 9,951                                               | 9,150                                             | 7,274                | 51,832      |
| Africa and Middle East                                    | 362             | 667                              | 564                                                  | 198                                              | 746                                               | 502                                                 | 110                                               | 370                  | 3,519       |
| Asia                                                      | 712             | 1,676                            | 543                                                  | 516                                              | 1,115                                             | 380                                                 | 191                                               | 272                  | 5,405       |
| Total loans and advances at amortised cost                | 13,450          | 11,540                           | 8,178                                                | 12,861                                           | 53,042                                            | 40,409                                              | 49,665                                            | 144,031              | 333,176     |
| As at 31 December 2017                                    |                 |                                  |                                                      |                                                  |                                                   |                                                     |                                                   |                      |             |
| United Kingdom                                            |                 |                                  |                                                      |                                                  |                                                   |                                                     |                                                   |                      |             |
| Corporate lending                                         | 2,682           | 4,364                            | 1,844                                                | 3,273                                            | 26,251                                            | 12,797                                              | 4,860                                             | 13,253               | 69,324      |
| Other lending to customers in the United Kingdom          | 3,780           | 4,214                            | 3,278                                                | 5,060                                            | 18,055                                            | 15,847                                              | 35,346                                            | 87,955               | 173,535     |
| Total United Kingdom                                      | 6,462           | 8,578                            | 5,122                                                | 8,333                                            | 44,306                                            | 28,644                                              | 40,206                                            | 101,208              | 242,859     |
| Europe                                                    | 4,992           | 3,552                            | 1,102                                                | 1,548                                            | 6,720                                             | 3,313                                               | 2,622                                             | 3,923                | 27,772      |
| Americas                                                  | 1,988           | 10,500                           | 2,571                                                | 3,949                                            | 10,805                                            | 7,236                                               | 5,652                                             | 6,390                | 49,091      |
| Africa and Middle East                                    | 405             | 1,327                            | 172                                                  | 226                                              | 837                                               | 274                                                 | 102                                               | 124                  | 3,467       |
| Asia                                                      | 1,040           | 1,982                            | 865                                                  | 626                                              | 433                                               | 285                                                 | 95                                                | 185                  | 5,511       |
| Total loans and advances at amortised cost                | 14,887          | 25,939                           | 9,832                                                | 14,682                                           | 63,101                                            | 39,752                                              | 48,677                                            | 111,830              | 328,700     |

Additional information

Additional financial disclosure (unaudited)

Industrial and geographical concentrations of loans and advances

| Loans and advances at amortised cost by industry  |         |                   |                   |                   |                   |
|---------------------------------------------------|---------|-------------------|-------------------|-------------------|-------------------|
|                                                   | 2018    | 2017 <sup>a</sup> | 2016 <sup>a</sup> | 2015 <sup>a</sup> | 2014 <sup>a</sup> |
| As at 31 December                                 | £m      | £m                | £m                | £m                | £m                |
| Financial institutions                            | 28,237  | 35,654            | 49,648            | 46,335            | 49,512            |
| Manufacturing                                     | 8,849   | 9,193             | 12,198            | 12,012            | 11,040            |
| Construction                                      | 2,802   | 3,284             | 3,525             | 3,798             | 3,762             |
| Property                                          | 20,933  | 20,364            | 20,831            | 19,982            | 19,486            |
| Government and central bank                       | 12,776  | 9,090             | 9,312             | 3,114             | 3,385             |
| Energy and water                                  | 5,582   | 5,644             | 7,154             | 7,172             | 7,170             |
| Wholesale and retail distribution and leisure     | 11,809  | 12,605            | 13,070            | 13,908            | 13,600            |
| Business and other services                       | 19,989  | 20,381            | 21,390            | 23,590            | 21,910            |
| Home loans                                        | 150,735 | 147,460           | 145,184           | 156,384           | 167,519           |
| Cards, unsecured loans and other personal lending | 60,561  | 57,245            | 59,851            | 63,217            | 58,914            |
| Other                                             | 10,903  | 7,780             | 8,357             | 12,996            | 15,632            |
| Loans and advances at amortised cost              | 333,176 | 328,700           | 350,520           | 362,508           | 371,930           |

| Loans and advances at amortised cost in the UK    |         |                   |                   |                   |                   |
|---------------------------------------------------|---------|-------------------|-------------------|-------------------|-------------------|
|                                                   | 2018    | 2017 <sup>a</sup> | 2016 <sup>a</sup> | 2015 <sup>a</sup> | 2014 <sup>a</sup> |
| As at 31 December                                 | £m      | £m                | £m                | £m                | £m                |
| Financial institutions                            | 6,200   | 6,233             | 8,200             | 8,556             | 8,382             |
| Manufacturing                                     | 4,440   | 6,198             | 6,816             | 5,696             | 6,059             |
| Construction                                      | 2,593   | 3,025             | 3,254             | 3,164             | 2,957             |
| Property                                          | 18,036  | 18,168            | 18,145            | 15,556            | 15,040            |
| Government and central bank                       | 7,867   | 7,906             | 7,226             | 1,048             | 849               |
| Energy and water                                  | 2,668   | 2,501             | 2,229             | 1,860             | 1,661             |
| Wholesale and retail distribution and leisure     | 9,970   | 10,617            | 10,586            | 10,378            | 9,986             |
| Business and other services                       | 15,092  | 16,385            | 16,425            | 16,311            | 13,884            |
| Home loans                                        | 138,323 | 134,820           | 131,945           | 132,324           | 132,863           |
| Cards, unsecured loans and other personal lending | 31,139  | 30,786            | 31,260            | 30,452            | 28,061            |
| Other                                             | 7,348   | 6,220             | 6,464             | 6,431             | 8,828             |
| Loans and advances at amortised cost in the UK    | 243,676 | 242,859           | 242,550           | 231,776           | 228,570           |

| Loans and advances at amortised cost in Europe    |        |                   |                   |                   |                   |
|---------------------------------------------------|--------|-------------------|-------------------|-------------------|-------------------|
|                                                   | 2018   | 2017 <sup>a</sup> | 2016 <sup>a</sup> | 2015 <sup>a</sup> | 2014 <sup>a</sup> |
| As at 31 December                                 | £m     | £m                | £m                | £m                | £m                |
| Financial institutions                            | 5,950  | 6,143             | 5,541             | 5,659             | 6,641             |
| Manufacturing                                     | 1,335  | 1,347             | 2,522             | 2,173             | 1,543             |
| Construction                                      | 85     | 80                | 30                | 68                | 193               |
| Property                                          | 716    | 734               | 1,047             | 795               | 1,174             |
| Government and central bank                       | 1,778  | 323               | 702               | 488               | 783               |
| Energy and water                                  | 676    | 621               | 1,217             | 775               | 1,942             |
| Wholesale and retail distribution and leisure     | 735    | 808               | 907               | 710               | 1,095             |
| Business and other services                       | 991    | 1,023             | 1,014             | 1,260             | 1,503             |
| Home loans                                        | 10,563 | 11,578            | 12,189            | 12,503            | 19,933            |
| Cards, unsecured loans and other personal lending | 5,076  | 4,483             | 4,283             | 5,047             | 5,226             |
| Other                                             | 839    | 632               | 385               | 1,489             | 1,369             |
| Loans and advances at amortised cost in Europe    | 28,744 | 27,772            | 29,837            | 30,967            | 41,402            |

Additional information

Additional financial disclosure (unaudited)

| Loans and advances at amortised cost in the Americas |            |                         |                         |                         |                         |
|------------------------------------------------------|------------|-------------------------|-------------------------|-------------------------|-------------------------|
| As at 31 December                                    | 2018<br>£m | 2017 <sup>a</sup><br>£m | 2016 <sup>a</sup><br>£m | 2015 <sup>a</sup><br>£m | 2014 <sup>a</sup><br>£m |
| Financial institutions                               | 12,458     | 18,559                  | 30,348                  | 23,446                  | 22,239                  |
| Manufacturing                                        | 2,426      | 1,262                   | 2,348                   | 1,424                   | 1,136                   |
| Construction                                         | 71         | 147                     | 204                     | 120                     | 114                     |
| Property                                             | 2,097      | 1,272                   | 1,463                   | 1,709                   | 1,500                   |
| Government and central bank                          | 2,869      | —                       | 162                     | 91                      | 315                     |
| Energy and water                                     | 1,667      | 1,986                   | 2,709                   | 2,780                   | 2,206                   |
| Wholesale and retail distribution and leisure        | 613        | 660                     | 949                     | 815                     | 478                     |
| Business and other services                          | 2,973      | 2,629                   | 3,322                   | 2,997                   | 2,808                   |
| Home loans                                           | 715        | 567                     | 595                     | 624                     | 770                     |
| Cards, unsecured loans and other personal lending    | 23,756     | 21,486                  | 23,700                  | 18,140                  | 15,666                  |
| Other                                                | 2,187      | 523                     | 828                     | 1,328                   | 1,740                   |
| Loans and advances at amortised cost in the Americas | 51,832     | 49,091                  | 66,628                  | 53,474                  | 48,972                  |

| Loans and advances at amortised cost in Africa and Middle East |            |                         |                         |                         |                         |
|----------------------------------------------------------------|------------|-------------------------|-------------------------|-------------------------|-------------------------|
| As at 31 December                                              | 2018<br>£m | 2017 <sup>a</sup><br>£m | 2016 <sup>a</sup><br>£m | 2015 <sup>a</sup><br>£m | 2014 <sup>a</sup><br>£m |
| Financial institutions                                         | 1,319      | 1,066                   | 1,065                   | 3,625                   | 6,355                   |
| Manufacturing                                                  | 51         | 13                      | 60                      | 2,320                   | 1,856                   |
| Construction                                                   | —          | —                       | 2                       | 363                     | 403                     |
| Property                                                       | 55         | 112                     | 80                      | 1,755                   | 1,577                   |
| Government and central bank                                    | 262        | 860                     | 1,031                   | 1,450                   | 1,324                   |
| Energy and water                                               | 200        | 252                     | 494                     | 1,025                   | 645                     |
| Wholesale and retail distribution and leisure                  | 123        | 219                     | 328                     | 1,837                   | 1,831                   |
| Business and other services                                    | 221        | 64                      | 237                     | 2,683                   | 3,359                   |
| Home loans                                                     | 698        | 378                     | 357                     | 10,689                  | 13,591                  |
| Cards, unsecured loans and other personal lending              | 494        | 406                     | 494                     | 8,081                   | 8,605                   |
| Other                                                          | 96         | 97                      | 200                     | 3,026                   | 3,210                   |
| Loans and advances at amortised cost in Africa and Middle East | 3,519      | 3,467                   | 4,348                   | 36,854                  | 42,756                  |

| Loans and advances at amortised cost in Asia      |            |                         |                         |                         |                         |
|---------------------------------------------------|------------|-------------------------|-------------------------|-------------------------|-------------------------|
| As at 31 December                                 | 2018<br>£m | 2017 <sup>a</sup><br>£m | 2016 <sup>a</sup><br>£m | 2015 <sup>a</sup><br>£m | 2014 <sup>a</sup><br>£m |
| Financial institutions                            | 2,310      | 3,653                   | 4,494                   | 5,049                   | 5,895                   |
| Manufacturing                                     | 597        | 373                     | 452                     | 399                     | 446                     |
| Construction                                      | 53         | 32                      | 35                      | 83                      | 95                      |
| Property                                          | 29         | 78                      | 96                      | 167                     | 195                     |
| Government and central bank                       | —          | 1                       | 191                     | 37                      | 114                     |
| Energy and water                                  | 371        | 284                     | 505                     | 732                     | 716                     |
| Wholesale and retail distribution and leisure     | 368        | 301                     | 300                     | 168                     | 210                     |
| Business and other services                       | 712        | 280                     | 392                     | 339                     | 356                     |
| Home loans                                        | 436        | 117                     | 98                      | 244                     | 362                     |
| Cards, unsecured loans and other personal lending | 96         | 84                      | 114                     | 1,497                   | 1,356                   |
| Other                                             | 433        | 308                     | 480                     | 722                     | 485                     |
| Loans and advances at amortised cost in Asia      | 5,405      | 5,511                   | 7,157                   | 9,437                   | 10,230                  |

Notes  
a The comparatives for 2017, 2016, 2015 and 2014 have been presented on an IAS 39 basis.

Additional information

Additional financial disclosure (unaudited)

| Interest rate sensitivity of gross loans and advances at amortised cost |                  |                     |             |                  |                     |             |
|-------------------------------------------------------------------------|------------------|---------------------|-------------|------------------|---------------------|-------------|
|                                                                         | 2018             |                     |             | 2017             |                     |             |
|                                                                         | Fixed rate<br>£m | Variable rate<br>£m | Total<br>£m | Fixed rate<br>£m | Variable rate<br>£m | Total<br>£m |
| As at 31 December                                                       |                  |                     |             |                  |                     |             |
| Gross loans and advances at amortised cost                              | 125,404          | 207,772             | 333,176     | 110,276          | 218,424             | 328,700     |

Additional information

Additional financial disclosure (unaudited)

| Foreign outstandings in currencies other than the local currency of the borrower for countries where this exceeds 0.75% of total Group assets |                  |          |                                           |                                         |                                                    |
|-----------------------------------------------------------------------------------------------------------------------------------------------|------------------|----------|-------------------------------------------|-----------------------------------------|----------------------------------------------------|
|                                                                                                                                               | As % of assets % | Total £m | Banks and other financial institutions £m | Government and official institutions £m | Commercial industrial and other private sectors £m |
| As at 31 December 2018 <sup>a</sup>                                                                                                           |                  |          |                                           |                                         |                                                    |
| United States                                                                                                                                 | 15.8             | 178,276  | 10,828                                    | 17,322                                  | 150,126                                            |
| Germany                                                                                                                                       | 3.0              | 31,091   | 13,591                                    | 17,500                                  | -                                                  |
| France                                                                                                                                        | 4.3              | 42,468   | 29,558                                    | 3,848                                   | 9,062                                              |
| Cayman Islands                                                                                                                                | 1.4              | 11,747   | -                                         | -                                       | 11,747                                             |
| Netherlands                                                                                                                                   | 0.8              | 6,067    | 761                                       | 784                                     | 4,522                                              |
| Canada                                                                                                                                        | 0.8              | 9,282    | 1,093                                     | 1,287                                   | 6,902                                              |
| As at 31 December 2017 <sup>a</sup>                                                                                                           |                  |          |                                           |                                         |                                                    |
| United States                                                                                                                                 | 12.8             | 137,943  | 10,054                                    | 10,294                                  | 117,595                                            |
| Germany                                                                                                                                       | 2.4              | 24,319   | 9,618                                     | 9,958                                   | 4,743                                              |
| France                                                                                                                                        | 4.3              | 41,740   | 26,046                                    | 4,937                                   | 10,757                                             |
| Cayman Islands                                                                                                                                | 2.2              | 16,408   | -                                         | -                                       | 16,408                                             |
| Switzerland                                                                                                                                   | 1.0              | 11,683   | 547                                       | 9,442                                   | 1,694                                              |
| Netherlands                                                                                                                                   | 0.8              | 7,154    | 26                                        | 1,825                                   | 5,303                                              |
| Spain                                                                                                                                         | 0.8              | 7,961    | 5,059                                     | 1,603                                   | 1,299                                              |
| Hong Kong                                                                                                                                     | 0.9              | 9,931    | 465                                       | 24                                      | 9,442                                              |
| As at 31 December 2016 <sup>a</sup>                                                                                                           |                  |          |                                           |                                         |                                                    |
| United States                                                                                                                                 | 7.9              | 96,802   | 11,749                                    | 10,149                                  | 74,904                                             |
| Germany                                                                                                                                       | 1.6              | 18,044   | 10,204                                    | 4,685                                   | 3,155                                              |
| France                                                                                                                                        | 2.9              | 33,098   | 20,584                                    | 4,182                                   | 8,332                                              |
| Cayman Islands                                                                                                                                | 2.1              | 16,312   | 28                                        | 2                                       | 16,282                                             |
| Switzerland                                                                                                                                   | 0.8              | 10,168   | 652                                       | 7,533                                   | 1,983                                              |

Note

a Figures are net of short securities.

| Off-balance sheet and other credit exposures                      |         |         |         |
|-------------------------------------------------------------------|---------|---------|---------|
|                                                                   | 2018 £m | 2017 £m | 2016 £m |
| As at 31 December                                                 |         |         |         |
| Off-balance sheet exposures                                       |         |         |         |
| Contingent liabilities                                            | 20,303  | 19,012  | 19,939  |
| Commitments                                                       | 324,223 | 315,573 | 303,686 |
| On-balance sheet exposures                                        |         |         |         |
| Trading portfolio assets                                          | 104,187 | 113,760 | 80,240  |
| Financial assets at fair value through the income statement       | 149,648 | 116,281 | 78,608  |
| Derivative financial instruments                                  | 222,538 | 237,669 | 346,626 |
| Financial investments                                             | -       | 58,915  | 63,317  |
| Financial assets at fair value through other comprehensive income | 52,816  | -       | -       |



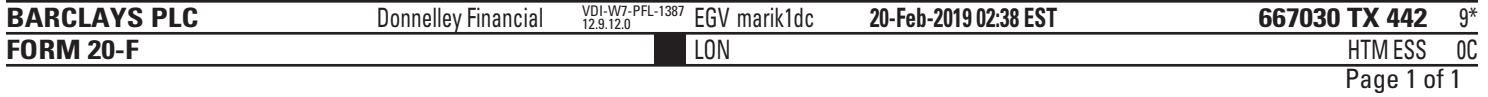
Additional information

Additional financial disclosure (unaudited)

| Notional principal amounts of credit derivatives                    |         |         |         |
|---------------------------------------------------------------------|---------|---------|---------|
|                                                                     | 2018    | 2017    | 2016    |
| As at 31 December                                                   | £m      | £m      | £m      |
| Credit derivatives held or issued for trading purposes <sup>a</sup> | 759,075 | 715,001 | 947,800 |

Note

a Includes credit derivatives held as economic hedges which are not designated as hedges for accounting purposes.



## Related party transactions additional disclosure

For US disclosure purposes, the aggregate emoluments of all Directors and Officers of Barclays PLC who held office during the year (2018: 24 persons, 2017: 30 persons, 2016: 32 persons) for the year ended 31 December 2018 amounted to £64.3m (2017: £88.7m, 2016: £71.0m). In addition, the aggregate amount set aside for the year ended 31 December 2018, to provide pension benefits for the Directors and Officers amounted to £nil (2017: £0.1m, 2016: £0.2m).

Shareholder information

Barclays shareholding



Key dates

- 5 April 2019  
Full year dividend payment date
- 25 April 2019  
Q1 Results Announcement
- 2 May 2019  
Annual General Meeting, at 11.00am
- 17 September 2019  
Half year dividend payment date

Annual General Meeting (AGM)

This year's AGM will be held at the QEII Centre, Broad Sanctuary, Westminster, London SW1P 3EE, on Thursday, 2 May 2019 at 11.00am.

The Chairman and Chief Executive will update shareholders on our performance in 2018 and our goals for 2019. Shareholders will also have the opportunity to ask the Board questions at the meeting.

 You can find out more at:  
[home.barclays/agm](http://home.barclays/agm)

Keep your personal details up to date

Please remember to tell Equiniti if:

- you move
- you need to update your bank or building society details.

If you are a Shareview member, you can update your bank or building society account or address details online. If you hold 2,500 shares or less, you can update details quickly and easily over the telephone using the Equiniti contact details overleaf. If you hold more than 2,500 shares you will need to write to Equiniti. You must provide a copy of your share certificate, Sharestore statement or most recent dividend confirmation. If these are not available, you will need to provide a copy of a utility bill or bank statement dated in the last three months.

Dividends

The Barclays PLC 2018 full year dividend for the year ended 31 December 2018 will be 4.0p per share, making the 2018 total dividend 6.5p.

Barclays understands the importance of the ordinary dividend for our shareholders. Barclays is therefore committed to maintaining an appropriate balance between total cash returns to shareholders, investing in the business, and maintaining a strong capital position.

Going forward, Barclays intends to pay an annual ordinary dividend that takes into account these objectives, and the medium-term earnings outlook of the Barclays Group. It is also the Board's intention to supplement the ordinary dividends with additional returns to shareholders as and when appropriate.

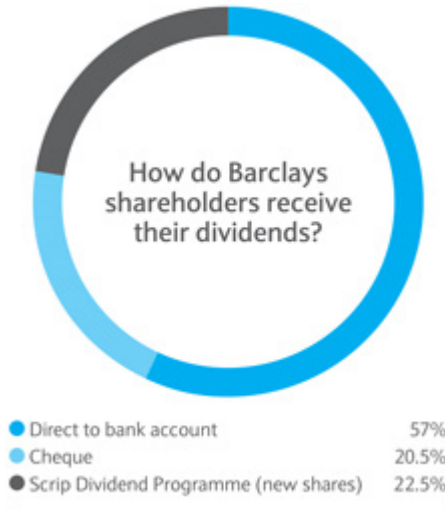
The Board notes that in determining any proposed distributions to shareholders, the Board will consider the expectation of servicing more senior securities.

Save time and receive your dividends faster by choosing to have them paid directly into your bank or building society account

It is easy to set up and your money will be in your bank account on the dividend payment date. If you hold 2,500 shares or less, you can provide your bank or building society details quickly and easily over the telephone using the Equiniti contact details overleaf. If you hold more than 2,500 shares, please contact Equiniti for details of how to change your payment instruction.

Scrip Dividend Programme

Shareholders can choose to have their dividends reinvested in new ordinary Barclays shares through the Scrip Dividend Programme.



More information, including the Terms and Conditions and application form, are available on our website.

 To find out more, contact Equiniti or visit:  
[home.barclays/dividends](http://home.barclays/dividends)

Shareholder information

Barclays shareholding

Shareholder security

Shareholders should be wary of any cold calls with an offer to buy or sell shares. Fraudsters use persuasive and high-pressure techniques to lure shareholders into high-risk investments or scams. You should treat any unsolicited calls with caution.

Please keep in mind that firms authorised by the Financial Conduct Authority (FCA) are unlikely to contact you out of the blue. You should consider getting independent financial or professional advice from someone unconnected to the respective firm before you hand over any money.

Report a scam

If you suspect that you have been approached by fraudsters please tell the FCA using the share fraud reporting form at [fca.org.uk/scams](https://fca.org.uk/scams). You can also call the FCA Helpline on 0800 111 6768 or through Action Fraud on 0300 123 2040.



Alternative formats

Shareholder documents can be provided in large print, audio CD or Braille free of charge by calling Equiniti.

0371 384 2055<sup>a</sup>  
(in the UK)

+44 121 415 7004  
(from overseas)

Audio versions of the Strategic Report will also be available at the AGM



Managing your shares online

Shareview

Barclays shareholders can go online to manage their shareholding and find out about Barclays performance by joining Shareview.

Through Shareview, you:

- will receive the latest updates from Barclays direct to your email
- can update your address and bank details online
- can vote in advance of general meetings.

To join Shareview, please follow these three easy steps:

Step 1

Go to [portfolio.shareview.co.uk](https://portfolio.shareview.co.uk)

Step 2

Register for electronic communications by following the instructions on screen

Step 3

You will be sent an activation code in the post the next working day

Returning funds to shareholders

Over 60,000 shareholders did not cash their Shares Not Taken Up (SNTU) cheque following the Rights Issue in September 2013. In 2018, we continued the tracing process to reunite these shareholders with their SNTU monies and any unclaimed dividends and by the end of the year, we had returned approximately £65,000 to our shareholders, in addition to the approximately £212,000 returned in 2017, £1.65m returned in 2016 and £2.2m in 2015.

Donations to charity

We launched a Share Dealing Service in October 2017 aimed at shareholders with relatively small shareholdings for whom it might otherwise be uneconomical to deal. One option open to shareholders was to donate their sale proceeds to ShareGift. As a result of this initiative, £46,957 was donated in 2018, taking the total donated since 2015 to over £345,000.

Useful contact details

Equiniti



The Barclays share register is maintained by Equiniti. If you have any questions about your Barclays shares, please contact Equiniti by visiting [shareview.co.uk](https://shareview.co.uk)



Equiniti  
0371 384 2055<sup>a</sup>  
(in the UK)

+44 121 415 7004  
(from overseas)

0371 384 2255<sup>a</sup>  
(for the hearing impaired in the UK)

+44 121 415 7028  
(for the hearing impaired from overseas)



Aspect House, Spencer Road,  
Lancing, West Sussex BN99 6DA

American Depositary Receipts (ADRs)

ADRs represent the ownership of Barclays PLC shares which are traded on the New York Stock Exchange. ADRs carry prices, and pay dividends, in US dollars.



If you have any questions about ADRs, please contact J.P.Morgan: [jpmorgan.adr@eq-us.com](mailto:jpmorgan.adr@eq-us.com) or visit [adr.com](https://adr.com)



J.P.Morgan Shareholder Services  
+1 800 990 1135  
(toll free in US and Canada)

+1 651 453 2128  
(outside the US and Canada)



JPMorgan Chase Bank N.A.  
PO Box 64504  
St Paul  
MN 55164-0504  
USA

Shareholder Relations



To give us your feedback or if you have any questions, please contact: [privateshareholderrelations@barclays.com](mailto:privateshareholderrelations@barclays.com)



Barclays PLC  
1 Churchill Place  
London E14 5HP

Share price



Information on the Barclays share price and other share price tools are available at: [home.barclays/investorrelations](https://home.barclays/investorrelations)

Note  
a Lines open 8.30am to 5.30pm (UK time) Monday to Friday, excluding public holidays.

444 Barclays PLC 2018 Annual Report on Form 20-F



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Source: Carbon footprint data evaluated by Labelia Conseil in accordance with the Bilan Carbone methodology. Calculations are based on a comparison between the recycled paper used versus a virgin fibre paper according to the latest European BREF data (virgin fibre paper) available.







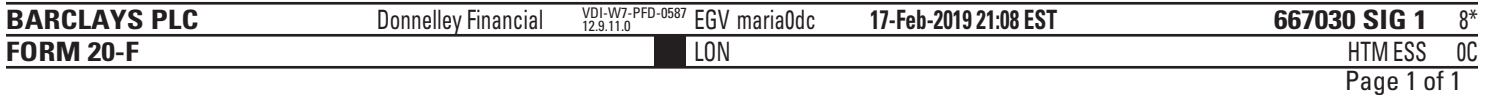
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EXHIBIT INDEX

| Exhibit | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|---------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1.1     | <a href="#">Articles of Association of Barclays PLC (incorporated by reference to the Form 6-K filed on May 2<sup>nd</sup>, 2013)</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 2.1     | Long Term Debt Instruments: Barclays PLC is not party to any single instrument relating to long-term debt pursuant to which a total amount of securities exceeding 10% of its total assets (on a consolidated basis) is authorised to be issued. Barclays PLC hereby agrees to furnish to the Securities and Exchange Commission (the "Commission"), upon its request, a copy of any instrument defining the rights of holders of its long-term debt or the rights of holders of the long-term debt of any of its subsidiaries for which consolidated or unconsolidated financial statements are required to be filed with the Commission. |
| 4.2     | <a href="#">Rules of the Barclays Group Share Value Plan (incorporated by reference to the 2013 Form 20-F filed on March 14<sup>th</sup>, 2014)</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 4.3     | <a href="#">Rules of the Barclays PLC Long Term Incentive Plan (incorporated by reference to the Barclays PLC Registration Statement on Form S-8 (File no. 333-173899) filed on May 3<sup>rd</sup>, 2011)</a>                                                                                                                                                                                                                                                                                                                                                                                                                              |
| 4.4     | <a href="#">Rules of the Barclays Group Deferred Share Value Plan (incorporated by reference to the 2016 Form 20-F filed on February 23<sup>rd</sup>, 2017)</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| 4.5     | <a href="#">Contract of Employment – Tushar Morzaria (incorporated by reference to the 2014 Form 20-F filed on March 14<sup>th</sup>, 2014)</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| 4.6     | <a href="#">Appointment Letter – John McFarlane (incorporated by reference to the 2014 Form 20-F filed on March 3<sup>rd</sup>, 2015)</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| 4.7     | <a href="#">Contract of employment – James E Staley (incorporated by reference to the 2015 Form 20-F filed on March 1<sup>st</sup>, 2016)</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| 4.8     | <a href="#">Transfer of Employment – James E Staley (incorporated by reference to the 2016 Form 20-F filed on February 23<sup>rd</sup>, 2017)</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 4.9     | <a href="#">Transfer of Employment – Tushar Morzaria (incorporated by reference to the 2016 Form 20-F filed on February 23<sup>rd</sup>, 2017)</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| 4.10    | <a href="#">Appointment Letter – Crawford Gillies</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 4.11    | <a href="#">Appointment Letter – Dambisa Moyo</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 4.12    | <a href="#">Appointment Letter – Diane Schueneman</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 4.13    | <a href="#">Appointment Letter – Sir Gerry Grimstone</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 4.14    | <a href="#">Appointment Letter – Sir Ian Cheshire</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 4.15    | <a href="#">Appointment Letter – Mary Anne Citrino</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| 4.16    | <a href="#">Appointment Letter – Mary Francis</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 4.17    | <a href="#">Appointment Letter – Matthew Lester</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 4.18    | <a href="#">Appointment Letter – Mike Ashley</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 4.19    | <a href="#">Appointment Letter – Mike Turner</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 4.20    | <a href="#">Appointment Letter – Rueben Jeffrey</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 4.21    | <a href="#">Appointment Letter – Tim Breedon</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 8.1     | <a href="#">List of subsidiaries. The list of subsidiaries of Barclays PLC can be found on pages 332 to 335 of the Form 20-F.</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |



|         |                                                                                                                                                                                       |
|---------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 11.1    | <a href="#"><u>Code of Ethics</u></a>                                                                                                                                                 |
| 12.1    | <a href="#"><u>Certifications filed pursuant to 17 CFR 240. 13(a)-14(a)</u></a>                                                                                                       |
| 13.1    | <a href="#"><u>Certifications filed pursuant to 17 CFR 240. 13(a) and 18 U.S.C 1350(a) and 1350(b)</u></a>                                                                            |
| 15.1    | <a href="#"><u>Consent of KPMG LLP for incorporation by reference of reports in certain securities registration statements of Barclays PLC.</u></a>                                   |
| 15.2    | <a href="#"><u>Consent of PricewaterhouseCoopers LLP for incorporation by reference of reports in certain securities registration statements of Barclays PLC.</u></a>                 |
| 99.1    | <a href="#"><u>A table setting forth the issued share capital of Barclays Group's total shareholders' equity, indebtedness and contingent liabilities as at 31 December 2018.</u></a> |
| 101.INS | XBRL Instance Document                                                                                                                                                                |
| 101.SCH | XBRL Taxonomy Extension Schema                                                                                                                                                        |
| 101.CAL | XBRL Taxonomy Extension Schema Calculation Linkbase                                                                                                                                   |
| 101.DEF | XBRL Taxonomy Extension Schema Definition Linkbase                                                                                                                                    |
| 101.LAB | XBRL Taxonomy Extension Schema Label Linkbase                                                                                                                                         |
| 101.PRE | XBRL Taxonomy Extension Schema Presentation Linkbase                                                                                                                                  |



The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorised the undersigned to sign this annual report on its behalf.

**Barclays PLC**  
(Registrant)

By /s/ Tushar Morzaria  
**Tushar Morzaria, Group Finance Director**



Exhibit 4.10

Barclays PLC  
1 Churchill Place  
London  
E14 5HP

1 April 2018

Dear Crawford,

Following the Barclays PLC (the 'Company' or 'BPLC') Board meeting on 27 March 2018, the Board agreed a new appointment letter would be issued in connection with your current appointment as an independent non-executive director of the BPLC Board following the separation of Barclays ring fenced and non-ring fenced banking activities and the stand up of the new Boards of Barclays Bank PLC and Barclays Bank UK PLC.

As such, I am pleased to re-confirm your appointment as an independent non-executive director of BPLC.

1. **Appointment**

- (a) This letter and its enclosures are a contract for services and not a contract of employment. Reference to your appointment in this letter means any or all of the offices as set out in 1(b) - (c) below.
- (b) With effect from 1 May 2014, you have served as an independent non-executive director of BPLC and with effect from\_\_ 1 April 2018 you will serve as Senior Independent Director.
- (c) During your appointment, you may be required to serve on board Committees (whether standing or ad hoc), membership of which will be agreed with you at the time. Committee membership will be considered on appointment and will be subject to accepted principles of good governance and the needs of the BPLC Board at the time.
- (d) As agreed you will serve as the Chairman of the BPLC Remuneration Committee and a member of BPLC Board Audit Committee and BPLC Board Nominations Committee.

2. **Term**

- (a) Subject to the termination provisions in section 3 below, your appointment will be for an initial term of 3 years from the date of your appointment and subject to the annual re-election by shareholders (see below). On or before the expiry of your initial term, and subject to the needs of the Board at the time, you may be invited to serve for a further term of up to three years. Non-executive directors will not usually serve for more than six years, however this is subject to the discretion of the Board Nominations Committee.
- (b) Your appointment, including any extension of your term, is subject to the following:
  - i. the Company's Articles of Association, a copy of which was included in your original appointment pack;
  - ii. annual re-election by shareholders at the BPLC AGM, in accordance with the UK Corporate Governance Code;
  - iii. your ongoing ability to satisfy the standards and obligations applicable to directors of public companies, and, in particular, any regulatory standards expected of directors of banks and financial services firms, including if applicable, the need for regulatory approval and other requirements placed on directors under the Senior Managers Regime including the Senior Manager and Individual Conduct Rules;
  - iv. your ongoing fitness to serve as a company director and/or, if applicable, in a senior manager function;



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- v. your ongoing performance and contribution to the Board as assessed by the BPLC Board having regard to relevant information, including the annual review of the effectiveness of the Board and individual directors;
  - vi. the needs of the Board having regard to the skills and experience required to oversee the business, which may change over time.
- (c) You undertake to inform the Company Secretary or Chairman of BPLC or relevant regulatory authority of any change in your personal or professional circumstances that might impact your ability to continue in your role as an independent non-executive director of BPLC. This includes, but is not limited to:
- i. You being charged with and/or convicted of a criminal offence (other than an offence under any road traffic legislation in the United Kingdom or elsewhere for which a fine or non-custodial penalty is imposed);
  - ii. You becoming bankrupt (or its equivalent status in any other jurisdiction) or become insolvent or enter into any arrangements or composition with your creditors;
  - iii. You being subject to personal sanction in respect of any of your other roles, or guilty of any serious misconduct or conduct which is calculated or likely to bring the Barclays Group or any of its directors or subsidiaries into disrepute or which conflicts with the Barclays Values, a copy of which was included in your original appointment pack.

### 3. Termination

- (a) Your appointment is conditional upon you satisfying and maintaining on an ongoing basis, the requirements of section 2 above.
- (b) This appointment can be terminated at any time by either party giving notice in writing to the other. Both parties agree that, in order to facilitate an orderly exit and succession, and where circumstances permit, they will provide reasonable notice to the other of their intentions to terminate the appointment.
- (c) There is no entitlement to any payment for loss of office. Regardless of the reason for termination, you will only be entitled to such fees and expenses as have accrued and are due to you as at the date of termination.
- (d) On termination of your appointment, you will immediately deliver to the Company all documents, records, papers or other company property which may be in your possession or under your control and which relate in any way to the business affairs of the Company or Barclays. You agree not to retain any copies or duplicates in any format.
- (e) On termination of your appointment and whether or not you have formally resigned from your position, you will be deemed to have done so. You agree that, on termination, Barclays is entitled to issue any announcements or other filings required as a result of you ceasing to be a director.

### 4. Fees

- (a) In respect of your appointment, you will receive a fee ('Fee') of:
  - i. £80,000 per year payable in respect of your directorship of BPLC
  - ii. £30,000 in respect of your position as Senior Independent Director
  - iii. £70,000 in respect of your Chairmanship of the BPLC Remuneration Committee
  - iv. Such other fee as shall be payable in respect of any other Committee memberships as advised to you on appointment to a Committee.
- (b) The Fee is payable monthly in arrear by direct credit into your nominated bank account less any tax and any other statutory deductions. On termination, you will only be entitled to such amount of the Fee as has accrued at the date of termination.
- (c) Any reasonable out of pocket expenses that you incur in performing your duties will be reimbursed in accordance with our standard expenses policy, a copy of which is available on request.
- (d) The Fee may be subject to any amendment or qualification as required by any law, regulation or regulatory authority including but not limited to tax and national insurance deductions as applicable.





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- (e) To ensure alignment with the Group's interests, all directors of BPLC are encouraged to hold shares in Barclays PLC. All dealings are subject to the Barclays Group Securities Dealing Code, a copy of which is available on request. You will be required to take £30,000 of your Fee, after tax and any other statutory deductions, in Barclays PLC shares ('Shares'). The Shares will be purchased twice a year after the announcement of the Barclays PLC full and half-year financial results. The Shares will be held on your behalf until the termination of your appointment; enclosed is an agreement setting out the details, please sign and return.
- (f) There is no contractual entitlement to any increase in your Fee during your appointment. Directors' fees are reviewed periodically by the BPLC Remuneration Committee and benchmarked to the market.
- (g) Aside from the Fee, you are not eligible to receive any contractual benefits. As a non-executive director, you are not eligible to participate in any benefit schemes, including but not limited to the Barclays Group's incentive award, long term incentive schemes and the Barclays Group's pension scheme, nor to receive any payment or cash allowances in lieu.

5. **Directors Share Qualification**

Under Barclays PLC Articles of Association, you are required to hold £500 in nominal value (2,000 Ordinary shares of 25p each) of Barclays PLC within two months of your appointment. In accordance with the Barclays Group Securities Dealing Code, you must obtain clearance to deal before you acquire these or any Barclays PLC shares. If you would like assistance in purchasing these shares, please let me know and I will arrange this for you.

6. **Role as a non-executive director**

- (a) The attached role profile will form part of your contract for services. The role profile may be changed from time to time, and once notified to you, shall be deemed to replace the attached and form part of your contract for services.
- (b) As an independent non-executive director, your primary responsibility is to provide effective oversight and constructive challenge, helping to develop proposals on strategy and then fully empowering the executive directors to implement the strategy.
- (c) Non-executive directors have the same legal responsibilities and duties as any other director and are required to take decisions in the best interests of the Company. The Board as a whole is collectively responsible for promoting the success of the Company and for supervising the Company's affairs by providing sound leadership within a framework of prudent and effective controls and risk management; setting the Company's strategic aims, ensuring that the necessary financial and human resources are in place for the Company to meet its objectives; reviewing management performance and setting the Company's values and standards.
- (d) During your appointment you agree to diligently perform such duties, responsibilities and functions (whether statutory, fiduciary or common law) as are consistent with your position and role profile as an independent non-executive director and with any relevant Barclays Group policies and procedures.

7. **Time Commitment**

- (a) In accepting this appointment, you confirm that you are able to allocate sufficient time to meet the expectations of your role on the BPLC Board including being available to devote additional time to the role during periods of increased activity or in response to market developments. Directors are also expected to attend the BPLC AGM, usually held in April / May and be available afterwards to meet with and answer questions from shareholders.
- (b) The agreement of the Chairman of BPLC must be sought before accepting additional appointments to any other company, corporate body, or entity, during your tenure that might affect the time that you are able to devote to your role.



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- (c) All directors are expected to attend all Board meetings. The BPLC Board is expected to formally meet up to eight times a year, including an annual 1-2 day strategy session and on an ad-hoc basis as required. Some of the meetings may be held overseas. You will also be required to attend meetings of Committees of which you are a member.
- (d) There is a standing invitation to all non-executive directors to attend any other BPLC Board Committee meeting. Please inform the relevant BPLC Committee Chairman if you wish to attend a meeting of which you are not a member.
- (e) Directors are expected to set aside sufficient time to consider the papers in advance of BPLC Board and Committee meetings. Papers are normally circulated to directors in the week prior to the relevant meeting.
- (f) Your average expected time commitment as Senior Independent Director and Chairman of the BPLC Remuneration Committee is as required to fulfil the role.

**8. Conflicts of interests and outside interests**

- (a) As a director you have a duty to avoid conflicts of interest and to disclose personal interests in contracts.
- (b) It is accepted and acknowledged that you have business and other interests outside the Company. Subject to such interests not giving rise to a conflict, the Company does not object to you continuing with such interests provided they have been fully disclosed and accepted by the Company prior to your appointment. Should you become aware of any actual or potential conflicts of interest in the course of your appointment, these should be discussed with the Chairman of BPLC as soon as possible and authorised by the Board of BPLC. All conflicts must be recorded in accordance with the Board's stated policy.
- (c) As set out above, you must seek permission from the Chairman of BPLC before taking on any additional outside interests.

**9. Induction, Values and Support**

- (a) To assist directors in making a contribution to the BPLC Board as quickly as possible, all directors are offered a comprehensive induction programme, details of which were provided to you when you joined the Board. We will also provide briefings on the details of procedures regarding the disclosure of any conflicts of interest, data protection, the control of inside information and for obtaining clearance to deal in BPLC shares.
- (b) The Barclays Values (Respect, Integrity, Service, Excellence and Stewardship) are a central part of everything we do. The Values form a critical part of how Barclays is changing, as well as our purpose and behaviours. You will be expected to act in accordance with the Values as a non-executive director of the Company, and, in particular, to follow our Code of Conduct (known as the Barclays Way).
- (c) On-going training and briefings on particular topics will be made available, including any topics that you may request.
- (d) As Company Secretary, I am available to all directors to support the effective discharge of their duties and to assist with any queries. The Barclays Group General Counsel is also available to assist you with legal queries.
- (e) Occasions may arise when you consider that you need professional advice in the furtherance of your duties as a director. Where it is deemed appropriate for you to seek advice from independent legal advisers, you may, with the prior written agreement of the Company Secretary, seek independent advice at Barclays' expense.

**10. Confidentiality**

- (a) You will appreciate that the business of the Company and the Barclays Group is a specialised and competitive business. In the course of your appointment you will have access to and knowledge of, the trade secrets and confidential information of the Company and the Barclays Group. You acknowledge that the disclosure of any trade secrets or confidential information to actual or potential competitors of the Company and/or any Barclays Group company would place the Company and/or the Barclays



Group at a serious competitive disadvantage and would do serious damage, financial and/or otherwise, to its or their business and business development and would cause immeasurable harm.

- (b) You must neither during the term of your appointment (except in the proper performance of the duties of your office or with the express written consent of the Board) nor at any time (without limit) after the termination of your appointment except where disclosure is required by law, by an order of a competent court or by a regulatory body:
  - i. publish, divulge or communicate to any person, company, business entity or other organisation or to the media or any social media;
  - ii. use for your own purposes or for any purposes other than those of the Company or the Barclays Group; or
  - iii. through any failure to exercise due care and diligence, permit or cause any unauthorised disclosure of any confidential information
- (c) These restrictions shall cease to apply to any information which shall become available to the public generally otherwise than through any breach by you of the provisions of this letter or other default of yours.
- (d) All notes, memoranda, records and documents (in whatever form or media held) that you make during the term of your appointment in performing your duties as non-executive Director will belong to the Barclays Group and will be handed over to Barclays together with any copies promptly from time to time on reasonable request of any Barclays Group Company and at the end of your appointment.
- (e) Nothing in this letter, including but not limited to the provisions on confidentiality above, is intended to or shall prevent you from raising concerns in line with Barclays' internal reporting processes or making any disclosure to governmental bodies, law enforcement authorities and/or regulators as permitted or required under applicable law or regulation (including but not limited to a "protected disclosure" within the meaning of Part 43A (Protected Disclosures) of the Employment Rights Act 1996 and to any protected disclosures made about matters previously disclosed to another recipient).

11. Dealing in Barclays Securities

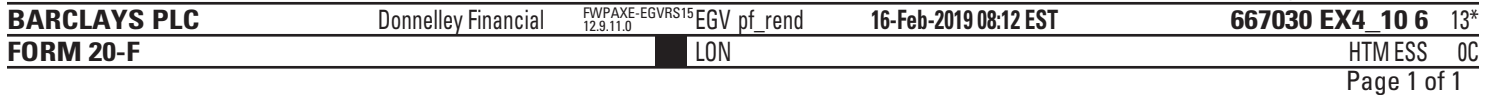
- (a) Your attention is drawn to the requirements under both law and regulation regarding the disclosure of price sensitive information. Matters relating to BPLC may from time to time give rise to price sensitive information which must be held under strict confidentiality conditions.
- (b) Your responsibilities will be explained to you as part of your induction. You should avoid taking any action that might risk a breach of these requirements. If you need any assistance in understanding your obligations, please contact me.

12. Indemnification and insurance

- (a) As a statutory director of BPLC you will have the benefit of and are able to rely upon an indemnity from BPLC. Your indemnity is of course in addition to any other protection available to you by virtue of the provisions of statute, common law or indeed any specific contract.
- (b) To formalise the indemnification arrangements referred to above, you will be issued with a deed of indemnity from BPLC and instructions on what steps you need to take to enter into the deed and to accept its terms and conditions.
- (c) As a UK statutory director you will be deemed to be an insured person for the purpose of the Group's current policy of Directors' and Officers' Liability Insurance subject to its terms and conditions.

13. Data Privacy

- (a) The Company and any Barclays Group company shall process your personal information for administrative and other purposes related to your appointment and the conduct of the business of the Barclays Group (the Agreed Purposes). Processing includes obtaining, holding, editing, destroying or disclosing your personal information to any Barclays Group company and/or any third



(b) You agree to provide your personal information to the Company and the Barclays Group and consent to the Processing of that information for the Agreed Purposes. This may include transfers to recipients based in another country to your place of appointment (either within or outside the EEA).

Please confirm your acceptance of the appointment as set out in this letter by signing and returning the enclosed duplicate letter. If I can help with any further information, please do not hesitate to contact me.

Stephen Shapiro  
Company Secretary  
Barclays PLC

- Role Profile for BPLC non-executive directors
- Dates for 2018 BPLC Board and Committee meetings

Signed: \_\_\_\_\_

Name: Crawford Gillies

Date: 1 April 2018



Exhibit 4.11

Barclays PLC  
1 Churchill Place  
London  
E14 5HP

1 April 2018

Dear Dambisa,

Following the Barclays PLC (the ‘Company’ or ‘BPLC’) Board meeting on 27 March 2018, the Board agreed a new appointment letter would be issued in connection with your current appointment as an independent non-executive director of the BPLC Board following the separation of Barclays ring fenced and non-ring fenced banking activities and the stand up of the new Boards of Barclays Bank PLC and Barclays Bank UK PLC.

As such, I am pleased to re-confirm your appointment as an independent non-executive director of BPLC.

1. Appointment

- (a) This letter and its enclosures are a contract for services and not a contract of employment. Reference to your appointment in this letter means any or all of the offices as set out in 1(b) - (c) below.
- (b) With effect from 1 May 2010, you have served as an independent non-executive director of BPLC.
- (c) During your appointment, you may be required to serve on board Committees (whether standing or ad hoc), membership of which will be agreed with you at the time. Committee membership will be considered on appointment and will be subject to accepted principles of good governance and the needs of the BPLC Board at the time.
- (d) As agreed you will serve as a member of the BPLC Board Reputation Committee and the BPLC Board Remuneration Committee.

2. Term

- (a) Subject to the termination provisions in section 3 below, your appointment will be for an initial term of 3 years from the date of your appointment and subject to the annual re-election by shareholders (see below). On or before the expiry of your initial term, and subject to the needs of the Board at the time, you may be invited to serve for a further term of up to three years. Non-executive directors will not usually serve for more than six years, however this is subject to the discretion of the Board Nominations Committee.
- (b) Your appointment, including any extension of your term, is subject to the following:
  - i. the Company’s Articles of Association, a copy of which was included in your original appointment pack;
  - ii. annual re-election by shareholders at the BPLC AGM, in accordance with the UK Corporate Governance Code;
  - iii. your ongoing ability to satisfy the standards and obligations applicable to directors of public companies, and, in particular, any regulatory standards expected of directors of banks and financial services firms, including if applicable, the need for regulatory approval and other requirements placed on directors under the Senior Managers Regime including the Senior Manager and Individual Conduct Rules;
  - iv. your ongoing fitness to serve as a company director and/or, if applicable, in a senior manager function;
  - v. your ongoing performance and contribution to the Board as assessed by the BPLC Board having regard to relevant information, including the annual review of the effectiveness of the Board and individual directors;
  - vi. the needs of the Board having regard to the skills and experience required to oversee the business, which may change over time.





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- (c) You undertake to inform the Company Secretary or Chairman of BPLC or relevant regulatory authority of any change in your personal or professional circumstances that might impact your ability to continue in your role as an independent non-executive director of BPLC. This includes, but is not limited to:
- i. You being charged with and/or convicted of a criminal offence (other than an offence under any road traffic legislation in the United Kingdom or elsewhere for which a fine or non-custodial penalty is imposed);
  - ii. You becoming bankrupt (or its equivalent status in any other jurisdiction) or become insolvent or enter into any arrangements or composition with your creditors;
  - iii. You being subject to personal sanction in respect of any of your other roles, or guilty of any serious misconduct or conduct which is calculated or likely to bring the Barclays Group or any of its directors or subsidiaries into disrepute or which conflicts with the Barclays Values, a copy of which was included in your original appointment pack.

### 3. Termination

- (a) Your appointment is conditional upon you satisfying and maintaining on an ongoing basis, the requirements of section 2 above.
- (b) This appointment can be terminated at any time by either party giving notice in writing to the other. Both parties agree that, in order to facilitate an orderly exit and succession, and where circumstances permit, they will provide reasonable notice to the other of their intentions to terminate the appointment.
- (c) There is no entitlement to any payment for loss of office. Regardless of the reason for termination, you will only be entitled to such fees and expenses as have accrued and are due to you as at the date of termination.
- (d) On termination of your appointment, you will immediately deliver to the Company all documents, records, papers or other company property which may be in your possession or under your control and which relate in any way to the business affairs of the Company or Barclays. You agree not to retain any copies or duplicates in any format.
- (e) On termination of your appointment and whether or not you have formally resigned from your position, you will be deemed to have done so. You agree that, on termination, Barclays is entitled to issue any announcements or other filings required as a result of you ceasing to be a director.

### 4. Fees

- (a) In respect of your appointment, you will receive a fee ('Fee') of:
  - i. £80,000 per year payable in respect of your directorship of BPLC; and
  - ii. Such other fee as shall be payable in respect of any other Committee memberships as advised to you on appointment to a Committee.
- (b) The Fee is payable monthly in arrear by direct credit into your nominated bank account less any tax and any other statutory deductions. On termination, you will only be entitled to such amount of the Fee as has accrued at the date of termination.
- (c) Any reasonable out of pocket expenses that you incur in performing your duties will be reimbursed in accordance with our standard expenses policy, a copy of which is available on request.
- (d) The Fee may be subject to any amendment or qualification as required by any law, regulation or regulatory authority including but not limited to tax and national insurance deductions as applicable.
- (e) To ensure alignment with the Group's interests, all directors of BPLC are encouraged to hold shares in Barclays PLC. All dealings are subject to the Barclays Group Securities Dealing Code, a copy of which is available on request. You will be required to take £30,000 of your Fee, after tax and any other statutory deductions, in Barclays PLC shares ('Shares'). The Shares will be purchased twice a year after the announcement of the Barclays PLC full and half-year financial results. The Shares will be held on your behalf until the termination of your appointment; enclosed is an agreement setting out the details, please sign and return.



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- (f) There is no contractual entitlement to any increase in your Fee during your appointment. Directors' fees are reviewed periodically by the BPLC Remuneration Committee and benchmarked to the market.
- (g) Aside from the Fee, you are not eligible to receive any contractual benefits. As a non-executive director, you are not eligible to participate in any benefit schemes, including but not limited to the Barclays Group's incentive award, long term incentive schemes and the Barclays Group's pension scheme, nor to receive any payment or cash allowances in lieu.

5. **Directors Share Qualification**

Under Barclays PLC Articles of Association, you are required to hold £500 in nominal value (2,000 Ordinary shares of 25p each) of Barclays PLC within two months of your appointment. In accordance with the Barclays Group Securities Dealing Code, you must obtain clearance to deal before you acquire these or any Barclays PLC shares. If you would like assistance in purchasing these shares, please let me know and I will arrange this for you.

6. **Role as a non-executive director**

- (a) The attached role profile will form part of your contract for services. The role profile may be changed from time to time, and once notified to you, shall be deemed to replace the attached and form part of your contract for services.
- (b) As an independent non-executive director, your primary responsibility is to provide effective oversight and constructive challenge, helping to develop proposals on strategy and then fully empowering the executive directors to implement the strategy.
- (c) Non-executive directors have the same legal responsibilities and duties as any other director and are required to take decisions in the best interests of the Company. The Board as a whole is collectively responsible for promoting the success of the Company and for supervising the Company's affairs by providing sound leadership within a framework of prudent and effective controls and risk management; setting the Company's strategic aims, ensuring that the necessary financial and human resources are in place for the Company to meet its objectives; reviewing management performance and setting the Company's values and standards.
- (d) During your appointment you agree to diligently perform such duties, responsibilities and functions (whether statutory, fiduciary or common law) as are consistent with your position and role profile as an independent non-executive director and with any relevant Barclays Group policies and procedures.

7. **Time Commitment**

- (a) In accepting this appointment, you confirm that you are able to allocate sufficient time to meet the expectations of your role on the BPLC Board including being available to devote additional time to the role during periods of increased activity or in response to market developments. Directors are also expected to attend the BPLC AGM, usually held in April / May and be available afterwards to meet with and answer questions from shareholders.
- (b) The agreement of the Chairman of BPLC must be sought before accepting additional appointments to any other company, corporate body, or entity, during your tenure that might affect the time that you are able to devote to your role.
- (c) All directors are expected to attend all Board meetings. The BPLC Board is expected to formally meet up to eight times a year, including an annual 1-2 day strategy session and on an ad-hoc basis as required. Some of the meetings may be held overseas. You will also be required to attend meetings of Committees of which you are a member.
- (d) There is a standing invitation to all non-executive directors to attend any other BPLC Board Committee meeting. Please inform the relevant BPLC Committee Chairman if you wish to attend a meeting of which you are not a member.



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- (e) Directors are expected to set aside sufficient time to consider the papers in advance of BPLC Board and Committee meetings. Papers are normally circulated to directors in the week prior to the relevant meeting.
- (f) Your average expected time commitment for your role as a BPLC non-executive director is 30 days per year, including membership of any committees.

8. Conflicts of interests and outside interests

- (a) As a director you have a duty to avoid conflicts of interest and to disclose personal interests in contracts.
- (b) It is accepted and acknowledged that you have business and other interests outside the Company. Subject to such interests not giving rise to a conflict, the Company does not object to you continuing with such interests provided they have been fully disclosed and accepted by the Company prior to your appointment. Should you become aware of any actual or potential conflicts of interest in the course of your appointment, these should be discussed with the Chairman of BPLC as soon as possible and authorised by the Board of BPLC. All conflicts must be recorded in accordance with the Board's stated policy.
- (c) As set out above, you must seek permission from the Chairman of BPLC before taking on any additional outside interests.

9. Induction, Values and Support

- (a) To assist directors in making a contribution to the BPLC Board as quickly as possible, all directors are offered a comprehensive induction programme, details of which were provided to you when you joined the Board. We will also provide briefings on the details of procedures regarding the disclosure of any conflicts of interest, data protection, the control of inside information and for obtaining clearance to deal in BPLC shares.
- (b) The Barclays Values (Respect, Integrity, Service, Excellence and Stewardship) are a central part of everything we do. The Values form a critical part of how Barclays is changing, as well as our purpose and behaviours. You will be expected to act in accordance with the Values as a non-executive director of the Company, and, in particular, to follow our Code of Conduct (known as the Barclays Way).
- (c) On-going training and briefings on particular topics will be made available, including any topics that you may request.
- (d) As Company Secretary, I am available to all directors to support the effective discharge of their duties and to assist with any queries. The Barclays Group General Counsel is also available to assist you with legal queries.
- (e) Occasions may arise when you consider that you need professional advice in the furtherance of your duties as a director. Where it is deemed appropriate for you to seek advice from independent legal advisers, you may, with the prior written agreement of the Company Secretary, seek independent advice at Barclays' expense.

10. Confidentiality

- (a) You will appreciate that the business of the Company and the Barclays Group is a specialised and competitive business. In the course of your appointment you will have access to and knowledge of, the trade secrets and confidential information of the Company and the Barclays Group. You acknowledge that the disclosure of any trade secrets or confidential information to actual or potential competitors of the Company and/or any Barclays Group company would place the Company and/or the Barclays Group at a serious competitive disadvantage and would do serious damage, financial and/or otherwise, to its or their business and business development and would cause immeasurable harm.
- (b) You must neither during the term of your appointment (except in the proper performance of the duties of your office or with the express written consent of the Board) nor at any time (without limit) after the termination of your appointment except where disclosure is required by law, by an order of a competent court or by a regulatory body:



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- i. publish, divulge or communicate to any person, company, business entity or other organisation or to the media or any social media;
- ii. use for your own purposes or for any purposes other than those of the Company or the Barclays Group; or
- iii. through any failure to exercise due care and diligence, permit or cause any unauthorised disclosure of any confidential information

- (c) These restrictions shall cease to apply to any information which shall become available to the public generally otherwise than through any breach by you of the provisions of this letter or other default of yours.
- (d) All notes, memoranda, records and documents (in whatever form or media held) that you make during the term of your appointment in performing your duties as non-executive director will belong to the Barclays Group and will be handed over to Barclays together with any copies promptly from time to time on reasonable request of any Barclays Group Company and at the end of your appointment.
- (e) Nothing in this letter, including but not limited to the provisions on confidentiality above, is intended to or shall prevent you from raising concerns in line with Barclays' internal reporting processes or making any disclosure to governmental bodies, law enforcement authorities and/or regulators as permitted or required under applicable law or regulation (including but not limited to a "protected disclosure" within the meaning of Part 43A (Protected Disclosures) of the Employment Rights Act 1996 and to any protected disclosures made about matters previously disclosed to another recipient).

11. **Dealing in Barclays Securities**

- (a) Your attention is drawn to the requirements under both law and regulation regarding the disclosure of price sensitive information. Matters relating to BPLC may from time to time give rise to price sensitive information which must be held under strict confidentiality conditions.
- (b) Your responsibilities will be explained to you as part of your induction. You should avoid taking any action that might risk a breach of these requirements. If you need any assistance in understanding your obligations, please contact me.

12. **Indemnification and insurance**

- (a) As a statutory director of BPLC you will have the benefit of and are able to rely upon an indemnity from BPLC. Your indemnity is of course in addition to any other protection available to you by virtue of the provisions of statute, common law or indeed any specific contract.
- (b) To formalise the indemnification arrangements referred to above, you will be issued with a deed of indemnity from BPLC and instructions on what steps you need to take to enter into the deed and to accept its terms and conditions.
- (c) As a UK statutory director you will be deemed to be an insured person for the purpose of the Group's current policy of Directors' and Officers' Liability Insurance subject to its terms and conditions.

13. **Data Privacy**

- (a) The Company and any Barclays Group company shall process your personal information for administrative and other purposes related to your appointment and the conduct of the business of the Barclays Group (the Agreed Purposes). Processing includes obtaining, holding, editing, destroying or disclosing your personal information to any Barclays Group company and/or any third parties (for example, insurers, banks and new Barclays Group companies following a business transfer or merger) for the Agreed Purposes ('Processing' or 'Process'). Barclays may also transfer your information to any Barclays Group company and/or any third parties (for example, insurers, banks and new Barclays Group companies following a business transfer or merger) in order to Process your personal information for the Agreed Purposes.

(b) You agree to provide your personal information to the Company and the Barclays Group and consent to the Processing of that information for the Agreed Purposes. This may include transfers to recipients based in another country to your place of appointment (either within or outside the EEA).

This letter and enclosures set out the main terms of your appointment and on acceptance will constitute a contract for services.

Please confirm your acceptance of the appointment as set out in this letter by signing and returning the enclosed duplicate letter. If I can help with any further information, please do not hesitate to contact me.

Yours sincerely,

Stephen Shapiro  
Company Secretary  
Barclays PLC

- Enclosures:
- Role Profile for BPLC non-executive directors
  - Dates for 2018 BPLC Board and Committee meetings

I agree to the terms and conditions of my appointment as set out in this letter dated 1 April 2018.

Signed: \_\_\_\_\_

Name: Dambisa Moyo

Date: 1 April 2018





Exhibit 4.12

Barclays PLC  
1 Churchill Place  
London  
E14 5HP

1 April 2018

Dear Diane,

Following the Barclays PLC (the 'Company' or 'BPLC') Board meeting on 27 March 2018, the Board agreed a new appointment letter would be issued in connection with your current appointment as an independent non-executive director of the BPLC Board following the separation of Barclays ring fenced and non-ring fenced banking activities and the stand up of the new Boards of Barclays Bank PLC and Barclays Bank UK PLC.

As such, I am pleased to re-confirm your appointment as an independent non-executive director of BPLC.

1. Appointment

- (a) This letter and its enclosures are a contract for services and not a contract of employment. Reference to your appointment in this letter means any or all of the offices as set out in 1(b) - (c) below.
- (b) With effect from 25 June 2015, you have served as an independent non-executive director of BPLC.
- (c) During your appointment, you may be required to serve on board Committees (whether standing or ad hoc), membership of which will be agreed with you at the time. Committee membership will be considered on appointment and will be subject to accepted principles of good governance and the needs of the BPLC Board at the time.
- (d) As agreed you will serve as a member of the BPLC Board Audit Committee and Board Risk Committee.

2. Term

- (a) Subject to the termination provisions in section 3 below, your appointment will be for an initial term of 3 years from the date of your appointment and subject to the annual re-election by shareholders (see below). On or before the expiry of your initial term, and subject to the needs of the Board at the time, you may be invited to serve for a further term of up to three years. Non-executive directors will not usually serve for more than six years, however this is subject to the discretion of the Board Nominations Committee.
- (b) Your appointment, including any extension of your term, is subject to the following:
  - i. the Company's Articles of Association, a copy of which was included in your original appointment pack;
  - ii. annual re-election by shareholders at the BPLC AGM, in accordance with the UK Corporate Governance Code;
  - iii. your ongoing ability to satisfy the standards and obligations applicable to directors of public companies, and, in particular, any regulatory standards expected of directors of banks and financial services firms, including if applicable, the need for regulatory approval and other requirements placed on directors under the Senior Managers Regime including the Senior Manager and Individual Conduct Rules;
  - iv. your ongoing fitness to serve as a company director and/or, if applicable, in a senior manager function;
  - v. your ongoing performance and contribution to the Board as assessed by the BPLC Board having regard to relevant information, including the annual review of the effectiveness of the Board and individual directors;



vi. the needs of the Board having regard to the skills and experience required to oversee the business, which may change over time.

- (c) You undertake to inform the Company Secretary or Chairman of BPLC or relevant regulatory authority of any change in your personal or professional circumstances that might impact your ability to continue in your role as an independent non-executive director of BPLC. This includes, but is not limited to:
- i. You being charged with and/or convicted of a criminal offence (other than an offence under any road traffic legislation in the United Kingdom or elsewhere for which a fine or non-custodial penalty is imposed);
  - ii. You becoming bankrupt (or its equivalent status in any other jurisdiction) or become insolvent or enter into any arrangements or composition with your creditors;
  - iii. You being subject to personal sanction in respect of any of your other roles, or guilty of any serious misconduct or conduct which is calculated or likely to bring the Barclays Group or any of its directors or subsidiaries into disrepute or which conflicts with the Barclays Values, a copy of which was included in your original appointment pack.

**3. Termination**

- (a) Your appointment is conditional upon you satisfying and maintaining on an ongoing basis, the requirements of section 2 above.
- (b) This appointment can be terminated at any time by either party giving notice in writing to the other. Both parties agree that, in order to facilitate an orderly exit and succession, and where circumstances permit, they will provide reasonable notice to the other of their intentions to terminate the appointment.
- (c) There is no entitlement to any payment for loss of office. Regardless of the reason for termination, you will only be entitled to such fees and expenses as have accrued and are due to you as at the date of termination.
- (d) On termination of your appointment, you will immediately deliver to the Company all documents, records, papers or other company property which may be in your possession or under your control and which relate in any way to the business affairs of the Company or Barclays. You agree not to retain any copies or duplicates in any format.
- (e) On termination of your appointment and whether or not you have formally resigned from your position, you will be deemed to have done so. You agree that, on termination, Barclays is entitled to issue any announcements or other filings required as a result of you ceasing to be a director.

**4. Fees**

- (a) In respect of your appointment, you will receive a fee ('Fee') of:
- i. £80,000 per year payable in respect of your directorship of BPLC; and
  - ii. Such other fee as shall be payable in respect of any other Committee memberships as advised to you on appointment to a Committee.
- (b) The Fee is payable monthly in arrears by direct credit into your nominated bank account less any tax and any other statutory deductions. On termination, you will only be entitled to such amount of the Fee as has accrued at the date of termination.
- (c) Any reasonable out of pocket expenses that you incur in performing your duties will be reimbursed in accordance with our standard expenses policy, a copy of which is available on request.
- (d) The Fee may be subject to any amendment or qualification as required by any law, regulation or regulatory authority including but not limited to tax and national insurance deductions as applicable.
- (e) To ensure alignment with the Group's interests, all directors of BPLC are encouraged to hold shares in Barclays PLC. All dealings are subject to the Barclays Group Securities Dealing Code, a copy of which is available on request. You will be required to take £30,000 of your Fee, after tax and any other statutory deductions, in Barclays PLC shares ('Shares'). The Shares will be purchased



twice a year after the announcement of the Barclays PLC full and half-year financial results. The Shares will be held on your behalf until the termination of your appointment; enclosed is an agreement setting out the details, please sign and return.

- (f) There is no contractual entitlement to any increase in your Fee during your appointment. Directors' fees are reviewed periodically by the BPLC Remuneration Committee and benchmarked to the market.
- (g) Aside from the Fee, you are not eligible to receive any contractual benefits. As a non-executive director, you are not eligible to participate in any benefit schemes, including but not limited to the Barclays Group's incentive award, long term incentive schemes and the Barclays Group's pension scheme, nor to receive any payment or cash allowances in lieu.

5. Directors Share Qualification

Under Barclays PLC Articles of Association, you are required to hold £500 in nominal value (2,000 Ordinary shares of 25p each) of Barclays PLC within two months of your appointment. In accordance with the Barclays Group Securities Dealing Code, you must obtain clearance to deal before you acquire these or any Barclays PLC shares. If you would like assistance in purchasing these shares, please let me know and I will arrange this for you.

6. Role as a non-executive director

- (a) The attached role profile will form part of your contract for services. The role profile may be changed from time to time, and once notified to you, shall be deemed to replace the attached and form part of your contract for services.
- (b) As an independent non-executive director, your primary responsibility is to provide effective oversight and constructive challenge, helping to develop proposals on strategy and then fully empowering the executive directors to implement the strategy.
- (c) Non-executive directors have the same legal responsibilities and duties as any other director and are required to take decisions in the best interests of the Company. The Board as a whole is collectively responsible for promoting the success of the Company and for supervising the Company's affairs by providing sound leadership within a framework of prudent and effective controls and risk management; setting the Company's strategic aims, ensuring that the necessary financial and human resources are in place for the Company to meet its objectives; reviewing management performance and setting the Company's values and standards.
- (d) During your appointment you agree to diligently perform such duties, responsibilities and functions (whether statutory, fiduciary or common law) as are consistent with your position and role profile as an independent non-executive director and with any relevant Barclays Group policies and procedures.

7. Time Commitment

- (a) In accepting this appointment, you confirm that you are able to allocate sufficient time to meet the expectations of your role on the BPLC Board including being available to devote additional time to the role during periods of increased activity or in response to market developments. Directors are also expected to attend the BPLC AGM, usually held in April / May and be available afterwards to meet with and answer questions from shareholders.
- (b) The agreement of the Chairman of BPLC must be sought before accepting additional appointments to any other company, corporate body, or entity, during your tenure that might affect the time that you are able to devote to your role.
- (c) All directors are expected to attend all Board meetings. The BPLC Board is expected to formally meet up to eight times a year, including an annual 1-2 day strategy session and on an ad-hoc basis as required. Some of the meetings may be held overseas. You will also be required to attend meetings of Committees of which you are a member.
- (d) There is a standing invitation to all non-executive directors to attend any other BPLC Board Committee meeting. Please inform the relevant BPLC Committee Chairman if you wish to attend a meeting of which you are not a member.



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- (e) Directors are expected to set aside sufficient time to consider the papers in advance of BPLC Board and Committee meetings. Papers are normally circulated to directors in the week prior to the relevant meeting.
- (f) Your average expected time commitment for your role as a BPLC non-executive director is 30 days per year, including membership of any committees.

8. **Conflicts of interests and outside interests**

- (a) As a director you have a duty to avoid conflicts of interest and to disclose personal interests in contracts.
- (b) It is accepted and acknowledged that you have business and other interests outside the Company. Subject to such interests not giving rise to a conflict, the Company does not object to you continuing with such interests provided they have been fully disclosed and accepted by the Company prior to your appointment. Should you become aware of any actual or potential conflicts of interest in the course of your appointment, these should be discussed with the Chairman of BPLC as soon as possible and authorised by the Board of BPLC. All conflicts must be recorded in accordance with the Board's stated policy.
- (c) As set out above, you must seek permission from the Chairman of BPLC before taking on any additional outside interests.

9. **Induction, Values and Support**

- (a) To assist directors in making a contribution to the BPLC Board as quickly as possible, all directors are offered a comprehensive induction programme, details of which were provided to you when you joined the Board. We will also provide briefings on the details of procedures regarding the disclosure of any conflicts of interest, data protection, the control of inside information and for obtaining clearance to deal in BPLC shares.
- (b) The Barclays Values (Respect, Integrity, Service, Excellence and Stewardship) are a central part of everything we do. The Values form a critical part of how Barclays is changing, as well as our purpose and behaviours. You will be expected to act in accordance with the Values as a non-executive director of the Company, and, in particular, to follow our Code of Conduct (known as the Barclays Way).
- (c) On-going training and briefings on particular topics will be made available, including any topics that you may request.
- (d) As Company Secretary, I am available to all directors to support the effective discharge of their duties and to assist with any queries. The Barclays Group General Counsel is also available to assist you with legal queries.
- (e) Occasions may arise when you consider that you need professional advice in the furtherance of your duties as a director. Where it is deemed appropriate for you to seek advice from independent legal advisers, you may, with the prior written agreement of the Company Secretary, seek independent advice at Barclays' expense.

10. **Confidentiality**

- (a) You will appreciate that the business of the Company and the Barclays Group is a specialised and competitive business. In the course of your appointment you will have access to and knowledge of, the trade secrets and confidential information of the Company and the Barclays Group. You acknowledge that the disclosure of any trade secrets or confidential information to actual or potential competitors of the Company and/or any Barclays Group company would place the Company and/or the Barclays Group at a serious competitive disadvantage and would do serious damage, financial and/or otherwise, to its or their business and business development and would cause immeasurable harm.
- (b) You must neither during the term of your appointment (except in the proper performance of the duties of your office or with the express written consent of the Board) nor at any time (without limit) after the termination of your appointment except where disclosure is required by law, by an order of a competent court or by a regulatory body:



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- i. publish, divulge or communicate to any person, company, business entity or other organisation or to the media or any social media;
- ii. use for your own purposes or for any purposes other than those of the Company or the Barclays Group; or
- iii. through any failure to exercise due care and diligence, permit or cause any unauthorised disclosure of any confidential information

- (c) These restrictions shall cease to apply to any information which shall become available to the public generally otherwise than through any breach by you of the provisions of this letter or other default of yours.
- (d) All notes, memoranda, records and documents (in whatever form or media held) that you make during the term of your appointment in performing your duties as non-executive director will belong to the Barclays Group and will be handed over to Barclays together with any copies promptly from time to time on reasonable request of any Barclays Group Company and at the end of your appointment.
- (e) Nothing in this letter, including but not limited to the provisions on confidentiality above, is intended to or shall prevent you from raising concerns in line with Barclays' internal reporting processes or making any disclosure to governmental bodies, law enforcement authorities and/or regulators as permitted or required under applicable law or regulation (including but not limited to a "protected disclosure" within the meaning of Part 43A (Protected Disclosures) of the Employment Rights Act 1996 and to any protected disclosures made about matters previously disclosed to another recipient).

11. Dealing in Barclays Securities

- (a) Your attention is drawn to the requirements under both law and regulation regarding the disclosure of price sensitive information. Matters relating to BPLC may from time to time give rise to price sensitive information which must be held under strict confidentiality conditions.
- (b) Your responsibilities will be explained to you as part of your induction. You should avoid taking any action that might risk a breach of these requirements. If you need any assistance in understanding your obligations, please contact me.

12. Indemnification and insurance

- (a) As a statutory director of BPLC you will have the benefit of and are able to rely upon an indemnity from BPLC. Your indemnity is of course in addition to any other protection available to you by virtue of the provisions of statute, common law or indeed any specific contract.
- (b) To formalise the indemnification arrangements referred to above, you will be issued with a deed of indemnity from BPLC and instructions on what steps you need to take to enter into the deed and to accept its terms and conditions.
- (c) As a UK statutory director you will be deemed to be an insured person for the purpose of the Group's current policy of Directors' and Officers' Liability Insurance subject to its terms and conditions.

13. Data Privacy

- (a) The Company and any Barclays Group company shall process your personal information for administrative and other purposes related to your appointment and the conduct of the business of the Barclays Group (the Agreed Purposes). Processing includes obtaining, holding, editing, destroying or disclosing your personal information to any Barclays Group company and/or any third parties (for example, insurers, banks and new Barclays Group companies following a business transfer or merger) for the Agreed Purposes ('Processing' or 'Process'). Barclays may also transfer your information to any Barclays Group company and/or any third parties (for example, insurers, banks and new Barclays Group companies following a business transfer or merger) in order to Process your personal information for the Agreed Purposes.





- (b) You agree to provide your personal information to the Company and the Barclays Group and consent to the Processing of that information for the Agreed Purposes. This may include transfers to recipients based in another country to your place of appointment (either within or outside the EEA).

This letter and enclosures set out the main terms of your appointment and on acceptance will constitute a contract for services. Please confirm your acceptance of the appointment as set out in this letter by signing and returning the enclosed duplicate letter. If I can help with any further information, please do not hesitate to contact me.

Yours sincerely,

Stephen Shapiro  
Company Secretary  
Barclays PLC

Enclosures:

- Role Profile for BPLC non-executive directors
- Dates for 2018 BPLC Board and Committee meetings

I agree to the terms and conditions of my appointment as set out in this letter dated 1 April 2018.

Signed: \_\_\_\_\_

Name: Diane Schueneman

Date: 1 April 2018



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Exhibit 4.13

Barclays PLC  
1 Churchill Place  
London  
E14 5HP

1 April 2018

Dear Sir Gerry,

Following the Barclays PLC (the 'Company' or 'BPLC') Board meeting on 27 March 2018, the Board agreed a new appointment letter would be issued in connection with your current appointment as an independent non-executive director of the BPLC Board following the separation of Barclays ring fenced and non-ring fenced banking activities and the stand up of the new Boards of Barclays Bank PLC and Barclays Bank UK PLC.

As such, I am pleased to re-confirm your appointment as an independent non-executive director of BPLC.

1. Appointment

- (a) This letter and its enclosures are a contract for services and not a contract of employment. Reference to your appointment in this letter means any or all of the offices as set out in 1(b) - (c) below.
- (b) With effect from 1 January 2016, you have served as an independent non-executive director of BPLC.
- (c) During your appointment, you may be required to serve on board Committees (whether standing or ad hoc), membership of which will be agreed with you at the time. Committee membership will be considered on appointment and will be subject to accepted principles of good governance and the needs of the BPLC Board at the time.
- (d) As agreed you will serve as a member of the BPLC Board Nominations Committee.

2. Term

- (a) Subject to the termination provisions in section 3 below, your appointment will be for an initial term of 3 years from the date of your appointment and subject to the annual re-election by shareholders (see below). On or before the expiry of your initial term, and subject to the needs of the Board at the time, you may be invited to serve for a further term of up to three years. Non-executive directors will not usually serve for more than six years, however this is subject to the discretion of the Board Nominations Committee.
- (b) Your appointment, including any extension of your term, is subject to the following:
  - i. the Company's Articles of Association, a copy of which was included in your original appointment pack;
  - ii. annual re-election by shareholders at the BPLC AGM, in accordance with the UK Corporate Governance Code;
  - iii. your ongoing ability to satisfy the standards and obligations applicable to directors of public companies, and, in particular, any regulatory standards expected of directors of banks and financial services firms, including if applicable, the need for regulatory approval and other requirements placed on directors under the Senior Managers Regime including the Senior Manager and Individual Conduct Rules;
  - iv. your ongoing fitness to serve as a company director and/or, if applicable, in a senior manager function;
  - v. your ongoing performance and contribution to the Board as assessed by the BPLC Board having regard to relevant information, including the annual review of the effectiveness of the Board and individual directors;
  - vi. the needs of the Board having regard to the skills and experience required to oversee the business, which may change over time.



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- (c) You undertake to inform the Company Secretary or Chairman of BPLC or relevant regulatory authority of any change in your personal or professional circumstances that might impact your ability to continue in your role as an independent non-executive director of BPLC. This includes, but is not limited to:
- i. You being charged with and/or convicted of a criminal offence (other than an offence under any road traffic legislation in the United Kingdom or elsewhere for which a fine or non-custodial penalty is imposed);
  - ii. You becoming bankrupt (or its equivalent status in any other jurisdiction) or become insolvent or enter into any arrangements or composition with your creditors; and
  - iii. You being subject to personal sanction in respect of any of your other roles, or guilty of any serious misconduct or conduct which is calculated or likely to bring the Barclays Group or any of its directors or subsidiaries into disrepute or which conflicts with the Barclays Values, a copy of which was included in your original appointment pack.

### 3. Termination

- (a) Your appointment is conditional upon you satisfying and maintaining on an ongoing basis, the requirements of section 2 above.
- (b) This appointment can be terminated at any time by either party giving notice in writing to the other. Both parties agree that, in order to facilitate an orderly exit and succession, and where circumstances permit, they will provide reasonable notice to the other of their intentions to terminate the appointment.
- (c) There is no entitlement to any payment for loss of office. Regardless of the reason for termination, you will only be entitled to such fees and expenses as have accrued and are due to you as at the date of termination.
- (d) On termination of your appointment, you will immediately deliver to the Company all documents, records, papers or other company property which may be in your possession or under your control and which relate in any way to the business affairs of the Company or Barclays. You agree not to retain any copies or duplicates in any format.
- (e) On termination of your appointment and whether or not you have formally resigned from your position, you will be deemed to have done so. You agree that, on termination, Barclays is entitled to issue any announcements or other filings required as a result of you ceasing to be a director.

### 4. Fees

- (a) In respect of your appointment, you will receive a fee ('Fee') of:
  - i. £80,000 per year payable in respect of your directorship of BPLC; and
  - ii. Such other fee as shall be payable in respect of any other Committee memberships as advised to you on appointment to a Committee.
- (b) The Fee is payable monthly in arrears by direct credit into your nominated bank account less any tax and any other statutory deductions. On termination, you will only be entitled to such amount of the Fee as has accrued at the date of termination.
- (c) Any reasonable out of pocket expenses that you incur in performing your duties will be reimbursed in accordance with our standard expenses policy, a copy of which is available on request.
- (d) The Fee may be subject to any amendment or qualification as required by any law, regulation or regulatory authority including but not limited to tax and national insurance deductions as applicable.
- (e) To ensure alignment with the Group's interests, all directors of BPLC are encouraged to hold shares in Barclays PLC. All dealings are subject to the Barclays Group Securities Dealing Code, a copy of which is available on request. You will be required to take £30,000 of your Fee, after tax and any other statutory deductions, in Barclays PLC shares ('Shares'). The Shares will be purchased twice a year after the announcement of the Barclays PLC full and half-year financial results. The Shares will be held on your behalf until the termination of your appointment; enclosed is an agreement setting out the details, please sign and return.



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- (f) There is no contractual entitlement to any increase in your Fee during your appointment. Directors' fees are reviewed periodically by the BPLC Remuneration Committee and benchmarked to the market.
- (g) Aside from the Fee, you are not eligible to receive any contractual benefits. As a non-executive director, you are not eligible to participate in any benefit schemes, including but not limited to the Barclays Group's incentive award, long term incentive schemes and the Barclays Group's pension scheme, nor to receive any payment or cash allowances in lieu.

5. Directors Share Qualification

Under Barclays PLC Articles of Association, you are required to hold £500 in nominal value (2,000 Ordinary shares of 25p each) of Barclays PLC within two months of your appointment. In accordance with the Barclays Group Securities Dealing Code, you must obtain clearance to deal before you acquire these or any Barclays PLC shares. If you would like assistance in purchasing these shares, please let me know and I will arrange this for you.

6. Role as a non-executive director

- (a) The attached role profile will form part of your contract for services. The role profile may be changed from time to time, and once notified to you, shall be deemed to replace the attached and form part of your contract for services.
- (b) As an independent non-executive director, your primary responsibility is to provide effective oversight and constructive challenge, helping to develop proposals on strategy and then fully empowering the executive directors to implement the strategy.
- (c) Non-executive directors have the same legal responsibilities and duties as any other director and are required to take decisions in the best interests of the Company. The Board as a whole is collectively responsible for promoting the success of the Company and for supervising the Company's affairs by providing sound leadership within a framework of prudent and effective controls and risk management; setting the Company's strategic aims, ensuring that the necessary financial and human resources are in place for the Company to meet its objectives; reviewing management performance and setting the Company's values and standards.
- (d) During your appointment you agree to diligently perform such duties, responsibilities and functions (whether statutory, fiduciary or common law) as are consistent with your position and role profile as an independent non-executive director and with any relevant Barclays Group policies and procedures.

7. Time Commitment

- (a) In accepting this appointment, you confirm that you are able to allocate sufficient time to meet the expectations of your role on the BPLC Board including being available to devote additional time to the role during periods of increased activity or in response to market developments. Directors are also expected to attend the BPLC AGM, usually held in April / May and be available afterwards to meet with and answer questions from shareholders.
- (b) The agreement of the Chairman of BPLC must be sought before accepting additional appointments to any other company, corporate body, or entity, during your tenure that might affect the time that you are able to devote to your role.
- (c) All directors are expected to attend all Board meetings. The BPLC Board is expected to formally meet up to eight times a year, including an annual 1-2 day strategy session and on an ad-hoc basis as required. Some of the meetings may be held overseas. You will also be required to attend meetings of Committees of which you are a member.
- (d) There is a standing invitation to all non-executive directors to attend any other BPLC Board Committee meeting. Please inform the relevant BPLC Committee Chairman if you wish to attend a meeting of which you are not a member.



- (e) Directors are expected to set aside sufficient time to consider the papers in advance of BPLC Board and Committee meetings. Papers are normally circulated to directors in the week prior to the relevant meeting.
- (f) Your average expected time commitment for your role as a BPLC non-executive director is 30 days per year, including membership of any committees.

8. Conflicts of interests and outside interests

- (a) As a director you have a duty to avoid conflicts of interest and to disclose personal interests in contracts.
- (b) It is accepted and acknowledged that you have business and other interests outside the Company. Subject to such interests not giving rise to a conflict, the Company does not object to you continuing with such interests provided they have been fully disclosed and accepted by the Company prior to your appointment. Should you become aware of any actual or potential conflicts of interest in the course of your appointment, these should be discussed with the Chairman of BPLC as soon as possible and authorised by the Board of BPLC. All conflicts must be recorded in accordance with the Board's stated policy.
- (c) As set out above, you must seek permission from the Chairman of BPLC before taking on any additional outside interests.

9. Induction, Values and Support

- (a) To assist directors in making a contribution to the BPLC Board as quickly as possible, all directors are offered a comprehensive induction programme, details of which were provided to you when you joined the Board. We will also provide briefings on the details of procedures regarding the disclosure of any conflicts of interest, data protection, the control of inside information and for obtaining clearance to deal in BPLC shares.
- (b) The Barclays Values (Respect, Integrity, Service, Excellence and Stewardship) are a central part of everything we do. The Values form a critical part of how Barclays is changing, as well as our purpose and behaviours. You will be expected to act in accordance with the Values as a non-executive director of the Company, and, in particular, to follow our Code of Conduct (known as the Barclays Way).
- (c) On-going training and briefings on particular topics will be made available, including any topics that you may request.
- (d) As Company Secretary, I am available to all directors to support the effective discharge of their duties and to assist with any queries. The Barclays Group General Counsel is also available to assist you with legal queries.
- (e) Occasions may arise when you consider that you need professional advice in the furtherance of your duties as a director. Where it is deemed appropriate for you to seek advice from independent legal advisers, you may, with the prior written agreement of the Company Secretary, seek independent advice at Barclays' expense.

10. Confidentiality

- (a) You will appreciate that the business of the Company and the Barclays Group is a specialised and competitive business. In the course of your appointment you will have access to and knowledge of, the trade secrets and confidential information of the Company and the Barclays Group. You acknowledge that the disclosure of any trade secrets or confidential information to actual or potential competitors of the Company and/or any Barclays Group company would place the Company and/or the Barclays Group at a serious competitive disadvantage and would do serious damage, financial and/or otherwise, to its or their business and business development and would cause immeasurable harm.
- (b) You must neither during the term of your appointment (except in the proper performance of the duties of your office or with the express written consent of the Board) nor at any time (without limit) after the termination of your appointment except where disclosure is required by law, by an order of a competent court or by a regulatory body:





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- i. publish, divulge or communicate to any person, company, business entity or other organisation or to the media or any social media;
- ii. use for your own purposes or for any purposes other than those of the Company or the Barclays Group; or
- iii. through any failure to exercise due care and diligence, permit or cause any unauthorised disclosure of any confidential information

- (c) These restrictions shall cease to apply to any information which shall become available to the public generally otherwise than through any breach by you of the provisions of this letter or other default of yours.
- (d) All notes, memoranda, records and documents (in whatever form or media held) that you make during the term of your appointment in performing your duties as non-executive director will belong to the Barclays Group and will be handed over to Barclays together with any copies promptly from time to time on reasonable request of any Barclays Group Company and at the end of your appointment.
- (e) Nothing in this letter, including but not limited to the provisions on confidentiality above, is intended to or shall prevent you from raising concerns in line with Barclays' internal reporting processes or making any disclosure to governmental bodies, law enforcement authorities and/or regulators as permitted or required under applicable law or regulation (including but not limited to a "protected disclosure" within the meaning of Part 43A (Protected Disclosures) of the Employment Rights Act 1996 and to any protected disclosures made about matters previously disclosed to another recipient).

11. Dealing in Barclays Securities

- (a) Your attention is drawn to the requirements under both law and regulation regarding the disclosure of price sensitive information. Matters relating to BPLC may from time to time give rise to price sensitive information which must be held under strict confidentiality conditions.
- (b) Your responsibilities will be explained to you as part of your induction. You should avoid taking any action that might risk a breach of these requirements. If you need any assistance in understanding your obligations, please contact me.

12. Indemnification and insurance

- (a) As a statutory director of BPLC you will have the benefit of and are able to rely upon an indemnity from BPLC. Your indemnity is of course in addition to any other protection available to you by virtue of the provisions of statute, common law or indeed any specific contract.
- (b) To formalise the indemnification arrangements referred to above, you will be issued with a deed of indemnity from BPLC and instructions on what steps you need to take to enter into the deed and to accept its terms and conditions.
- (c) As a UK statutory director you will be deemed to be an insured person for the purpose of the Group's current policy of Directors' and Officers' Liability Insurance subject to its terms and conditions.

13. Data Privacy

- (a) The Company and any Barclays Group company shall process your personal information for administrative and other purposes related to your appointment and the conduct of the business of the Barclays Group (the Agreed Purposes). Processing includes obtaining, holding, editing, destroying or disclosing your personal information to any Barclays Group company and/or any third parties (for example, insurers, banks and new Barclays Group companies following a business transfer or merger) for the Agreed Purposes ('Processing' or 'Process'). Barclays may also transfer your information to any Barclays Group company and/or any third parties (for example, insurers, banks and new Barclays Group companies following a business transfer or merger) in order to Process your personal information for the Agreed Purposes.

- (b) You agree to provide your personal information to the Company and the Barclays Group and consent to the Processing of that information for the Agreed Purposes. This may include transfers to recipients based in another country to your place of appointment (either within or outside the EEA).

This letter and enclosures set out the main terms of your appointment and on acceptance will constitute a contract for services.

Please confirm your acceptance of the appointment as set out in this letter by signing and returning the enclosed duplicate letter. If I can help with any further information, please do not hesitate to contact me.

Yours sincerely,

Stephen Shapiro  
Company Secretary  
Barclays PLC

- Enclosures:
- Role Profile for BPLC non-executive directors
- Dates for 2018 BPLC Board and Committee meetings

I agree to the terms and conditions of my appointment as set out in this letter dated 1 April 2018.

Signed:

Name:

Sir Gerald Grimstone

Date:

1 April 2018



Exhibit 4.14

Barclays PLC  
1 Churchill Place  
London  
E14 5HP

1 April 2018

Dear Sir Ian,

Following the Barclays PLC (the 'Company' or 'BPLC') Board meeting on 27 March 2018, the Board agreed a new appointment letter would be issued in connection with your current appointment as an independent non-executive director of the BPLC Board following the separation of Barclays ring fenced and non-ring fenced banking activities and the stand up of the new Boards of Barclays Bank PLC and Barclays Bank UK PLC.

As such, I am pleased to re-confirm your appointment as an independent non-executive director of BPLC.

1. Appointment

- (a) This letter and its enclosures are a contract for services and not a contract of employment. Reference to your appointment in this letter means any or all of the offices as set out in 1(b) - (c) below.
- (b) With effect from 3 April 2017, you have served as an independent non-executive director of BPLC.
- (c) During your appointment, you may be required to serve on board Committees (whether standing or ad hoc), membership of which will be agreed with you at the time. Committee membership will be considered on appointment and will be subject to accepted principles of good governance and the needs of the BPLC Board at the time.

2. Term

- (a) Subject to the termination provisions in section 3 below, your appointment will be for an initial term of 3 years from the date of your appointment and subject to the annual re-election by shareholders (see below). On or before the expiry of your initial term, and subject to the needs of the Board at the time, you may be invited to serve for a further term of up to three years. Non-executive directors will not usually serve for more than six years, however this is subject to the discretion of the Board Nominations Committee.
- (b) Your appointment, including any extension of your term, is subject to the following:
  - i. the Company's Articles of Association, a copy of which was included in your original appointment pack;
  - ii. annual re-election by shareholders at the BPLC AGM, in accordance with the UK Corporate Governance Code;
  - iii. your ongoing ability to satisfy the standards and obligations applicable to directors of public companies, and, in particular, any regulatory standards expected of directors of banks and financial services firms, including if applicable, the need for regulatory approval and other requirements placed on directors under the Senior Managers Regime including the Senior Manager and Individual Conduct Rules;
  - iv. your ongoing fitness to serve as a company director and/or, if applicable, in a senior manager function;
  - v. your ongoing performance and contribution to the Board as assessed by the BPLC Board having regard to relevant information, including the annual review of the effectiveness of the Board and individual directors;
  - vi. the needs of the Board having regard to the skills and experience required to oversee the business, which may change over time.



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- (c) You undertake to inform the Company Secretary or Chairman of BPLC or relevant regulatory authority of any change in your personal or professional circumstances that might impact your ability to continue in your role as an independent non-executive director of BPLC. This includes, but is not limited to:
- i. You being charged with and/or convicted of a criminal offence (other than an offence under any road traffic legislation in the United Kingdom or elsewhere for which a fine or non-custodial penalty is imposed);
  - ii. You becoming bankrupt (or its equivalent status in any other jurisdiction) or become insolvent or enter into any arrangements or composition with your creditors;
  - iii. You being subject to personal sanction in respect of any of your other roles, or guilty of any serious misconduct or conduct which is calculated or likely to bring the Barclays Group or any of its directors or subsidiaries into disrepute or which conflicts with the Barclays Values, a copy of which was included in your original appointment pack.

### 3. Termination

- (a) Your appointment is conditional upon you satisfying and maintaining on an ongoing basis, the requirements of section 2 above.
- (b) This appointment can be terminated at any time by either party giving notice in writing to the other. Both parties agree that, in order to facilitate an orderly exit and succession, and where circumstances permit, they will provide reasonable notice to the other of their intentions to terminate the appointment.
- (c) There is no entitlement to any payment for loss of office. Regardless of the reason for termination, you will only be entitled to such fees and expenses as have accrued and are due to you as at the date of termination.
- (d) On termination of your appointment, you will immediately deliver to the Company all documents, records, papers or other company property which may be in your possession or under your control and which relate in any way to the business affairs of the Company or Barclays. You agree not to retain any copies or duplicates in any format.
- (e) On termination of your appointment and whether or not you have formally resigned from your position, you will be deemed to have done so. You agree that, on termination, Barclays is entitled to issue any announcements or other filings required as a result of you ceasing to be a director.

### 4. Fees

- (a) In respect of your appointment, you will receive a fee ('Fee') of:
- i. £80,000 per year payable in respect of your directorship of BPLC; and
  - ii. Such other fee as shall be payable in respect of any other Committee memberships as advised to you on appointment to a Committee.
- (b) The Fee is payable monthly in arrears by direct credit into your nominated bank account less any tax and any other statutory deductions. On termination, you will only be entitled to such amount of the Fee as has accrued at the date of termination.
- (c) Any reasonable out of pocket expenses that you incur in performing your duties will be reimbursed in accordance with our standard expenses policy, a copy of which is available on request.
- (d) The Fee may be subject to any amendment or qualification as required by any law, regulation or regulatory authority including but not limited to tax and national insurance deductions as applicable.
- (e) To ensure alignment with the Group's interests, all directors of BPLC are encouraged to hold shares in Barclays PLC. All dealings are subject to the Barclays Group Securities Dealing Code, a copy of which is available on request. You will be required to take £30,000 of your Fee, after tax and any other statutory deductions, in Barclays PLC shares ('Shares'). The Shares will be purchased twice a year after the announcement of the Barclays PLC full and half-year financial results. The Shares will be held on your behalf until the termination of your appointment; enclosed is an agreement setting out the details, please sign and return.



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- (f) There is no contractual entitlement to any increase in your Fee during your appointment. Directors' fees are reviewed periodically by the BPLC Remuneration Committee and benchmarked to the market.
- (g) Aside from the Fee, you are not eligible to receive any contractual benefits. As a non-executive director, you are not eligible to participate in any benefit schemes, including but not limited to the Barclays Group's incentive award, long term incentive schemes and the Barclays Group's pension scheme, nor to receive any payment or cash allowances in lieu.

5. **Directors Share Qualification**

Under Barclays PLC Articles of Association, you are required to hold £500 in nominal value (2,000 Ordinary shares of 25p each) of Barclays PLC within two months of your appointment. In accordance with the Barclays Group Securities Dealing Code, you must obtain clearance to deal before you acquire these or any Barclays PLC shares. If you would like assistance in purchasing these shares, please let me know and I will arrange this for you.

6. **Role as a non-executive director**

- (a) The attached role profile will form part of your contract for services. The role profile may be changed from time to time, and once notified to you, shall be deemed to replace the attached and form part of your contract for services.
- (b) As an independent non-executive director, your primary responsibility is to provide effective oversight and constructive challenge, helping to develop proposals on strategy and then fully empowering the executive directors to implement the strategy.
- (c) Non-executive directors have the same legal responsibilities and duties as any other director and are required to take decisions in the best interests of the Company. The Board as a whole is collectively responsible for promoting the success of the Company and for supervising the Company's affairs by providing sound leadership within a framework of prudent and effective controls and risk management; setting the Company's strategic aims, ensuring that the necessary financial and human resources are in place for the Company to meet its objectives; reviewing management performance and setting the Company's values and standards.
- (d) During your appointment you agree to diligently perform such duties, responsibilities and functions (whether statutory, fiduciary or common law) as are consistent with your position and role profile as an independent non-executive director and with any relevant Barclays Group policies and procedures.

7. **Time Commitment**

- (a) In accepting this appointment, you confirm that you are able to allocate sufficient time to meet the expectations of your role on the BPLC Board including being available to devote additional time to the role during periods of increased activity or in response to market developments. Directors are also expected to attend the BPLC AGM, usually held in April / May and be available afterwards to meet with and answer questions from shareholders.
- (b) The agreement of the Chairman of BPLC must be sought before accepting additional appointments to any other company, corporate body, or entity, during your tenure that might affect the time that you are able to devote to your role.
- (c) All directors are expected to attend all Board meetings. The BPLC Board is expected to formally meet up to eight times a year, including an annual 1-2 day strategy session and on an ad-hoc basis as required. Some of the meetings may be held overseas. You will also be required to attend meetings of Committees of which you are a member.
- (d) There is a standing invitation to all non-executive directors to attend any other BPLC Board Committee meeting. Please inform the relevant BPLC Committee Chairman if you wish to attend a meeting of which you are not a member.
- (e) Directors are expected to set aside sufficient time to consider the papers in advance of BPLC Board and Committee meetings. Papers are normally circulated to directors in the week prior to the relevant meeting.





- (f) Your average expected time commitment for your role as a BPLC non-executive director is 30 days per year, including membership of any committees.

**8. Conflicts of interests and outside interests**

- (a) As a director you have a duty to avoid conflicts of interest and to disclose personal interests in contracts.
- (b) It is accepted and acknowledged that you have business and other interests outside the Company. Subject to such interests not giving rise to a conflict, the Company does not object to you continuing with such interests provided they have been fully disclosed and accepted by the Company prior to your appointment. Should you become aware of any actual or potential conflicts of interest in the course of your appointment, these should be discussed with the Chairman of BPLC as soon as possible and authorised by the Board of BPLC. All conflicts must be recorded in accordance with the Board's stated policy.
- (c) As set out above, you must seek permission from the Chairman of BPLC before taking on any additional outside interests.

**9. Induction, Values and Support**

- (a) To assist directors in making a contribution to the BPLC Board as quickly as possible, all directors are offered a comprehensive induction programme, details of which were provided to you when you joined the Board. We will also provide briefings on the details of procedures regarding the disclosure of any conflicts of interest, data protection, the control of inside information and for obtaining clearance to deal in BPLC shares.
- (b) The Barclays Values (Respect, Integrity, Service, Excellence and Stewardship) are a central part of everything we do. The Values form a critical part of how Barclays is changing, as well as our purpose and behaviours. You will be expected to act in accordance with the Values as a non-executive director of the Company, and, in particular, to follow our Code of Conduct (known as the Barclays Way).
- (c) On-going training and briefings on particular topics will be made available, including any topics that you may request.
- (d) As Company Secretary, I am available to all directors to support the effective discharge of their duties and to assist with any queries. The Barclays Group General Counsel is also available to assist you with legal queries.
- (e) Occasions may arise when you consider that you need professional advice in the furtherance of your duties as a director. Where it is deemed appropriate for you to seek advice from independent legal advisers, you may, with the prior written agreement of the Company Secretary, seek independent advice at Barclays' expense.

**10. Confidentiality**

- (a) You will appreciate that the business of the Company and the Barclays Group is a specialised and competitive business. In the course of your appointment you will have access to and knowledge of, the trade secrets and confidential information of the Company and the Barclays Group. You acknowledge that the disclosure of any trade secrets or confidential information to actual or potential competitors of the Company and/or any Barclays Group company would place the Company and/or the Barclays Group at a serious competitive disadvantage and would do serious damage, financial and/or otherwise, to its or their business and business development and would cause immeasurable harm.
- (b) You must neither during the term of your appointment (except in the proper performance of the duties of your office or with the express written consent of the Board) nor at any time (without limit) after the termination of your appointment except where disclosure is required by law, by an order of a competent court or by a regulatory body:
- i. publish, divulge or communicate to any person, company, business entity or other organisation or to the media or any social media;
  - ii. use for your own purposes or for any purposes other than those of the Company or the Barclays Group; or



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iii. through any failure to exercise due care and diligence, permit or cause any unauthorised disclosure of any confidential information

- (c) These restrictions shall cease to apply to any information which shall become available to the public generally otherwise than through any breach by you of the provisions of this letter or other default of yours.
- (d) All notes, memoranda, records and documents (in whatever form or media held) that you make during the term of your appointment in performing your duties as non-executive director will belong to the Barclays Group and will be handed over to Barclays together with any copies promptly from time to time on reasonable request of any Barclays Group Company and at the end of your appointment.
- (e) Nothing in this letter, including but not limited to the provisions on confidentiality above, is intended to or shall prevent you from raising concerns in line with Barclays' internal reporting processes or making any disclosure to governmental bodies, law enforcement authorities and/or regulators as permitted or required under applicable law or regulation (including but not limited to a "protected disclosure" within the meaning of Part 43A (Protected Disclosures) of the Employment Rights Act 1996 and to any protected disclosures made about matters previously disclosed to another recipient).

#### 11. Dealing in Barclays Securities

- (a) Your attention is drawn to the requirements under both law and regulation regarding the disclosure of price sensitive information. Matters relating to BPLC may from time to time give rise to price sensitive information which must be held under strict confidentiality conditions.
- (b) Your responsibilities will be explained to you as part of your induction. You should avoid taking any action that might risk a breach of these requirements. If you need any assistance in understanding your obligations, please contact me.

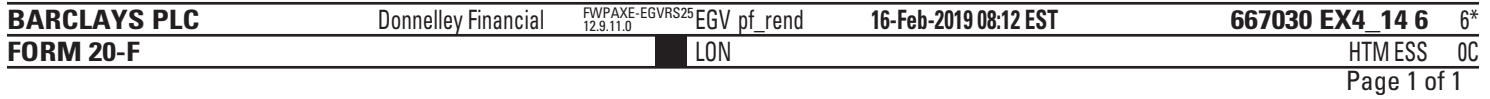
#### 12. Indemnification and Insurance

- (a) As a statutory director of BPLC you will have the benefit of and are able to rely upon an indemnity from BPLC. Your indemnity is of course in addition to any other protection available to you by virtue of the provisions of statute, common law or indeed any specific contract.
- (b) To formalise the indemnification arrangements referred to above, you will be issued with a deed of indemnity from BPLC and instructions on what steps you need to take to enter into the deed and to accept its terms and conditions.
- (c) As a UK statutory director you will be deemed to be an insured person for the purpose of the Group's current policy of Directors' and Officers' Liability Insurance subject to its terms and conditions.

#### 13. Data Privacy

- (a) The Company and any Barclays Group company shall process your personal information for administrative and other purposes related to your appointment and the conduct of the business of the Barclays Group (the Agreed Purposes). Processing includes obtaining, holding, editing, destroying or disclosing your personal information to any Barclays Group company and/or any third parties (for example, insurers, banks and new Barclays Group companies following a business transfer or merger) for the Agreed Purposes ('Processing' or 'Process'). Barclays may also transfer your information to any Barclays Group company and/or any third parties (for example, insurers, banks and new Barclays Group companies following a business transfer or merger) in order to Process your personal information for the Agreed Purposes.
- (b) You agree to provide your personal information to the Company and the Barclays Group and consent to the Processing of that information for the Agreed Purposes. This may include transfers to recipients based in another country to your place of appointment (either within or outside the EEA).

This letter and enclosures set out the main terms of your appointment and on acceptance will constitute a contract for services.



Please confirm your acceptance of the appointment as set out in this letter by signing and returning the enclosed duplicate letter. If I can help with any further information, please do not hesitate to contact me.

Yours sincerely,

Stephen Shapiro  
Company Secretary  
Barclays PLC

Enclosures:

- Role Profile for BPLC non-executive directors
- Dates for 2018 BPLC Board and Committee meetings

I agree to the terms and conditions of my appointment as set out in this letter dated 1 April 2018.

Signed: \_\_\_\_\_

Name: Sir Ian Cheshire

Date: 1 April 2018



Exhibit 4.15

Barclays PLC  
1 Churchill Place  
London  
E14 5HP

11 July 2018

Dear Mary Anne,

Following your recent discussions with John McFarlane, Chairman of Barclays PLC, I am pleased to confirm your appointment as an independent non-executive director of Barclays PLC (the 'Company' or 'BPLC').

1. Appointment

- (a) This letter and its enclosures are a contract for services and not a contract of employment. Reference to your appointment in this letter means any or all of the offices as set out in 1(b) - (c) below.
- (b) With effect from 25 July 2018, you will serve as an independent non-executive director of BPLC.
- (c) During your appointment, you may be required to serve on Board Committees (whether standing or ad hoc), membership of which will be agreed with you at the time. Committee membership will be considered on appointment and will be subject to accepted principles of good governance and the needs of the BPLC Board at the time.

2. Term

- (a) Subject to the termination provisions in section 3 below, your appointment will be for an initial term of 3 years from the date of your appointment and subject to the annual re-election by shareholders (see below). On or before the expiry of your initial term, and subject to the needs of the Board at the time, you may be invited to serve for a further term of up to three years. Non-executive directors will not usually serve for more than six years, however this is subject to the discretion of the Board Nominations Committee.
- (b) Your appointment, including any extension of your term, is subject to the following:
  - i. the Company's Articles of Association;
  - ii. annual re-election by shareholders at the BPLC AGM, in accordance with the UK Corporate Governance Code;
  - iii. your ongoing ability to satisfy the standards and obligations applicable to directors of public companies, and, in particular, any regulatory standards expected of directors of banks and financial services firms, including if applicable, the need for regulatory approval and other requirements placed on directors under the Senior Managers Regime including the Senior Manager and Individual Conduct Rules;
  - iv. your ongoing fitness to serve as a company director and/or, if applicable, in a senior manager function;
  - v. your ongoing performance and contribution to the Board as assessed by the BPLC Board having regard to relevant information, including the annual review of the effectiveness of the Board and individual directors;
  - vi. the needs of the Board having regard to the skills and experience required to oversee the business, which may change over time.
- (c) You undertake to inform the Company Secretary or Chairman of BPLC or relevant regulatory authority of any change in your personal or professional circumstances that might impact your ability to continue in your role as an independent non-executive director of BPLC. This includes, but is not limited to:
  - i. You being charged with and/or convicted of a criminal offence (other than an offence under any road traffic legislation in the United Kingdom or elsewhere for which a fine or non-custodial penalty is imposed);



- ii. You becoming bankrupt (or its equivalent status in any other jurisdiction) or become insolvent or enter into any arrangements or composition with your creditors; and
- iii. You being subject to personal sanction in respect of any of your other roles, or guilty of any serious misconduct or conduct which is calculated or likely to bring the Barclays Group or any of its directors or subsidiaries into disrepute or which conflicts with the Barclays Values, a copy of which will be included in your appointment pack.

3. Termination

- (a) Your appointment is conditional upon you satisfying and maintaining on an ongoing basis, the requirements of section 2 above.
- (b) This appointment can be terminated at any time by either party giving notice in writing to the other. Both parties agree that, in order to facilitate an orderly exit and succession, and where circumstances permit, they will provide reasonable notice to the other of their intentions to terminate the appointment.
- (c) There is no entitlement to any payment for loss of office. Regardless of the reason for termination, you will only be entitled to such fees and expenses as have accrued and are due to you as at the date of termination.
- (d) On termination of your appointment, you will immediately deliver to the Company all documents, records, papers or other company property which may be in your possession or under your control and which relate in any way to the business affairs of the Company or Barclays. You agree not to retain any copies or duplicates in any format.
- (e) On termination of your appointment and whether or not you have formally resigned from your position, you will be deemed to have done so. You agree that, on termination, Barclays is entitled to issue any announcements or other filings required as a result of you ceasing to be a director.

4. Fees

- (a) In respect of your appointment, you will receive a fee ('Fee') of:
  - i. £80,000 per year payable in respect of your directorship of BPLC; and
  - ii. Such other fee as shall be payable in respect of any other Committee memberships as advised to you on appointment to a Committee.
- (b) The Fee is payable monthly in arrears by direct credit into your nominated bank account less any tax and any other statutory deductions. On termination, you will only be entitled to such amount of the Fee as has accrued at the date of termination.
- (c) Any reasonable out of pocket expenses that you incur in performing your duties will be reimbursed in accordance with our standard expenses policy, a copy of which is available on request.
- (d) The Fee may be subject to any amendment or qualification as required by any law, regulation or regulatory authority including but not limited to tax and national insurance deductions as applicable.
- (e) To ensure alignment with the Group's interests, all directors of BPLC are encouraged to hold shares in Barclays PLC. All dealings are subject to the Barclays Group Securities Dealing Code, a copy of which is available on request. You will be required to take £30,000 of your Fee, after tax and any other statutory deductions, in Barclays PLC shares ('Shares'). The Shares will be purchased twice a year after the announcement of the Barclays PLC full and half-year financial results. The Shares will be held on your behalf until the termination of your appointment; an agreement setting out the details for signature and return will be included in your appointment pack.
- (f) There is no contractual entitlement to any increase in your Fee during your appointment. Directors' fees are reviewed periodically by the BPLC Board Remuneration Committee and benchmarked to the market.



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- (g) Aside from the Fee, you are not eligible to receive any contractual benefits. As a non-executive director, you are not eligible to participate in any benefit schemes, including but not limited to the Barclays Group's incentive award, long term incentive schemes and the Barclays Group's pension scheme, nor to receive any payment or cash allowances in lieu.

5. **Directors Share Qualification**

Under Barclays PLC Articles of Association, you are required to hold £500 in nominal value (2,000 Ordinary shares of 25p each) of Barclays PLC within two months of your appointment. In accordance with the Barclays Group Securities Dealing Code, you must obtain clearance to deal before you acquire these or any Barclays PLC shares. If you would like assistance in purchasing these shares, please let me know and I will arrange this for you.

6. **Role as a non-executive director**

- (a) The attached role profile will form part of your contract for services. The role profile may be changed from time to time, and once notified to you, shall be deemed to replace the attached and form part of your contract for services.
- (b) As an independent non-executive director, your primary responsibility is to provide effective oversight and constructive challenge, helping to develop proposals on strategy and then fully empowering the executive directors to implement the strategy.
- (c) Non-executive directors have the same legal responsibilities and duties as any other director and are required to take decisions in the best interests of the Company. The Board as a whole is collectively responsible for promoting the success of the Company and for supervising the Company's affairs by providing sound leadership within a framework of prudent and effective controls and risk management; setting the Company's strategic aims, ensuring that the necessary financial and human resources are in place for the Company to meet its objectives; reviewing management performance and setting the Company's values and standards.
- (d) During your appointment you agree to diligently perform such duties, responsibilities and functions (whether statutory, fiduciary or common law) as are consistent with your position and role profile as an independent non-executive director and with any relevant Barclays Group policies and procedures.

7. **Time Commitment**

- (a) In accepting this appointment, you confirm that you are able to allocate sufficient time to meet the expectations of your role on the BPLC Board including being available to devote additional time to the role during periods of increased activity or in response to market developments. Directors are also expected to attend the BPLC AGM, usually held in April / May and be available afterwards to meet with and answer questions from shareholders.
- (b) The agreement of the Chairman of BPLC must be sought before accepting additional appointments to any other company, corporate body, or entity, during your tenure that might affect the time that you are able to devote to your role.
- (c) All directors are expected to attend all Board meetings. The BPLC Board is expected to formally meet up to eight times a year, including an annual 1-2 day strategy session and on an ad-hoc basis as required. Some of the meetings may be held overseas. You will also be required to attend meetings of Committees of which you are a member.
- (d) There is a standing invitation to all non-executive directors to attend any other BPLC Board Committee meeting. Please inform the relevant BPLC Committee Chairman if you wish to attend a meeting of which you are not a member.
- (e) Directors are expected to set aside sufficient time to consider the papers in advance of BPLC Board and Committee meetings. Papers are normally circulated to directors in the week prior to the relevant meeting.
- (f) Your average expected time commitment for your role as a BPLC non-executive director is 30 days per year, including membership of any committees.





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**8. Conflicts of interests and outside interests**

- (a) As a director you have a duty to avoid conflicts of interest and to disclose personal interests in contracts.
- (b) It is accepted and acknowledged that you have business and other interests outside the Company. Subject to such interests not giving rise to a conflict, the Company does not object to you continuing with such interests provided they have been fully disclosed and accepted by the Company prior to your appointment. Should you become aware of any actual or potential conflicts of interest in the course of your appointment, these should be discussed with the Chairman of BPLC as soon as possible and authorised by the Board of BPLC. All conflicts must be recorded in accordance with the Board's stated policy.
- (c) As set out above, you must seek permission from the Chairman of BPLC before taking on any additional outside interests.

**9. Induction, Values and Support**

- (a) To assist directors in making a contribution to the BPLC Board as quickly as possible, all directors are offered a comprehensive induction programme, details of which were provided to you when you joined the Board. We will also provide briefings on the details of procedures regarding the disclosure of any conflicts of interest, data protection, the control of inside information and for obtaining clearance to deal in BPLC shares.
- (b) The Barclays Values (Respect, Integrity, Service, Excellence and Stewardship) are a central part of everything we do. The Values form a critical part of how Barclays is changing, as well as our purpose and behaviours. You will be expected to act in accordance with the Values as a non-executive director of the Company, and, in particular, to follow our Code of Conduct (known as the Barclays Way).
- (c) On-going training and briefings on particular topics will be made available, including any topics that you may request.
- (d) As Company Secretary, I am available to all directors to support the effective discharge of their duties and to assist with any queries. The Barclays Group General Counsel is also available to assist you with legal queries.
- (e) Occasions may arise when you consider that you need professional advice in the furtherance of your duties as a director. Where it is deemed appropriate for you to seek advice from independent legal advisers, you may, with the prior written agreement of the Company Secretary, seek independent advice at Barclays' expense.

**10. Confidentiality**

- (a) You will appreciate that the business of the Company and the Barclays Group is a specialised and competitive business. In the course of your appointment you will have access to and knowledge of, the trade secrets and confidential information of the Company and the Barclays Group. You acknowledge that the disclosure of any trade secrets or confidential information to actual or potential competitors of the Company and/or any Barclays Group company would place the Company and/or the Barclays Group at a serious competitive disadvantage and would do serious damage, financial and/or otherwise, to its or their business and business development and would cause immeasurable harm.
- (b) You must neither during the term of your appointment (except in the proper performance of the duties of your office or with the express written consent of the Board) nor at any time (without limit) after the termination of your appointment except where disclosure is required by law, by an order of a competent court or by a regulatory body:
  - i. publish, divulge or communicate to any person, company, business entity or other organisation or to the media or any social media;
  - ii. use for your own purposes or for any purposes other than those of the Company or the Barclays Group; or
  - iii. through any failure to exercise due care and diligence, permit or cause any unauthorised disclosure of any confidential information



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- (c) These restrictions shall cease to apply to any information which shall become available to the public generally otherwise than through any breach by you of the provisions of this letter or other default of yours.
- (d) All notes, memoranda, records and documents (in whatever form or media held) that you make during the term of your appointment in performing your duties as non-executive director will belong to the Barclays Group and will be handed over to Barclays together with any copies promptly from time to time on reasonable request of any Barclays Group Company and at the end of your appointment.
- (e) Nothing in this letter, including but not limited to the provisions on confidentiality above, is intended to or shall prevent you from raising concerns in line with Barclays' internal reporting processes or making any disclosure to governmental bodies, law enforcement authorities and/or regulators as permitted or required under applicable law or regulation (including but not limited to a "protected disclosure" within the meaning of Part 43A (Protected Disclosures) of the Employment Rights Act 1996 and to any protected disclosures made about matters previously disclosed to another recipient).

11. Dealing in Barclays Securities

- (a) Your attention is drawn to the requirements under both law and regulation regarding the disclosure of price sensitive information. Matters relating to BPLC may from time to time give rise to price sensitive information which must be held under strict confidentiality conditions.
- (b) Your responsibilities will be explained to you as part of your induction. You should avoid taking any action that might risk a breach of these requirements. If you need any assistance in understanding your obligations, please contact me.

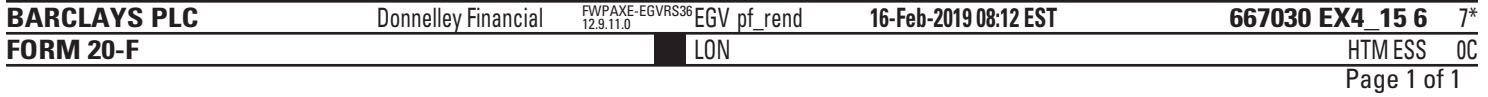
12. Indemnification and insurance

- (a) As a statutory director of BPLC you will have the benefit of and are able to rely upon an indemnity from BPLC. Your indemnity is of course in addition to any other protection available to you by virtue of the provisions of statute, common law or indeed any specific contract.
- (b) To formalise the indemnification arrangements referred to above, you will be issued with a deed of indemnity from BPLC and instructions on what steps you need to take to enter into the deed and to accept its terms and conditions.
- (c) As a UK statutory director you will be deemed to be an insured person for the purpose of the Group's current policy of Directors' and Officers' Liability Insurance subject to its terms and conditions.

13. Data Privacy

- (a) The Company and any Barclays Group company shall process your personal information for administrative and other purposes related to your appointment and the conduct of the business of the Barclays Group (the Agreed Purposes). Processing includes obtaining, holding, editing, destroying or disclosing your personal information to any Barclays Group company and/or any third parties (for example, insurers, banks and new Barclays Group companies following a business transfer or merger) for the Agreed Purposes ('Processing' or 'Process'). Barclays may also transfer your information to any Barclays Group company and/or any third parties (for example, insurers, banks and new Barclays Group companies following a business transfer or merger) in order to Process your personal information for the Agreed Purposes.
- (b) You agree to provide your personal information to the Company and the Barclays Group and consent to the Processing of that information for the Agreed Purposes. This may include transfers to recipients based in another country to your place of appointment (either within or outside the EEA).

This letter and enclosures set out the main terms of your appointment and on acceptance will constitute a contract for services. Please confirm your acceptance of the appointment as set out in this letter by signing and returning the enclosed duplicate letter. If I can help with any further information, please do not hesitate to contact me.



Stephen Shapiro  
Company Secretary  
Barclays PLC

Enclosures:

- Role Profile for BPLC non-executive directors
- Dates for 2018 BPLC Board and Committee meetings

I agree to the terms and conditions of my appointment as set out in this letter dated 11 July 2018.

Signed: \_\_\_\_\_

Name: Mary Anne Citrino

Date: 7 November 2018



Exhibit 4.16

Barclays PLC  
1 Churchill Place  
London  
E14 5HP

1 April 2018

Dear Mary,

Following the Barclays PLC (the ‘Company’ or ‘BPLC’) Board meeting on 27 March 2018, the Board agreed a new appointment letter would be issued in connection with your current appointment as an independent non-executive director of the BPLC Board following the separation of Barclays ring fenced and non-ring fenced banking activities and the stand up of the new Boards of Barclays Bank PLC and Barclays Bank UK PLC. As such, I am pleased to re-confirm your appointment as an independent non-executive director of BPLC.

1. Appointment

- (a) This letter and its enclosures are a contract for services and not a contract of employment. Reference to your appointment in this letter means any or all of the offices as set out in 1(b) - (c) below.
- (b) With effect from 1 October 2016, you have served as an independent non-executive director of BPLC.
- (c) During your appointment, you may be required to serve on board Committees (whether standing or ad hoc), membership of which will be agreed with you at the time. Committee membership will be considered on appointment and will be subject to accepted principles of good governance and the needs of the BPLC Board at the time.
- (d) As agreed you will serve as the Chairman of the BPLC Board Reputation Committee with effect from \_\_ April 2018 and will retain your membership of the BPLC Board Remuneration Committee.

2. Term

- (a) Subject to the termination provisions in section 3 below, your appointment will be for an initial term of 3 years from the date of your appointment and subject to the annual re-election by shareholders (see below). On or before the expiry of your initial term, and subject to the needs of the Board at the time, you may be invited to serve for a further term of up to three years. Non-executive directors will not usually serve for more than six years, however this is subject to the discretion of the Board Nominations Committee.
- (b) Your appointment, including any extension of your term, is subject to the following:
  - i. the Company’s Articles of Association, a copy of which was included in your original appointment pack;
  - ii. annual re-election by shareholders at the BPLC AGM, in accordance with the UK Corporate Governance Code;
  - iii. your ongoing ability to satisfy the standards and obligations applicable to directors of public companies, and, in particular, any regulatory standards expected of directors of banks and financial services firms, including if applicable, the need for regulatory approval and other requirements placed on directors under the Senior Managers Regime including the Senior Manager and Individual Conduct Rules;
  - iv. your ongoing fitness to serve as a company director and/or, if applicable, in a senior manager function;
  - v. your ongoing performance and contribution to the Board as assessed by the BPLC Board having regard to relevant information, including the annual review of the effectiveness of the Board and individual directors;
  - vi. the needs of the Board having regard to the skills and experience required to oversee the business, which may change over time.



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- (c) You undertake to inform the Company Secretary or Chairman of BPLC or relevant regulatory authority of any change in your personal or professional circumstances that might impact your ability to continue in your role as an independent non-executive director of BPLC. This includes, but is not limited to:
- i. You being charged with and/or convicted of a criminal offence (other than an offence under any road traffic legislation in the United Kingdom or elsewhere for which a fine or non-custodial penalty is imposed);
  - ii. You becoming bankrupt (or its equivalent status in any other jurisdiction) or become insolvent or enter into any arrangements or composition with your creditors;
  - iii. You being subject to personal sanction in respect of any of your other roles, or guilty of any serious misconduct or conduct which is calculated or likely to bring the Barclays Group or any of its directors or subsidiaries into disrepute or which conflicts with the Barclays Values, a copy of which was included in your original appointment pack.

**3. Termination**

- (a) Your appointment is conditional upon you satisfying and maintaining on an ongoing basis, the requirements of section 2 above.
- (b) This appointment can be terminated at any time by either party giving notice in writing to the other. Both parties agree that, in order to facilitate an orderly exit and succession, and where circumstances permit, they will provide reasonable notice to the other of their intentions to terminate the appointment.
- (c) There is no entitlement to any payment for loss of office. Regardless of the reason for termination, you will only be entitled to such fees and expenses as have accrued and are due to you as at the date of termination.
- (d) On termination of your appointment, you will immediately deliver to the Company all documents, records, papers or other company property which may be in your possession or under your control and which relate in any way to the business affairs of the Company or Barclays. You agree not to retain any copies or duplicates in any format.
- (e) On termination of your appointment and whether or not you have formally resigned from your position, you will be deemed to have done so. You agree that, on termination, Barclays is entitled to issue any announcements or other filings required as a result of you ceasing to be a director.

**4. Fees**

- (a) In respect of your appointment, you will receive a fee ('Fee') of:
- i. £80,000 per year payable in respect of your directorship of BPLC;
  - ii. £50,000 in respect of your Chairmanship of the BPLC Board Reputation Committee; and
  - iii. Such other fee as shall be payable in respect of any other Committee memberships as advised to you on appointment to a Committee.
- (b) The Fee is payable monthly in arrear by direct credit into your nominated bank account less any tax and any other statutory deductions. On termination, you will only be entitled to such amount of the Fee as has accrued at the date of termination.
- (c) Any reasonable out of pocket expenses that you incur in performing your duties will be reimbursed in accordance with our standard expenses policy, a copy of which is available on request.
- (d) The Fee may be subject to any amendment or qualification as required by any law, regulation or regulatory authority including but not limited to tax and national insurance deductions as applicable.
- (e) To ensure alignment with the Group's interests, all directors of BPLC are encouraged to hold shares in Barclays PLC. All dealings are subject to the Barclays Group Securities Dealing Code, a copy of which is available on request. You will be required to take £30,000 of your Fee, after tax and any other statutory deductions, in Barclays PLC shares ('Shares'). The Shares will be purchased



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twice a year after the announcement of the Barclays PLC full and half-year financial results. The Shares will be held on your behalf until the termination of your appointment; enclosed is an agreement setting out the details, please sign and return.

- (f) There is no contractual entitlement to any increase in your Fee during your appointment. Directors' fees are reviewed periodically by the BPLC Remuneration Committee and benchmarked to the market.
- (g) Aside from the Fee, you are not eligible to receive any contractual benefits. As a non-executive director, you are not eligible to participate in any benefit schemes, including but not limited to the Barclays Group's incentive award, long term incentive schemes and the Barclays Group's pension scheme, nor to receive any payment or cash allowances in lieu.

5. **Directors Share Qualification**

Under Barclays PLC Articles of Association, you are required to hold £500 in nominal value (2,000 Ordinary shares of 25p each) of Barclays PLC within two months of your appointment. In accordance with the Barclays Group Securities Dealing Code, you must obtain clearance to deal before you acquire these or any Barclays PLC shares. If you would like assistance in purchasing these shares, please let me know and I will arrange this for you.

6. **Role as a non-executive director**

- (a) The attached role profile will form part of your contract for services. The role profile may be changed from time to time, and once notified to you, shall be deemed to replace the attached and form part of your contract for services.
- (b) As an independent non-executive director, your primary responsibility is to provide effective oversight and constructive challenge, helping to develop proposals on strategy and then fully empowering the executive directors to implement the strategy.
- (c) Non-executive directors have the same legal responsibilities and duties as any other director and are required to take decisions in the best interests of the Company. The Board as a whole is collectively responsible for promoting the success of the Company and for supervising the Company's affairs by providing sound leadership within a framework of prudent and effective controls and risk management; setting the Company's strategic aims, ensuring that the necessary financial and human resources are in place for the Company to meet its objectives; reviewing management performance and setting the Company's values and standards.
- (d) During your appointment you agree to diligently perform such duties, responsibilities and functions (whether statutory, fiduciary or common law) as are consistent with your position and role profile as an independent non-executive director and with any relevant Barclays Group policies and procedures.

7. **Time Commitment**

- (a) In accepting this appointment, you confirm that you are able to allocate sufficient time to meet the expectations of your role on the BPLC Board including being available to devote additional time to the role during periods of increased activity or in response to market developments. Directors are also expected to attend the BPLC AGM, usually held in April / May and be available afterwards to meet with and answer questions from shareholders.
- (b) The agreement of the Chairman of BPLC must be sought before accepting additional appointments to any other company, corporate body, or entity, during your tenure that might affect the time that you are able to devote to your role.
- (c) All directors are expected to attend all Board meetings. The BPLC Board is expected to formally meet up to eight times a year, including an annual 1-2 day strategy session and on an ad-hoc basis as required. Some of the meetings may be held overseas. You will also be required to attend meetings of Committees of which you are a member.
- (d) There is a standing invitation to all non-executive directors to attend any other BPLC Board Committee meeting. Please inform the relevant BPLC Committee Chairman if you wish to attend a meeting of which you are not a member.





- (e) Directors are expected to set aside sufficient time to consider the papers in advance of BPLC Board and Committee meetings. Papers are normally circulated to directors in the week prior to the relevant meeting.
- (f) Your average expected time commitment for your role as a BPLC non-executive and BPLC Board Reputation Committee Chair is 60 days per year, including membership of any other committees of which you are a member.

8. **Conflicts of interests and outside interests**

- (a) As a director you have a duty to avoid conflicts of interest and to disclose personal interests in contracts.
- (b) It is accepted and acknowledged that you have business and other interests outside the Company. Subject to such interests not giving rise to a conflict, the Company does not object to you continuing with such interests provided they have been fully disclosed and accepted by the Company prior to your appointment. Should you become aware of any actual or potential conflicts of interest in the course of your appointment, these should be discussed with the Chairman of BPLC as soon as possible and authorised by the Board of BPLC. All conflicts must be recorded in accordance with the Board's stated policy.
- (c) As set out above, you must seek permission from the Chairman of BPLC before taking on any additional outside interests.

9. **Induction, Values and Support**

- (a) To assist directors in making a contribution to the BPLC Board as quickly as possible, all directors are offered a comprehensive induction programme, details of which were provided to you when you joined the Board. We will also provide briefings on the details of procedures regarding the disclosure of any conflicts of interest, data protection, the control of inside information and for obtaining clearance to deal in BPLC shares.
- (b) The Barclays Values (Respect, Integrity, Service, Excellence and Stewardship) are a central part of everything we do. The Values form a critical part of how Barclays is changing, as well as our purpose and behaviours. You will be expected to act in accordance with the Values as a non-executive director of the Company, and, in particular, to follow our Code of Conduct (known as the Barclays Way).
- (c) On-going training and briefings on particular topics will be made available, including any topics that you may request.
- (d) As Company Secretary, I am available to all directors to support the effective discharge of their duties and to assist with any queries. The Barclays Group General Counsel is also available to assist you with legal queries.
- (e) Occasions may arise when you consider that you need professional advice in the furtherance of your duties as a director. Where it is deemed appropriate for you to seek advice from independent legal advisers, you may, with the prior written agreement of the Company Secretary, seek independent advice at Barclays' expense.

10. **Confidentiality**

- (a) You will appreciate that the business of the Company and the Barclays Group is a specialised and competitive business. In the course of your appointment you will have access to and knowledge of, the trade secrets and confidential information of the Company and the Barclays Group. You acknowledge that the disclosure of any trade secrets or confidential information to actual or potential competitors of the Company and/or any Barclays Group company would place the Company and/or the Barclays Group at a serious competitive disadvantage and would do serious damage, financial and/or otherwise, to its or their business and business development and would cause immeasurable harm.
- (b) You must neither during the term of your appointment (except in the proper performance of the duties of your office or with the express written consent of the Board) nor at any time (without limit) after the termination of your appointment except where disclosure is required by law, by an order of a competent court or by a regulatory body:



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- i. publish, divulge or communicate to any person, company, business entity or other organisation or to the media or any social media;
- ii. use for your own purposes or for any purposes other than those of the Company or the Barclays Group; or
- iii. through any failure to exercise due care and diligence, permit or cause any unauthorised disclosure of any confidential information

- (c) These restrictions shall cease to apply to any information which shall become available to the public generally otherwise than through any breach by you of the provisions of this letter or other default of yours.
- (d) All notes, memoranda, records and documents (in whatever form or media held) that you make during the term of your appointment in performing your duties as non-executive director will belong to the Barclays Group and will be handed over to Barclays together with any copies promptly from time to time on reasonable request of any Barclays Group Company and at the end of your appointment.
- (e) Nothing in this letter, including but not limited to the provisions on confidentiality above, is intended to or shall prevent you from raising concerns in line with Barclays' internal reporting processes or making any disclosure to governmental bodies, law enforcement authorities and/or regulators as permitted or required under applicable law or regulation (including but not limited to a "protected disclosure" within the meaning of Part 43A (Protected Disclosures) of the Employment Rights Act 1996 and to any protected disclosures made about matters previously disclosed to another recipient).

11. Dealing in Barclays Securities

- (a) Your attention is drawn to the requirements under both law and regulation regarding the disclosure of price sensitive information. Matters relating to BPLC may from time to time give rise to price sensitive information which must be held under strict confidentiality conditions.
- (b) Your responsibilities will be explained to you as part of your induction. You should avoid taking any action that might risk a breach of these requirements. If you need any assistance in understanding your obligations, please contact me.

12. Indemnification and insurance

- (a) As a statutory director of BPLC you will have the benefit of and are able to rely upon an indemnity from BPLC. Your indemnity is of course in addition to any other protection available to you by virtue of the provisions of statute, common law or indeed any specific contract.
- (b) To formalise the indemnification arrangements referred to above, you will be issued with a deed of indemnity from BPLC and instructions on what steps you need to take to enter into the deed and to accept its terms and conditions.
- (c) As a UK statutory director you will be deemed to be an insured person for the purpose of the Group's current policy of Directors' and Officers' Liability Insurance subject to its terms and conditions.

13. Data Privacy

- (a) The Company and any Barclays Group company shall process your personal information for administrative and other purposes related to your appointment and the conduct of the business of the Barclays Group (the Agreed Purposes). Processing includes obtaining, holding, editing, destroying or disclosing your personal information to any Barclays Group company and/or any third parties (for example, insurers, banks and new Barclays Group companies following a business transfer or merger) for the Agreed Purposes ('Processing' or 'Process'). Barclays may also transfer your information to any Barclays Group company and/or any third parties (for example, insurers, banks and new Barclays Group companies following a business transfer or merger) in order to Process your personal information for the Agreed Purposes.

- (b) You agree to provide your personal information to the Company and the Barclays Group and consent to the Processing of that information for the Agreed Purposes. This may include transfers to recipients based in another country to your place of appointment (either within or outside the EEA).

This letter and enclosures set out the main terms of your appointment and on acceptance will constitute a contract for services.

Please confirm your acceptance of the appointment as set out in this letter by signing and returning the enclosed duplicate letter. If I can help with any further information, please do not hesitate to contact me.

Yours sincerely,

Stephen Shapiro  
Company Secretary  
Barclays PLC  
Enclosures:

- Role Profile for BPLC non-executive directors
- Dates for 2018 BPLC Board and Committee meetings

I agree to the terms and conditions of my appointment as set out in this letter dated 1 April 2018.

Signed:

Name:

Date:

Mary Francis

1 April 2018



Exhibit 4.17

Barclays PLC  
1 Churchill Place  
London  
E14 5HP

1 April 2018

Dear Matthew,

Following the Barclays PLC (the ‘Company’ or ‘BPLC’) Board meeting on 27 March 2018, the Board agreed a new appointment letter would be issued in connection with your current appointment as an independent non-executive director of the BPLC Board following the separation of Barclays ring fenced and non-ring fenced banking activities and the stand up of the new Boards of Barclays Bank PLC and Barclays Bank UK PLC.

As such, I am pleased to re-confirm your appointment as an independent non-executive director of BPLC.

1. Appointment

- (a) This letter and its enclosures are a contract for services and not a contract of employment. Reference to your appointment in this letter means any or all of the offices as set out in 1(b) - (c) below.
- (b) With effect from 1 September 2017, you have served as an independent non-executive director of BPLC.
- (c) During your appointment, you may be required to serve on board Committees (whether standing or ad hoc), membership of which will be agreed with you at the time. Committee membership will be considered on appointment and will be subject to accepted principles of good governance and the needs of the BPLC Board at the time.
- (d) As agreed you will serve as a member of the BPLC Board Audit Committee and BPLC Board Risk Committee.

2. Term

- (a) Subject to the termination provisions in section 3 below, your appointment will be for an initial term of 3 years from the date of your appointment and subject to the annual re-election by shareholders (see below). On or before the expiry of your initial term, and subject to the needs of the Board at the time, you may be invited to serve for a further term of up to three years. Non-executive directors will not usually serve for more than six years, however this is subject to the discretion of the Board Nominations Committee.
- (b) Your appointment, including any extension of your term, is subject to the following:
  - i. the Company’s Articles of Association, a copy of which was included in your original appointment pack;
  - ii. annual re-election by shareholders at the BPLC AGM, in accordance with the UK Corporate Governance Code;
  - iii. your ongoing ability to satisfy the standards and obligations applicable to directors of public companies, and, in particular, any regulatory standards expected of directors of banks and financial services firms, including if applicable, the need for regulatory approval and other requirements placed on directors under the Senior Managers Regime including the Senior Manager and Individual Conduct Rules;
  - iv. your ongoing fitness to serve as a company director and/or, if applicable, in a senior manager function;
  - v. your ongoing performance and contribution to the Board as assessed by the BPLC Board having regard to relevant information, including the annual review of the effectiveness of the Board and individual directors;
  - vi. the needs of the Board having regard to the skills and experience required to oversee the business, which may change over time.



- (c) You undertake to inform the Company Secretary or Chairman of BPLC or relevant regulatory authority of any change in your personal or professional circumstances that might impact your ability to continue in your role as an independent non-executive director of BPLC. This includes, but is not limited to:
- i. You being charged with and/or convicted of a criminal offence (other than an offence under any road traffic legislation in the United Kingdom or elsewhere for which a fine or non-custodial penalty is imposed);
  - ii. You becoming bankrupt (or its equivalent status in any other jurisdiction) or become insolvent or enter into any arrangements or composition with your creditors;
  - iii. You being subject to personal sanction in respect of any of your other roles, or guilty of any serious misconduct or conduct which is calculated or likely to bring the Barclays Group or any of its directors or subsidiaries into disrepute or which conflicts with the Barclays Values, a copy of which was included in your original appointment pack.

**3. Termination**

- (a) Your appointment is conditional upon you satisfying and maintaining on an ongoing basis, the requirements of section 2 above.
- (b) This appointment can be terminated at any time by either party giving notice in writing to the other. Both parties agree that, in order to facilitate an orderly exit and succession, and where circumstances permit, they will provide reasonable notice to the other of their intentions to terminate the appointment.
- (c) There is no entitlement to any payment for loss of office. Regardless of the reason for termination, you will only be entitled to such fees and expenses as have accrued and are due to you as at the date of termination.
- (d) On termination of your appointment, you will immediately deliver to the Company all documents, records, papers or other company property which may be in your possession or under your control and which relate in any way to the business affairs of the Company or Barclays. You agree not to retain any copies or duplicates in any format.
- (e) On termination of your appointment and whether or not you have formally resigned from your position, you will be deemed to have done so. You agree that, on termination, Barclays is entitled to issue any announcements or other filings required as a result of you ceasing to be a director.

**4. Fees**

- (a) In respect of your appointment, you will receive a fee ('Fee') of:
- i. £80,000 per year payable in respect of your directorship of BPLC; and
  - ii. Such other fee as shall be payable in respect of any other Committee memberships as advised to you on appointment to a Committee.
- (b) The Fee is payable monthly in arrears by direct credit into your nominated bank account less any tax and any other statutory deductions. On termination, you will only be entitled to such amount of the Fee as has accrued at the date of termination.
- (c) Any reasonable out of pocket expenses that you incur in performing your duties will be reimbursed in accordance with our standard expenses policy, a copy of which is available on request.
- (d) The Fee may be subject to any amendment or qualification as required by any law, regulation or regulatory authority including but not limited to tax and national insurance deductions as applicable.
- (e) To ensure alignment with the Group's interests, all directors of BPLC are encouraged to hold shares in Barclays PLC. All dealings are subject to the Barclays Group Securities Dealing Code, a copy of which is available on request. You will be required to take £30,000 of your Fee, after tax and any other statutory deductions, in Barclays PLC shares ('Shares'). The Shares will be purchased twice a year after the announcement of the Barclays PLC full and half-year financial results. The Shares will be held on your behalf until the termination of your appointment; enclosed is an agreement setting out the details, please sign and return.



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- (f) There is no contractual entitlement to any increase in your Fee during your appointment. Directors' fees are reviewed periodically by the BPLC Remuneration Committee and benchmarked to the market.
- (g) Aside from the Fee, you are not eligible to receive any contractual benefits. As a non-executive director, you are not eligible to participate in any benefit schemes, including but not limited to the Barclays Group's incentive award, long term incentive schemes and the Barclays Group's pension scheme, nor to receive any payment or cash allowances in lieu.

5. **Directors Share Qualification**

Under Barclays PLC Articles of Association, you are required to hold £500 in nominal value (2,000 Ordinary shares of 25p each) of Barclays PLC within two months of your appointment. In accordance with the Barclays Group Securities Dealing Code, you must obtain clearance to deal before you acquire these or any Barclays PLC shares. If you would like assistance in purchasing these shares, please let me know and I will arrange this for you.

6. **Role as a non-executive director**

- (a) The attached role profile will form part of your contract for services. The role profile may be changed from time to time, and once notified to you, shall be deemed to replace the attached and form part of your contract for services.
- (b) As an independent non-executive director, your primary responsibility is to provide effective oversight and constructive challenge, helping to develop proposals on strategy and then fully empowering the executive directors to implement the strategy.
- (c) Non-executive directors have the same legal responsibilities and duties as any other director and are required to take decisions in the best interests of the Company. The Board as a whole is collectively responsible for promoting the success of the Company and for supervising the Company's affairs by providing sound leadership within a framework of prudent and effective controls and risk management; setting the Company's strategic aims, ensuring that the necessary financial and human resources are in place for the Company to meet its objectives; reviewing management performance and setting the Company's values and standards.
- (d) During your appointment you agree to diligently perform such duties, responsibilities and functions (whether statutory, fiduciary or common law) as are consistent with your position and role profile as an independent non-executive director and with any relevant Barclays Group policies and procedures.

7. **Time Commitment**

- (a) In accepting this appointment, you confirm that you are able to allocate sufficient time to meet the expectations of your role on the BPLC Board including being available to devote additional time to the role during periods of increased activity or in response to market developments. Directors are also expected to attend the BPLC AGM, usually held in April / May and be available afterwards to meet with and answer questions from shareholders.
- (b) The agreement of the Chairman of BPLC must be sought before accepting additional appointments to any other company, corporate body, or entity, during your tenure that might affect the time that you are able to devote to your role.
- (c) All directors are expected to attend all Board meetings. The BPLC Board is expected to formally meet up to eight times a year, including an annual 1-2 day strategy session and on an ad-hoc basis as required. Some of the meetings may be held overseas. You will also be required to attend meetings of Committees of which you are a member.
- (d) There is a standing invitation to all non-executive directors to attend any other BPLC Board Committee meeting. Please inform the relevant BPLC Committee Chairman if you wish to attend a meeting of which you are not a member.





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- (e) Directors are expected to set aside sufficient time to consider the papers in advance of BPLC Board and Committee meetings. Papers are normally circulated to directors in the week prior to the relevant meeting.
- (f) Your average expected time commitment for your role as a BPLC non-executive director is 30 days per year, including membership of any committees.

8. Conflicts of interests and outside interests

- (a) As a director you have a duty to avoid conflicts of interest and to disclose personal interests in contracts.
- (b) It is accepted and acknowledged that you have business and other interests outside the Company. Subject to such interests not giving rise to a conflict, the Company does not object to you continuing with such interests provided they have been fully disclosed and accepted by the Company prior to your appointment. Should you become aware of any actual or potential conflicts of interest in the course of your appointment, these should be discussed with the Chairman of BPLC as soon as possible and authorised by the Board of BPLC. All conflicts must be recorded in accordance with the Board's stated policy.
- (c) As set out above, you must seek permission from the Chairman of BPLC before taking on any additional outside interests.

9. Induction, Values and Support

- (a) To assist directors in making a contribution to the BPLC Board as quickly as possible, all directors are offered a comprehensive induction programme, details of which were provided to you when you joined the Board. We will also provide briefings on the details of procedures regarding the disclosure of any conflicts of interest, data protection, the control of inside information and for obtaining clearance to deal in BPLC shares.
- (b) The Barclays Values (Respect, Integrity, Service, Excellence and Stewardship) are a central part of everything we do. The Values form a critical part of how Barclays is changing, as well as our purpose and behaviours. You will be expected to act in accordance with the Values as a non-executive director of the Company, and, in particular, to follow our Code of Conduct (known as the Barclays Way).
- (c) On-going training and briefings on particular topics will be made available, including any topics that you may request.
- (d) As Company Secretary, I am available to all directors to support the effective discharge of their duties and to assist with any queries. The Barclays Group General Counsel is also available to assist you with legal queries.
- (e) Occasions may arise when you consider that you need professional advice in the furtherance of your duties as a director. Where it is deemed appropriate for you to seek advice from independent legal advisers, you may, with the prior written agreement of the Company Secretary, seek independent advice at Barclays' expense.

10. Confidentiality

- (a) You will appreciate that the business of the Company and the Barclays Group is a specialised and competitive business. In the course of your appointment you will have access to and knowledge of, the trade secrets and confidential information of the Company and the Barclays Group. You acknowledge that the disclosure of any trade secrets or confidential information to actual or potential competitors of the Company and/or any Barclays Group company would place the Company and/or the Barclays Group at a serious competitive disadvantage and would do serious damage, financial and/or otherwise, to its or their business and business development and would cause immeasurable harm.
- (b) You must neither during the term of your appointment (except in the proper performance of the duties of your office or with the express written consent of the Board) nor at any time (without limit) after the termination of your appointment except where disclosure is required by law, by an order of a competent court or by a regulatory body:



- i. publish, divulge or communicate to any person, company, business entity or other organisation or to the media or any social media;
- ii. use for your own purposes or for any purposes other than those of the Company or the Barclays Group; or
- iii. through any failure to exercise due care and diligence, permit or cause any unauthorised disclosure of any confidential information

- (c) These restrictions shall cease to apply to any information which shall become available to the public generally otherwise than through any breach by you of the provisions of this letter or other default of yours.
- (d) All notes, memoranda, records and documents (in whatever form or media held) that you make during the term of your appointment in performing your duties as non-executive director will belong to the Barclays Group and will be handed over to Barclays together with any copies promptly from time to time on reasonable request of any Barclays Group Company and at the end of your appointment.
- (e) Nothing in this letter, including but not limited to the provisions on confidentiality above, is intended to or shall prevent you from raising concerns in line with Barclays' internal reporting processes or making any disclosure to governmental bodies, law enforcement authorities and/or regulators as permitted or required under applicable law or regulation (including but not limited to a "protected disclosure" within the meaning of Part 43A (Protected Disclosures) of the Employment Rights Act 1996 and to any protected disclosures made about matters previously disclosed to another recipient).

11. Dealing in Barclays Securities

- (a) Your attention is drawn to the requirements under both law and regulation regarding the disclosure of price sensitive information. Matters relating to BPLC may from time to time give rise to price sensitive information which must be held under strict confidentiality conditions.
- (b) Your responsibilities will be explained to you as part of your induction. You should avoid taking any action that might risk a breach of these requirements. If you need any assistance in understanding your obligations, please contact me.

12. Indemnification and insurance

- (a) As a statutory director of BPLC you will have the benefit of and are able to rely upon an indemnity from BPLC. Your indemnity is of course in addition to any other protection available to you by virtue of the provisions of statute, common law or indeed any specific contract.
- (b) To formalise the indemnification arrangements referred to above, you will be issued with a deed of indemnity from BPLC and instructions on what steps you need to take to enter into the deed and to accept its terms and conditions.
- (c) As a UK statutory director you will be deemed to be an insured person for the purpose of the Group's current policy of Directors' and Officers' Liability Insurance subject to its terms and conditions.

13. Data Privacy

- (a) The Company and any Barclays Group company shall process your personal information for administrative and other purposes related to your appointment and the conduct of the business of the Barclays Group (the Agreed Purposes). Processing includes obtaining, holding, editing, destroying or disclosing your personal information to any Barclays Group company and/or any third parties (for example, insurers, banks and new Barclays Group companies following a business transfer or merger) for the Agreed Purposes ('Processing' or 'Process'). Barclays may also transfer your information to any Barclays Group company and/or any third parties (for example, insurers, banks and new Barclays Group companies following a business transfer or merger) in order to Process your personal information for the Agreed Purposes.



- (b) You agree to provide your personal information to the Company and the Barclays Group and consent to the Processing of that information for the Agreed Purposes. This may include transfers to recipients based in another country to your place of appointment (either within or outside the EEA).

This letter and enclosures set out the main terms of your appointment and on acceptance will constitute a contract for services.

Please confirm your acceptance of the appointment as set out in this letter by signing and returning the enclosed duplicate letter. If I can help with any further information, please do not hesitate to contact me.

Yours sincerely,

Stephen Shapiro  
Company Secretary  
Barclays PLC

Enclosures:

- Role Profile for BPLC non-executive directors
- Dates for 2018 BPLC Board and Committee meetings

I agree to the terms and conditions of my appointment as set out in this letter dated 1 April 2018.

Signed: \_\_\_\_\_

Name: Matthew Lester

Date: 1 April 2018



Exhibit 4.18

Barclays PLC  
1 Churchill Place  
London  
E14 5HP

1 April 2018

Dear Mike,

Following the Barclays PLC (the 'Company' or 'BPLC') Board meeting on 27 March 2018, the Board agreed a new appointment letter would be issued in connection with your current appointment as an independent non-executive director of the BPLC Board following the separation of Barclays ring fenced and non-ring fenced banking activities and the stand up of the new Boards of Barclays Bank PLC and Barclays Bank UK PLC.

As such, I am pleased to re-confirm your appointment as an independent non-executive director of BPLC.

1. Appointment

- (a) This letter and its enclosures are a contract for services and not a contract of employment. Reference to your appointment in this letter means any or all of the offices as set out in 1(b) - (c) below.
- (b) With effect from 18 September 2013, you have served as an independent non-executive director of BPLC.
- (c) During your appointment, you may be required to serve on board Committees (whether standing or ad hoc), membership of which will be agreed with you at the time. Committee membership will be considered on appointment and will be subject to accepted principles of good governance and the needs of the BPLC Board at the time.
- (d) As agreed you will serve as the Chairman of the BPLC Board Audit Committee and a member of the BPLC Board Nominations Committee, the BPLC Board Reputation Committee and the Board Risk Committee.

2. Term

- (a) Subject to the termination provisions in section 3 below, your appointment will be for an initial term of 3 years from the date of your appointment and subject to the annual re-election by shareholders (see below). On or before the expiry of your initial term, and subject to the needs of the Board at the time, you may be invited to serve for a further term of up to three years. Non-executive directors will not usually serve for more than six years, however this is subject to the discretion of the Board Nominations Committee.
- (b) Your appointment, including any extension of your term, is subject to the following:
  - i. the Company's Articles of Association, a copy of which was included in your original appointment pack;
  - ii. annual re-election by shareholders at the BPLC AGM, in accordance with the UK Corporate Governance Code;
  - iii. your ongoing ability to satisfy the standards and obligations applicable to directors of public companies, and, in particular, any regulatory standards expected of directors of banks and financial services firms, including if applicable, the need for regulatory approval and other requirements placed on directors under the Senior Managers Regime including the Senior Manager and Individual Conduct Rules;
  - iv. your ongoing fitness to serve as a company director and/or, if applicable, in a senior manager function;
  - v. your ongoing performance and contribution to the Board as assessed by the BPLC Board having regard to relevant information, including the annual review of the effectiveness of the Board and individual directors;



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vi. the needs of the Board having regard to the skills and experience required to oversee the business, which may change over time.

- (c) You undertake to inform the Company Secretary or Chairman of BPLC or relevant regulatory authority of any change in your personal or professional circumstances that might impact your ability to continue in your role as an independent non-executive director of BPLC. This includes, but is not limited to:
- i. You being charged with and/or convicted of a criminal offence (other than an offence under any road traffic legislation in the United Kingdom or elsewhere for which a fine or non-custodial penalty is imposed);
  - ii. You becoming bankrupt (or its equivalent status in any other jurisdiction) or become insolvent or enter into any arrangements or composition with your creditors;
  - iii. You being subject to personal sanction in respect of any of your other roles, or guilty of any serious misconduct or conduct which is calculated or likely to bring the Barclays Group or any of its directors or subsidiaries into disrepute or which conflicts with the Barclays Values, a copy of which was included in your original appointment pack.

**3. Termination**

- (a) Your appointment is conditional upon you satisfying and maintaining on an ongoing basis, the requirements of section 2 above.
- (b) This appointment can be terminated at any time by either party giving notice in writing to the other. Both parties agree that, in order to facilitate an orderly exit and succession, and where circumstances permit, they will provide reasonable notice to the other of their intentions to terminate the appointment.
- (c) There is no entitlement to any payment for loss of office. Regardless of the reason for termination, you will only be entitled to such fees and expenses as have accrued and are due to you as at the date of termination.
- (d) On termination of your appointment, you will immediately deliver to the Company all documents, records, papers or other company property which may be in your possession or under your control and which relate in any way to the business affairs of the Company or Barclays. You agree not to retain any copies or duplicates in any format.
- (e) On termination of your appointment and whether or not you have formally resigned from your position, you will be deemed to have done so. You agree that, on termination, Barclays is entitled to issue any announcements or other filings required as a result of you ceasing to be a director.

**4. Fees**

- (a) In respect of your appointment, you will receive a fee ('Fee') of:
- i. £80,000 per year payable in respect of your directorship of BPLC;
  - ii. £70,000 in respect of your Chairmanship of the BPLC Board Audit Committee; and
  - iii. Such other fee as shall be payable in respect of any other Committee memberships as advised to you on appointment to a Committee.
- (b) The Fee is payable monthly in arrears by direct credit into your nominated bank account less any tax and any other statutory deductions. On termination, you will only be entitled to such amount of the Fee as has accrued at the date of termination.
- (c) Any reasonable out of pocket expenses that you incur in performing your duties will be reimbursed in accordance with our standard expenses policy, a copy of which is available on request.
- (d) The Fee may be subject to any amendment or qualification as required by any law, regulation or regulatory authority including but not limited to tax and national insurance deductions as applicable.
- (e) To ensure alignment with the Group's interests, all directors of BPLC are encouraged to hold shares in Barclays PLC. All dealings are subject to the Barclays Group Securities Dealing Code, a copy of which is available on request. You will be required to take



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£30,000 of your Fee, after tax and any other statutory deductions, in Barclays PLC shares ('Shares'). The Shares will be purchased twice a year after the announcement of the Barclays PLC full and half-year financial results. The Shares will be held on your behalf until the termination of your appointment; enclosed is an agreement setting out the details, please sign and return.

- (f) There is no contractual entitlement to any increase in your Fee during your appointment. Directors' fees are reviewed periodically by the BPLC Remuneration Committee and benchmarked to the market.
- (g) Aside from the Fee, you are not eligible to receive any contractual benefits. As a non-executive director, you are not eligible to participate in any benefit schemes, including but not limited to the Barclays Group's incentive award, long term incentive schemes and the Barclays Group's pension scheme, nor to receive any payment or cash allowances in lieu.

5. **Directors Share Qualification**

Under Barclays PLC Articles of Association, you are required to hold £500 in nominal value (2,000 Ordinary shares of 25p each) of Barclays PLC within two months of your appointment. In accordance with the Barclays Group Securities Dealing Code, you must obtain clearance to deal before you acquire these or any Barclays PLC shares. If you would like assistance in purchasing these shares, please let me know and I will arrange this for you.

6. **Role as a non-executive director**

- (a) The attached role profile will form part of your contract for services. The role profile may be changed from time to time, and once notified to you, shall be deemed to replace the attached and form part of your contract for services.
- (b) As an independent non-executive director, your primary responsibility is to provide effective oversight and constructive challenge, helping to develop proposals on strategy and then fully empowering the executive directors to implement the strategy.
- (c) Non-executive directors have the same legal responsibilities and duties as any other director and are required to take decisions in the best interests of the Company. The Board as a whole is collectively responsible for promoting the success of the Company and for supervising the Company's affairs by providing sound leadership within a framework of prudent and effective controls and risk management; setting the Company's strategic aims, ensuring that the necessary financial and human resources are in place for the Company to meet its objectives; reviewing management performance and setting the Company's values and standards.
- (d) During your appointment you agree to diligently perform such duties, responsibilities and functions (whether statutory, fiduciary or common law) as are consistent with your position and role profile as an independent non-executive director and with any relevant Barclays Group policies and procedures.

7. **Time Commitment**

- (a) In accepting this appointment, you confirm that you are able to allocate sufficient time to meet the expectations of your role on the BPLC Board including being available to devote additional time to the role during periods of increased activity or in response to market developments. Directors are also expected to attend the BPLC AGM, usually held in April / May and be available afterwards to meet with and answer questions from shareholders.
- (b) The agreement of the Chairman of BPLC must be sought before accepting additional appointments to any other company, corporate body, or entity, during your tenure that might affect the time that you are able to devote to your role.
- (c) All directors are expected to attend all Board meetings. The BPLC Board is expected to formally meet up to eight times a year, including an annual 1-2 day strategy session and on an ad-hoc basis as required. Some of the meetings may be held overseas. You will also be required to attend meetings of Committees of which you are a member.





- (d) There is a standing invitation to all non-executive directors to attend any other BPLC Board Committee meeting. Please inform the relevant BPLC Committee Chairman if you wish to attend a meeting of which you are not a member.
- (e) Directors are expected to set aside sufficient time to consider the papers in advance of BPLC Board and Committee meetings. Papers are normally circulated to directors in the week prior to the relevant meeting.
- (f) Your average expected time commitment for your role as a BPLC non-executive director and BPLC Board Audit Committee Chair is 60 days per year, including membership of any other committees of which you are a member.

8. Conflicts of interests and outside interests

- (a) As a director you have a duty to avoid conflicts of interest and to disclose personal interests in contracts.
- (b) It is accepted and acknowledged that you have business and other interests outside the Company. Subject to such interests not giving rise to a conflict, the Company does not object to you continuing with such interests provided they have been fully disclosed and accepted by the Company prior to your appointment. Should you become aware of any actual or potential conflicts of interest in the course of your appointment, these should be discussed with the Chairman of BPLC as soon as possible and authorised by the Board of BPLC. All conflicts must be recorded in accordance with the Board's stated policy.
- (c) As set out above, you must seek permission from the Chairman of BPLC before taking on any additional outside interests.

9. Induction, Values and Support

- (a) To assist directors in making a contribution to the BPLC Board as quickly as possible, all directors are offered a comprehensive induction programme, details of which were provided to you when you joined the Board. We will also provide briefings on the details of procedures regarding the disclosure of any conflicts of interest, data protection, the control of inside information and for obtaining clearance to deal in BPLC shares.
- (b) The Barclays Values (Respect, Integrity, Service, Excellence and Stewardship) are a central part of everything we do. The Values form a critical part of how Barclays is changing, as well as our purpose and behaviours. You will be expected to act in accordance with the Values as a non-executive director of the Company, and, in particular, to follow our Code of Conduct (known as the Barclays Way).
- (c) On-going training and briefings on particular topics will be made available, including any topics that you may request.
- (d) As Company Secretary, I am available to all directors to support the effective discharge of their duties and to assist with any queries. The Barclays Group General Counsel is also available to assist you with legal queries.
- (e) Occasions may arise when you consider that you need professional advice in the furtherance of your duties as a director. Where it is deemed appropriate for you to seek advice from independent legal advisers, you may, with the prior written agreement of the Company Secretary, seek independent advice at Barclays' expense.

10. Confidentiality

- (a) You will appreciate that the business of the Company and the Barclays Group is a specialised and competitive business. In the course of your appointment you will have access to and knowledge of, the trade secrets and confidential information of the Company and the Barclays Group. You acknowledge that the disclosure of any trade secrets or confidential information to actual or potential competitors of the Company and/or any Barclays Group company would place the Company and/or the Barclays Group at a serious competitive disadvantage and would do serious damage, financial and/or otherwise, to its or their business and business development and would cause immeasurable harm.



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- (b) You must neither during the term of your appointment (except in the proper performance of the duties of your office or with the express written consent of the Board) nor at any time (without limit) after the termination of your appointment except where disclosure is required by law, by an order of a competent court or by a regulatory body:
  - i. publish, divulge or communicate to any person, company, business entity or other organisation or to the media or any social media;
  - ii. use for your own purposes or for any purposes other than those of the Company or the Barclays Group; or
  - iii. through any failure to exercise due care and diligence, permit or cause any unauthorised disclosure of any confidential information
- (c) These restrictions shall cease to apply to any information which shall become available to the public generally otherwise than through any breach by you of the provisions of this letter or other default of yours.
- (d) All notes, memoranda, records and documents (in whatever form or media held) that you make during the term of your appointment in performing your duties as non-executive director will belong to the Barclays Group and will be handed over to Barclays together with any copies promptly from time to time on reasonable request of any Barclays Group Company and at the end of your appointment.
- (e) Nothing in this letter, including but not limited to the provisions on confidentiality above, is intended to or shall prevent you from raising concerns in line with Barclays' internal reporting processes or making any disclosure to governmental bodies, law enforcement authorities and/or regulators as permitted or required under applicable law or regulation (including but not limited to a "protected disclosure" within the meaning of Part 43A (Protected Disclosures) of the Employment Rights Act 1996 and to any protected disclosures made about matters previously disclosed to another recipient).

11. Dealing in Barclays Securities

- (a) Your attention is drawn to the requirements under both law and regulation regarding the disclosure of price sensitive information. Matters relating to BPLC may from time to time give rise to price sensitive information which must be held under strict confidentiality conditions.
- (b) Your responsibilities will be explained to you as part of your induction. You should avoid taking any action that might risk a breach of these requirements. If you need any assistance in understanding your obligations, please contact me.

12. Indemnification and insurance

- (a) As a statutory director of BPLC you will have the benefit of and are able to rely upon an indemnity from BPLC. Your indemnity is of course in addition to any other protection available to you by virtue of the provisions of statute, common law or indeed any specific contract.
- (b) To formalise the indemnification arrangements referred to above, you will be issued with a deed of indemnity from BPLC and instructions on what steps you need to take to enter into the deed and to accept its terms and conditions.
- (c) As a UK statutory director you will be deemed to be an insured person for the purpose of the Group's current policy of Directors' and Officers' Liability Insurance subject to its terms and conditions.

13. Data Privacy

- (a) The Company and any Barclays Group company shall process your personal information for administrative and other purposes related to your appointment and the conduct of the business of the Barclays Group (the Agreed Purposes). Processing includes obtaining, holding, editing, destroying or disclosing your personal information to any Barclays Group company and/or any third parties (for example, insurers, banks and new Barclays Group companies following a business transfer or merger) for the Agreed Purposes ('Processing' or 'Process'). Barclays may also transfer your information to any Barclays Group company and/or any third

parties (for example, insurers, banks and new Barclays Group companies following a business transfer or merger) in order to Process your personal information for the Agreed Purposes.

- (b)
- You agree to provide your personal information to the Company and the Barclays Group and consent to the Processing of that information for the Agreed Purposes. This may include transfers to recipients based in another country to your place of appointment (either within or outside the EEA).

This letter and enclosures set out the main terms of your appointment and on acceptance will constitute a contract for services.

Please confirm your acceptance of the appointment as set out in this letter by signing and returning the enclosed duplicate letter. If I can help with any further information, please do not hesitate to contact me.

Yours sincerely,

Stephen Shapiro  
Company Secretary  
Barclays PLC

- Enclosures:
- Role Profile for BPLC non-executive directors
- Dates for 2018 BPLC Board and Committee meetings

I agree to the terms and conditions of my appointment as set out in this letter dated 1 April 2018.

Signed:

Name:

Mike Ashley

Date:

1 April 2018



Exhibit 4.19

Barclays PLC  
1 Churchill Place  
London  
E14 5HP

1 April 2018

Dear Mike,

Following the Barclays PLC (the ‘Company’ or ‘BPLC’) Board meeting on 27 March 2018, the Board agreed a new appointment letter would be issued in connection with your current appointment as an independent non-executive director of the BPLC Board following the separation of Barclays ring fenced and non-ring fenced banking activities and the stand up of the new Boards of Barclays Bank PLC and Barclays Bank UK PLC.

As such, I am pleased to re-confirm your appointment as an independent non-executive director of BPLC.

1. Appointment

- (a) This letter and its enclosures are a contract for services and not a contract of employment. Reference to your appointment in this letter means any or all of the offices as set out in 1(b) - (c) below.
- (b) With effect from 1 January 2018, you have served as an independent non-executive director of BPLC.
- (c) During your appointment, you may be required to serve on board Committees (whether standing or ad hoc), membership of which will be agreed with you at the time. Committee membership will be considered on appointment and will be subject to accepted principles of good governance and the needs of the BPLC Board at the time.
- (d) As agreed you will serve as a member of the BPLC Board Reputation Committee.

2. Term

- (a) Subject to the termination provisions in section 3 below, your appointment will be for an initial term of 3 years from the date of your appointment and subject to the annual re-election by shareholders (see below). On or before the expiry of your initial term, and subject to the needs of the Board at the time, you may be invited to serve for a further term of up to three years. Non-executive directors will not usually serve for more than six years, however this is subject to the discretion of the Board Nominations Committee.
- (b) Your appointment, including any extension of your term, is subject to the following:
  - i. the Company’s Articles of Association, a copy of which was included in your original appointment pack;
  - ii. annual re-election by shareholders at the BPLC AGM, in accordance with the UK Corporate Governance Code;
  - iii. your ongoing ability to satisfy the standards and obligations applicable to directors of public companies, and, in particular, any regulatory standards expected of directors of banks and financial services firms, including if applicable, the need for regulatory approval and other requirements placed on directors under the Senior Managers Regime including the Senior Manager and Individual Conduct Rules;
  - iv. your ongoing fitness to serve as a company director and/or, if applicable, in a senior manager function;
  - v. your ongoing performance and contribution to the Board as assessed by the BPLC Board having regard to relevant information, including the annual review of the effectiveness of the Board and individual directors;
  - vi. the needs of the Board having regard to the skills and experience required to oversee the business, which may change over time.



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- (c) You undertake to inform the Company Secretary or Chairman of BPLC or relevant regulatory authority of any change in your personal or professional circumstances that might impact your ability to continue in your role as an independent non-executive director of BPLC. This includes, but is not limited to:
- i. You being charged with and/or convicted of a criminal offence (other than an offence under any road traffic legislation in the United Kingdom or elsewhere for which a fine or non-custodial penalty is imposed);
  - ii. You becoming bankrupt (or its equivalent status in any other jurisdiction) or become insolvent or enter into any arrangements or composition with your creditors;
  - iii. You being subject to personal sanction in respect of any of your other roles, or guilty of any serious misconduct or conduct which is calculated or likely to bring the Barclays Group or any of its directors or subsidiaries into disrepute or which conflicts with the Barclays Values, a copy of which was included in your original appointment pack.

### 3. Termination

- (a) Your appointment is conditional upon you satisfying and maintaining on an ongoing basis, the requirements of section 2 above.
- (b) This appointment can be terminated at any time by either party giving notice in writing to the other. Both parties agree that, in order to facilitate an orderly exit and succession, and where circumstances permit, they will provide reasonable notice to the other of their intentions to terminate the appointment.
- (c) There is no entitlement to any payment for loss of office. Regardless of the reason for termination, you will only be entitled to such fees and expenses as have accrued and are due to you as at the date of termination.
- (d) On termination of your appointment, you will immediately deliver to the Company all documents, records, papers or other company property which may be in your possession or under your control and which relate in any way to the business affairs of the Company or Barclays. You agree not to retain any copies or duplicates in any format.
- (e) On termination of your appointment and whether or not you have formally resigned from your position, you will be deemed to have done so. You agree that, on termination, Barclays is entitled to issue any announcements or other filings required as a result of you ceasing to be a director.

### 4. Fees

- (a) In respect of your appointment, you will receive a fee ('Fee') of:
- i. £80,000 per year payable in respect of your directorship of BPLC; and
  - ii. Such other fee as shall be payable in respect of any other Committee memberships as advised to you on appointment to a Committee.
- (b) The Fee is payable monthly in arrears by direct credit into your nominated bank account less any tax and any other statutory deductions. On termination, you will only be entitled to such amount of the Fee as has accrued at the date of termination.
- (c) Any reasonable out of pocket expenses that you incur in performing your duties will be reimbursed in accordance with our standard expenses policy, a copy of which is available on request.
- (d) The Fee may be subject to any amendment or qualification as required by any law, regulation or regulatory authority including but not limited to tax and national insurance deductions as applicable.
- (e) To ensure alignment with the Group's interests, all directors of BPLC are encouraged to hold shares in Barclays PLC. All dealings are subject to the Barclays Group Securities Dealing Code, a copy of which is available on request. You will be required to take £30,000 of your Fee, after tax and any other statutory deductions, in Barclays PLC shares ('Shares'). The Shares will be purchased twice a year after the announcement of the Barclays PLC full and half-year financial results. The Shares will be held on your behalf until the termination of your appointment; enclosed is an agreement setting out the details, please sign and return.



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- (f) There is no contractual entitlement to any increase in your Fee during your appointment. Directors' fees are reviewed periodically by the BPLC Remuneration Committee and benchmarked to the market.
- (g) Aside from the Fee, you are not eligible to receive any contractual benefits. As a non-executive director, you are not eligible to participate in any benefit schemes, including but not limited to the Barclays Group's incentive award, long term incentive schemes and the Barclays Group's pension scheme, nor to receive any payment or cash allowances in lieu.

5. **Directors Share Qualification**

Under Barclays PLC Articles of Association, you are required to hold £500 in nominal value (2,000 Ordinary shares of 25p each) of Barclays PLC within two months of your appointment. In accordance with the Barclays Group Securities Dealing Code, you must obtain clearance to deal before you acquire these or any Barclays PLC shares. If you would like assistance in purchasing these shares, please let me know and I will arrange this for you.

6. **Role as a non-executive director**

- (a) The attached role profile will form part of your contract for services. The role profile may be changed from time to time, and once notified to you, shall be deemed to replace the attached and form part of your contract for services.
- (b) As an independent non-executive director, your primary responsibility is to provide effective oversight and constructive challenge, helping to develop proposals on strategy and then fully empowering the executive directors to implement the strategy.
- (c) Non-executive directors have the same legal responsibilities and duties as any other director and are required to take decisions in the best interests of the Company. The Board as a whole is collectively responsible for promoting the success of the Company and for supervising the Company's affairs by providing sound leadership within a framework of prudent and effective controls and risk management; setting the Company's strategic aims, ensuring that the necessary financial and human resources are in place for the Company to meet its objectives; reviewing management performance and setting the Company's values and standards.
- (d) During your appointment you agree to diligently perform such duties, responsibilities and functions (whether statutory, fiduciary or common law) as are consistent with your position and role profile as an independent non-executive director and with any relevant Barclays Group policies and procedures.

7. **Time Commitment**

- (a) In accepting this appointment, you confirm that you are able to allocate sufficient time to meet the expectations of your role on the BPLC Board including being available to devote additional time to the role during periods of increased activity or in response to market developments. Directors are also expected to attend the BPLC AGM, usually held in April / May and be available afterwards to meet with and answer questions from shareholders.
- (b) The agreement of the Chairman of BPLC must be sought before accepting additional appointments to any other company, corporate body, or entity, during your tenure that might affect the time that you are able to devote to your role.
- (c) All directors are expected to attend all Board meetings. The BPLC Board is expected to formally meet up to eight times a year, including an annual 1-2 day strategy session and on an ad-hoc basis as required. Some of the meetings may be held overseas. You will also be required to attend meetings of Committees of which you are a member.
- (d) There is a standing invitation to all non-executive directors to attend any other BPLC Board Committee meeting. Please inform the relevant BPLC Committee Chairman if you wish to attend a meeting of which you are not a member.





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- (e) Directors are expected to set aside sufficient time to consider the papers in advance of BPLC Board and Committee meetings. Papers are normally circulated to directors in the week prior to the relevant meeting.
- (f) Your average expected time commitment for your role as a BPLC non-executive director is 30 days per year, including membership of any committees.

8. Conflicts of interests and outside interests

- (a) As a director you have a duty to avoid conflicts of interest and to disclose personal interests in contracts.
- (b) It is accepted and acknowledged that you have business and other interests outside the Company. Subject to such interests not giving rise to a conflict, the Company does not object to you continuing with such interests provided they have been fully disclosed and accepted by the Company prior to your appointment. Should you become aware of any actual or potential conflicts of interest in the course of your appointment, these should be discussed with the Chairman of BPLC as soon as possible and authorised by the Board of BPLC. All conflicts must be recorded in accordance with the Board's stated policy.
- (c) As set out above, you must seek permission from the Chairman of BPLC before taking on any additional outside interests.

9. Induction, Values and Support

- (a) To assist directors in making a contribution to the BPLC Board as quickly as possible, all directors are offered a comprehensive induction programme, details of which were provided to you when you joined the Board. We will also provide briefings on the details of procedures regarding the disclosure of any conflicts of interest, data protection, the control of inside information and for obtaining clearance to deal in BPLC shares.
- (b) The Barclays Values (Respect, Integrity, Service, Excellence and Stewardship) are a central part of everything we do. The Values form a critical part of how Barclays is changing, as well as our purpose and behaviours. You will be expected to act in accordance with the Values as a non-executive director of the Company, and, in particular, to follow our Code of Conduct (known as the Barclays Way).
- (c) On-going training and briefings on particular topics will be made available, including any topics that you may request.
- (d) As Company Secretary, I am available to all directors to support the effective discharge of their duties and to assist with any queries. The Barclays Group General Counsel is also available to assist you with legal queries.
- (e) Occasions may arise when you consider that you need professional advice in the furtherance of your duties as a director. Where it is deemed appropriate for you to seek advice from independent legal advisers, you may, with the prior written agreement of the Company Secretary, seek independent advice at Barclays' expense.

10. Confidentiality

- (a) You will appreciate that the business of the Company and the Barclays Group is a specialised and competitive business. In the course of your appointment you will have access to and knowledge of, the trade secrets and confidential information of the Company and the Barclays Group. You acknowledge that the disclosure of any trade secrets or confidential information to actual or potential competitors of the Company and/or any Barclays Group company would place the Company and/or the Barclays Group at a serious competitive disadvantage and would do serious damage, financial and/or otherwise, to its or their business and business development and would cause immeasurable harm.
- (b) You must neither during the term of your appointment (except in the proper performance of the duties of your office or with the express written consent of the Board) nor at any time (without limit) after the termination of your appointment except where disclosure is required by law, by an order of a competent court or by a regulatory body:



- i. publish, divulge or communicate to any person, company, business entity or other organisation or to the media or any social media;
- ii. use for your own purposes or for any purposes other than those of the Company or the Barclays Group; or
- iii. through any failure to exercise due care and diligence, permit or cause any unauthorised disclosure of any confidential information

- (c) These restrictions shall cease to apply to any information which shall become available to the public generally otherwise than through any breach by you of the provisions of this letter or other default of yours.
- (d) All notes, memoranda, records and documents (in whatever form or media held) that you make during the term of your appointment in performing your duties as non-executive director will belong to the Barclays Group and will be handed over to Barclays together with any copies promptly from time to time on reasonable request of any Barclays Group Company and at the end of your appointment.
- (e) Nothing in this letter, including but not limited to the provisions on confidentiality above, is intended to or shall prevent you from raising concerns in line with Barclays' internal reporting processes or making any disclosure to governmental bodies, law enforcement authorities and/or regulators as permitted or required under applicable law or regulation (including but not limited to a "protected disclosure" within the meaning of Part 43A (Protected Disclosures) of the Employment Rights Act 1996 and to any protected disclosures made about matters previously disclosed to another recipient).

11. Dealing in Barclays Securities

- (a) Your attention is drawn to the requirements under both law and regulation regarding the disclosure of price sensitive information. Matters relating to BPLC may from time to time give rise to price sensitive information which must be held under strict confidentiality conditions.
- (b) Your responsibilities will be explained to you as part of your induction. You should avoid taking any action that might risk a breach of these requirements. If you need any assistance in understanding your obligations, please contact me.

12. Indemnification and insurance

- (a) As a statutory director of BPLC you will have the benefit of and are able to rely upon an indemnity from BPLC. Your indemnity is of course in addition to any other protection available to you by virtue of the provisions of statute, common law or indeed any specific contract.
- (b) To formalise the indemnification arrangements referred to above, you will be issued with a deed of indemnity from BPLC and instructions on what steps you need to take to enter into the deed and to accept its terms and conditions.
- (c) As a UK statutory director you will be deemed to be an insured person for the purpose of the Group's current policy of Directors' and Officers' Liability Insurance subject to its terms and conditions.

13. Data Privacy

- (a) The Company and any Barclays Group company shall process your personal information for administrative and other purposes related to your appointment and the conduct of the business of the Barclays Group (the Agreed Purposes). Processing includes obtaining, holding, editing, destroying or disclosing your personal information to any Barclays Group company and/or any third parties (for example, insurers, banks and new Barclays Group companies following a business transfer or merger) for the Agreed Purposes ('Processing' or 'Process'). Barclays may also transfer your information to any Barclays Group company and/or any third parties (for example, insurers, banks and new Barclays Group companies following a business transfer or merger) in order to Process your personal information for the Agreed Purposes.



- (b) You agree to provide your personal information to the Company and the Barclays Group and consent to the Processing of that information for the Agreed Purposes. This may include transfers to recipients based in another country to your place of appointment (either within or outside the EEA).

This letter and enclosures set out the main terms of your appointment and on acceptance will constitute a contract for services.

Please confirm your acceptance of the appointment as set out in this letter by signing and returning the enclosed duplicate letter. If I can help with any further information, please do not hesitate to contact me.

Yours sincerely,

Stephen Shapiro  
Company Secretary  
Barclays PLC

Enclosures:

- Role Profile for BPLC non-executive directors
- Dates for 2018 BPLC Board and Committee meetings

I agree to the terms and conditions of my appointment as set out in this letter 1 April 2018

Signed: \_\_\_\_\_

Name: Mike Turner

Date: 1 April 2018



Exhibit 4.20

Barclays PLC  
1 Churchill Place  
London  
E14 5HP

1 April 2018

Dear Reuben,

Following the Barclays PLC (the 'Company' or 'BPLC') Board meeting on 27 March 2018, the Board agreed a new appointment letter would be issued in connection with your current appointment as an independent non-executive director of the BPLC Board following the separation of Barclays ring fenced and non-ring fenced banking activities and the stand up of the new Boards of Barclays Bank PLC and Barclays Bank UK PLC.

As such, I am pleased to re-confirm your appointment as an independent non-executive director of BPLC.

1. Appointment

- (a) This letter and its enclosures are a contract for services and not a contract of employment. Reference to your appointment in this letter means any or all of the offices as set out in 1(b) - (c) below.
- (b) With effect from 16 July 2009, you have served as an independent non-executive director of BPLC.
- (c) During your appointment, you may be required to serve on board Committees (whether standing or ad hoc), membership of which will be agreed with you at the time. Committee membership will be considered on appointment and will be subject to accepted principles of good governance and the needs of the BPLC Board at the time.
- (d) As agreed you will serve as a member of the BPLC Board Nominations Committee and BPLC Board Risk Committee.

2. Term

- (a) Subject to the termination provisions in section 3 below, your appointment will be for an initial term of 3 years from the date of your appointment and subject to the annual re-election by shareholders (see below). On or before the expiry of your initial term, and subject to the needs of the Board at the time, you may be invited to serve for a further term of up to three years. Non-executive directors will not usually serve for more than six years, however this is subject to the discretion of the Board Nominations Committee.
- (b) Your appointment, including any extension of your term, is subject to the following:
  - i. the Company's Articles of Association, a copy of which was included in your original appointment pack;
  - ii. annual re-election by shareholders at the BPLC AGM, in accordance with the UK Corporate Governance Code;
  - iii. your ongoing ability to satisfy the standards and obligations applicable to directors of public companies, and, in particular, any regulatory standards expected of directors of banks and financial services firms, including if applicable, the need for regulatory approval and other requirements placed on directors under the Senior Managers Regime including the Senior Manager and Individual Conduct Rules;
  - iv. your ongoing fitness to serve as a company director and/or, if applicable, in a senior manager function;
  - v. your ongoing performance and contribution to the Board as assessed by the BPLC Board having regard to relevant information, including the annual review of the effectiveness of the Board and individual directors;



vi. the needs of the Board having regard to the skills and experience required to oversee the business, which may change over time.

- (c) You undertake to inform the Company Secretary or Chairman of BPLC or relevant regulatory authority of any change in your personal or professional circumstances that might impact your ability to continue in your role as an independent non-executive director of BPLC. This includes, but is not limited to:
- i. You being charged with and/or convicted of a criminal offence (other than an offence under any road traffic legislation in the United Kingdom or elsewhere for which a fine or non-custodial penalty is imposed);
  - ii. You becoming bankrupt (or its equivalent status in any other jurisdiction) or become insolvent or enter into any arrangements or composition with your creditors;
  - iii. You being subject to personal sanction in respect of any of your other roles, or guilty of any serious misconduct or conduct which is calculated or likely to bring the Barclays Group or any of its directors or subsidiaries into disrepute or which conflicts with the Barclays Values, a copy of which was included in your original appointment pack.

**3. Termination**

- (a) Your appointment is conditional upon you satisfying and maintaining on an ongoing basis, the requirements of section 2 above.
- (b) This appointment can be terminated at any time by either party giving notice in writing to the other. Both parties agree that, in order to facilitate an orderly exit and succession, and where circumstances permit, they will provide reasonable notice to the other of their intentions to terminate the appointment.
- (c) There is no entitlement to any payment for loss of office. Regardless of the reason for termination, you will only be entitled to such fees and expenses as have accrued and are due to you as at the date of termination.
- (d) On termination of your appointment, you will immediately deliver to the Company all documents, records, papers or other company property which may be in your possession or under your control and which relate in any way to the business affairs of the Company or Barclays. You agree not to retain any copies or duplicates in any format.
- (e) On termination of your appointment and whether or not you have formally resigned from your position, you will be deemed to have done so. You agree that, on termination, Barclays is entitled to issue any announcements or other filings required as a result of you ceasing to be a director.

**4. Fees**

- (a) In respect of your appointment, you will receive a fee ('Fee') of:
- i. £80,000 per year payable in respect of your directorship of BPLC; and
  - ii. Such other fee as shall be payable in respect of any other Committee memberships as advised to you on appointment to a Committee.
- (b) The Fee is payable monthly in arrears by direct credit into your nominated bank account less any tax and any other statutory deductions. On termination, you will only be entitled to such amount of the Fee as has accrued at the date of termination.
- (c) Any reasonable out of pocket expenses that you incur in performing your duties will be reimbursed in accordance with our standard expenses policy, a copy of which is available on request.
- (d) The Fee may be subject to any amendment or qualification as required by any law, regulation or regulatory authority including but not limited to tax and national insurance deductions as applicable.
- (e) To ensure alignment with the Group's interests, all directors of BPLC are encouraged to hold shares in Barclays PLC. All dealings are subject to the Barclays Group Securities Dealing Code, a copy of which is available on request. You will be required to take £30,000 of your Fee, after tax and any other statutory deductions, in Barclays PLC shares ('Shares'). The Shares will be purchased



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twice a year after the announcement of the Barclays PLC full and half-year financial results. The Shares will be held on your behalf until the termination of your appointment; enclosed is an agreement setting out the details, please sign and return.

- (f) There is no contractual entitlement to any increase in your Fee during your appointment. Directors' fees are reviewed periodically by the BPLC Remuneration Committee and benchmarked to the market.
- (g) Aside from the Fee, you are not eligible to receive any contractual benefits. As a non-executive director, you are not eligible to participate in any benefit schemes, including but not limited to the Barclays Group's incentive award, long term incentive schemes and the Barclays Group's pension scheme, nor to receive any payment or cash allowances in lieu.

5. **Directors Share Qualification**

Under Barclays PLC Articles of Association, you are required to hold £500 in nominal value (2,000 Ordinary shares of 25p each) of Barclays PLC within two months of your appointment. In accordance with the Barclays Group Securities Dealing Code, you must obtain clearance to deal before you acquire these or any Barclays PLC shares. If you would like assistance in purchasing these shares, please let me know and I will arrange this for you.

6. **Role as a non-executive director**

- (a) The attached role profile will form part of your contract for services. The role profile may be changed from time to time, and once notified to you, shall be deemed to replace the attached and form part of your contract for services.
- (b) As an independent non-executive director, your primary responsibility is to provide effective oversight and constructive challenge, helping to develop proposals on strategy and then fully empowering the executive directors to implement the strategy.
- (c) Non-executive directors have the same legal responsibilities and duties as any other director and are required to take decisions in the best interests of the Company. The Board as a whole is collectively responsible for promoting the success of the Company and for supervising the Company's affairs by providing sound leadership within a framework of prudent and effective controls and risk management; setting the Company's strategic aims, ensuring that the necessary financial and human resources are in place for the Company to meet its objectives; reviewing management performance and setting the Company's values and standards.
- (d) During your appointment you agree to diligently perform such duties, responsibilities and functions (whether statutory, fiduciary or common law) as are consistent with your position and role profile as an independent non-executive director and with any relevant Barclays Group policies and procedures.

7. **Time Commitment**

- (a) In accepting this appointment, you confirm that you are able to allocate sufficient time to meet the expectations of your role on the BPLC Board including being available to devote additional time to the role during periods of increased activity or in response to market developments. Directors are also expected to attend the BPLC AGM, usually held in April / May and be available afterwards to meet with and answer questions from shareholders.
- (b) The agreement of the Chairman of BPLC must be sought before accepting additional appointments to any other company, corporate body, or entity, during your tenure that might affect the time that you are able to devote to your role.
- (c) All directors are expected to attend all Board meetings. The BPLC Board is expected to formally meet up to eight times a year, including an annual 1-2 day strategy session and on an ad-hoc basis as required. Some of the meetings may be held overseas. You will also be required to attend meetings of Committees of which you are a member.
- (d) There is a standing invitation to all non-executive directors to attend any other BPLC Board Committee meeting. Please inform the relevant BPLC Committee Chairman if you wish to attend a meeting of which you are not a member.



- (e) Directors are expected to set aside sufficient time to consider the papers in advance of BPLC Board and Committee meetings. Papers are normally circulated to directors in the week prior to the relevant meeting.
- (f) Your average expected time commitment for your role as a BPLC non-executive director is 30 days per year, including membership of any committees.

8. Conflicts of interests and outside interests

- (a) As a director you have a duty to avoid conflicts of interest and to disclose personal interests in contracts.
- (b) It is accepted and acknowledged that you have business and other interests outside the Company. Subject to such interests not giving rise to a conflict, the Company does not object to you continuing with such interests provided they have been fully disclosed and accepted by the Company prior to your appointment. Should you become aware of any actual or potential conflicts of interest in the course of your appointment, these should be discussed with the Chairman of BPLC as soon as possible and authorised by the Board of BPLC. All conflicts must be recorded in accordance with the Board's stated policy.
- (c) As set out above, you must seek permission from the Chairman of BPLC before taking on any additional outside interests.

9. Induction, Values and Support

- (a) To assist directors in making a contribution to the BPLC Board as quickly as possible, all directors are offered a comprehensive induction programme, details of which were provided to you when you joined the Board. We will also provide briefings on the details of procedures regarding the disclosure of any conflicts of interest, data protection, the control of inside information and for obtaining clearance to deal in BPLC shares.
- (b) The Barclays Values (Respect, Integrity, Service, Excellence and Stewardship) are a central part of everything we do. The Values form a critical part of how Barclays is changing, as well as our purpose and behaviours. You will be expected to act in accordance with the Values as a non-executive director of the Company, and, in particular, to follow our Code of Conduct (known as the Barclays Way).
- (c) On-going training and briefings on particular topics will be made available, including any topics that you may request.
- (d) As Company Secretary, I am available to all directors to support the effective discharge of their duties and to assist with any queries. The Barclays Group General Counsel is also available to assist you with legal queries.
- (e) Occasions may arise when you consider that you need professional advice in the furtherance of your duties as a director. Where it is deemed appropriate for you to seek advice from independent legal advisers, you may, with the prior written agreement of the Company Secretary, seek independent advice at Barclays' expense.

10. Confidentiality

- (a) You will appreciate that the business of the Company and the Barclays Group is a specialised and competitive business. In the course of your appointment you will have access to and knowledge of, the trade secrets and confidential information of the Company and the Barclays Group. You acknowledge that the disclosure of any trade secrets or confidential information to actual or potential competitors of the Company and/or any Barclays Group company would place the Company and/or the Barclays Group at a serious competitive disadvantage and would do serious damage, financial and/or otherwise, to its or their business and business development and would cause immeasurable harm.
- (b) You must neither during the term of your appointment (except in the proper performance of the duties of your office or with the express written consent of the Board) nor at any time (without limit) after the termination of your appointment except where disclosure is required by law, by an order of a competent court or by a regulatory body:



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- i. publish, divulge or communicate to any person, company, business entity or other organisation or to the media or any social media;
- ii. use for your own purposes or for any purposes other than those of the Company or the Barclays Group; or
- iii. through any failure to exercise due care and diligence, permit or cause any unauthorised disclosure of any confidential information

- (c) These restrictions shall cease to apply to any information which shall become available to the public generally otherwise than through any breach by you of the provisions of this letter or other default of yours.
- (d) All notes, memoranda, records and documents (in whatever form or media held) that you make during the term of your appointment in performing your duties as non-executive director will belong to the Barclays Group and will be handed over to Barclays together with any copies promptly from time to time on reasonable request of any Barclays Group Company and at the end of your appointment.
- (e) Nothing in this letter, including but not limited to the provisions on confidentiality above, is intended to or shall prevent you from raising concerns in line with Barclays' internal reporting processes or making any disclosure to governmental bodies, law enforcement authorities and/or regulators as permitted or required under applicable law or regulation (including but not limited to a "protected disclosure" within the meaning of Part 43A (Protected Disclosures) of the Employment Rights Act 1996 and to any protected disclosures made about matters previously disclosed to another recipient).

11. **Dealing in Barclays Securities**

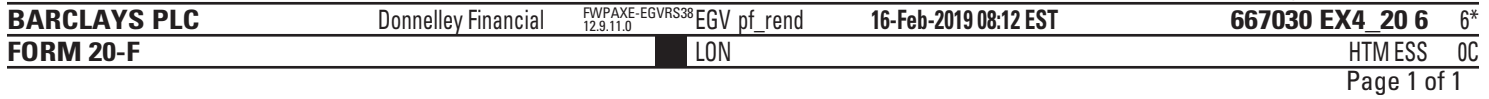
- (a) Your attention is drawn to the requirements under both law and regulation regarding the disclosure of price sensitive information. Matters relating to BPLC may from time to time give rise to price sensitive information which must be held under strict confidentiality conditions.
- (b) Your responsibilities will be explained to you as part of your induction. You should avoid taking any action that might risk a breach of these requirements. If you need any assistance in understanding your obligations, please contact me.

12. **Indemnification and insurance**

- (a) As a statutory director of BPLC you will have the benefit of and are able to rely upon an indemnity from BPLC. Your indemnity is of course in addition to any other protection available to you by virtue of the provisions of statute, common law or indeed any specific contract.
- (b) To formalise the indemnification arrangements referred to above, you will be issued with a deed of indemnity from BPLC and instructions on what steps you need to take to enter into the deed and to accept its terms and conditions.
- (c) As a UK statutory director you will be deemed to be an insured person for the purpose of the Group's current policy of Directors' and Officers' Liability Insurance subject to its terms and conditions.

13. **Data Privacy**

- (a) The Company and any Barclays Group company shall process your personal information for administrative and other purposes related to your appointment and the conduct of the business of the Barclays Group (the Agreed Purposes). Processing includes obtaining, holding, editing, destroying or disclosing your personal information to any Barclays Group company and/or any third parties (for example, insurers, banks and new Barclays Group companies following a business transfer or merger) for the Agreed Purposes ('Processing' or 'Process'). Barclays may also transfer your information to any Barclays Group company and/or any third parties (for example, insurers, banks and new Barclays Group companies following a business transfer or merger) in order to Process your personal information for the Agreed Purposes.



This letter and enclosures set out the main terms of your appointment and on acceptance will constitute a contract for services.

Please confirm your acceptance of the appointment as set out in this letter by signing and returning the enclosed duplicate letter. If I can help with any further information, please do not hesitate to contact me.

Yours sincerely,

Stephen Shapiro  
Company Secretary  
Barclays PLC

Enclosures:

- Role Profile for BPLC non-executive directors
- Dates for 2018 BPLC Board and Committee meetings

I agree to the terms and conditions of my appointment as set out in this letter dated 1 April 2018.

Signed: \_\_\_\_\_

Name: Reuben Jeffrey III

Date: 1 April 2018



Exhibit 4.21

Barclays PLC  
1 Churchill Place  
London  
E14 5HP

1 April 2018

Dear Tim,

Following the Barclays PLC (the 'Company' or 'BPLC') Board meeting on 27 March 2018, the Board agreed a new appointment letter would be issued in connection with your current appointment as an independent non-executive director of the BPLC Board following the separation of Barclays ring fenced and non-ring fenced banking activities and the stand up of the new Boards of Barclays Bank PLC and Barclays Bank UK PLC.

As such, I am pleased to re-confirm your appointment as an independent non-executive director of BPLC.

1. Appointment

- (a) This letter and its enclosures are a contract for services and not a contract of employment. Reference to your appointment in this letter means any or all of the offices as set out in 1(b) - (c) below.
- (b) With effect from 1 November 2012, you have served as an independent non-executive director of BPLC.
- (c) During your appointment, you may be required to serve on board Committees (whether standing or ad hoc), membership of which will be agreed with you at the time. Committee membership will be considered on appointment and will be subject to accepted principles of good governance and the needs of the BPLC Board at the time.
- (d) As agreed you will serve as the Chairman of the BPLC Board Risk Committee and a member of BPLC Board Audit Committee, BPLC Board Nominations Committee and BPLC Board Remuneration Committee.

2. Term

- (a) Subject to the termination provisions in section 3 below, your appointment will be for an initial term of 3 years from the date of your appointment and subject to the annual re-election by shareholders (see below). On or before the expiry of your initial term, and subject to the needs of the Board at the time, you may be invited to serve for a further term of up to three years. Non-executive directors will not usually serve for more than six years, however this is subject to the discretion of the Board Nominations Committee.
- (b) Your appointment, including any extension of your term, is subject to the following:
  - i. the Company's Articles of Association, a copy of which was included in your original appointment pack;
  - ii. annual re-election by shareholders at the BPLC AGM, in accordance with the UK Corporate Governance Code;
  - iii. your ongoing ability to satisfy the standards and obligations applicable to directors of public companies, and, in particular, any regulatory standards expected of directors of banks and financial services firms, including if applicable, the need for regulatory approval and other requirements placed on directors under the Senior Managers Regime including the Senior Manager and Individual Conduct Rules;
  - iv. your ongoing fitness to serve as a company director and/or, if applicable, in a senior manager function;
  - v. your ongoing performance and contribution to the Board as assessed by the BPLC Board having regard to relevant information, including the annual review of the effectiveness of the Board and individual directors;



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vi. the needs of the Board having regard to the skills and experience required to oversee the business, which may change over time.

- (c) You undertake to inform the Company Secretary or Chairman of BPLC or relevant regulatory authority of any change in your personal or professional circumstances that might impact your ability to continue in your role as an independent non-executive director of BPLC. This includes, but is not limited to:
- i. You being charged with and/or convicted of a criminal offence (other than an offence under any road traffic legislation in the United Kingdom or elsewhere for which a fine or non-custodial penalty is imposed);
  - ii. You becoming bankrupt (or its equivalent status in any other jurisdiction) or become insolvent or enter into any arrangements or composition with your creditors;
  - iii. You being subject to personal sanction in respect of any of your other roles, or guilty of any serious misconduct or conduct which is calculated or likely to bring the Barclays Group or any of its directors or subsidiaries into disrepute or which conflicts with the Barclays Values, a copy of which was included in your original appointment pack.

**3. Termination**

- (a) Your appointment is conditional upon you satisfying and maintaining on an ongoing basis, the requirements of section 2 above.
- (b) This appointment can be terminated at any time by either party giving notice in writing to the other. Both parties agree that, in order to facilitate an orderly exit and succession, and where circumstances permit, they will provide reasonable notice to the other of their intentions to terminate the appointment.
- (c) There is no entitlement to any payment for loss of office. Regardless of the reason for termination, you will only be entitled to such fees and expenses as have accrued and are due to you as at the date of termination.
- (d) On termination of your appointment, you will immediately deliver to the Company all documents, records, papers or other company property which may be in your possession or under your control and which relate in any way to the business affairs of the Company or Barclays. You agree not to retain any copies or duplicates in any format.
- (e) On termination of your appointment and whether or not you have formally resigned from your position, you will be deemed to have done so. You agree that, on termination, Barclays is entitled to issue any announcements or other filings required as a result of you ceasing to be a director.

**4. Fees**

- (a) In respect of your appointment, you will receive a fee ('Fee') of:
- i. £80,000 per year payable in respect of your directorship of BPLC;
  - ii. £70,000 in respect of your Chairmanship of the BPLC Board Risk Committee; and
  - iii. Such other fee as shall be payable in respect of any other Committee memberships as advised to you on appointment to a Committee.
- (b) The Fee is payable monthly in arrears by direct credit into your nominated bank account less any tax and any other statutory deductions. On termination, you will only be entitled to such amount of the Fee as has accrued at the date of termination.
- (c) Any reasonable out of pocket expenses that you incur in performing your duties will be reimbursed in accordance with our standard expenses policy, a copy of which is available on request.
- (d) The Fee may be subject to any amendment or qualification as required by any law, regulation or regulatory authority including but not limited to tax and national insurance deductions as applicable.
- (e) To ensure alignment with the Group's interests, all directors of BPLC are encouraged to hold shares in Barclays PLC. All dealings are subject to the Barclays Group Securities Dealing Code, a copy of which is available on request. You will be required to take



£30,000 of your Fee, after tax and any other statutory deductions, in Barclays PLC shares ('Shares'). The Shares will be purchased twice a year after the announcement of the Barclays PLC full and half-year financial results. The Shares will be held on your behalf until the termination of your appointment; enclosed is an agreement setting out the details, please sign and return.

- (f) There is no contractual entitlement to any increase in your Fee during your appointment. Directors' fees are reviewed periodically by the BPLC Remuneration Committee and benchmarked to the market.
- (g) Aside from the Fee, you are not eligible to receive any contractual benefits. As a non-executive director, you are not eligible to participate in any benefit schemes, including but not limited to the Barclays Group's incentive award, long term incentive schemes and the Barclays Group's pension scheme, nor to receive any payment or cash allowances in lieu.

5. Directors Share Qualification

Under Barclays PLC Articles of Association, you are required to hold £500 in nominal value (2,000 Ordinary shares of 25p each) of Barclays PLC within two months of your appointment. In accordance with the Barclays Group Securities Dealing Code, you must obtain clearance to deal before you acquire these or any Barclays PLC shares. If you would like assistance in purchasing these shares, please let me know and I will arrange this for you.

6. Role as a non-executive director

- (a) The attached role profile will form part of your contract for services. The role profile may be changed from time to time, and once notified to you, shall be deemed to replace the attached and form part of your contract for services.
- (b) As an independent non-executive director, your primary responsibility is to provide effective oversight and constructive challenge, helping to develop proposals on strategy and then fully empowering the executive directors to implement the strategy.
- (c) Non-executive directors have the same legal responsibilities and duties as any other director and are required to take decisions in the best interests of the Company. The Board as a whole is collectively responsible for promoting the success of the Company and for supervising the Company's affairs by providing sound leadership within a framework of prudent and effective controls and risk management; setting the Company's strategic aims, ensuring that the necessary financial and human resources are in place for the Company to meet its objectives; reviewing management performance and setting the Company's values and standards.
- (d) During your appointment you agree to diligently perform such duties, responsibilities and functions (whether statutory, fiduciary or common law) as are consistent with your position and role profile as an independent non-executive director and with any relevant Barclays Group policies and procedures.

7. Time Commitment

- (a) In accepting this appointment, you confirm that you are able to allocate sufficient time to meet the expectations of your role on the BPLC Board including being available to devote additional time to the role during periods of increased activity or in response to market developments. Directors are also expected to attend the BPLC AGM, usually held in April / May and be available afterwards to meet with and answer questions from shareholders.
- (b) The agreement of the Chairman of BPLC must be sought before accepting additional appointments to any other company, corporate body, or entity, during your tenure that might affect the time that you are able to devote to your role.
- (c) All directors are expected to attend all Board meetings. The BPLC Board is expected to formally meet up to eight times a year, including an annual 1-2 day strategy session and on an ad-hoc basis as required. Some of the meetings may be held overseas. You will also be required to attend meetings of Committees of which you are a member.





- (d) There is a standing invitation to all non-executive directors to attend any other BPLC Board Committee meeting. Please inform the relevant BPLC Committee Chairman if you wish to attend a meeting of which you are not a member.
- (e) Directors are expected to set aside sufficient time to consider the papers in advance of BPLC Board and Committee meetings. Papers are normally circulated to directors in the week prior to the relevant meeting.
- (f) Your average expected time commitment as a BPLC non-executive director and BPLC Risk Committee Chair is 60 days per year, including membership of any other committees of which you are a member.

8. **Conflicts of interests and outside interests**

- (a) As a director you have a duty to avoid conflicts of interest and to disclose personal interests in contracts.
- (b) It is accepted and acknowledged that you have business and other interests outside the Company. Subject to such interests not giving rise to a conflict, the Company does not object to you continuing with such interests provided they have been fully disclosed and accepted by the Company prior to your appointment. Should you become aware of any actual or potential conflicts of interest in the course of your appointment, these should be discussed with the Chairman of BPLC as soon as possible and authorised by the Board of BPLC. All conflicts must be recorded in accordance with the Board's stated policy.
- (c) As set out above, you must seek permission from the Chairman of BPLC before taking on any additional outside interests.

9. **Induction, Values and Support**

- (a) To assist directors in making a contribution to the BPLC Board as quickly as possible, all directors are offered a comprehensive induction programme, details of which were provided to you when you joined the Board. We will also provide briefings on the details of procedures regarding the disclosure of any conflicts of interest, data protection, the control of inside information and for obtaining clearance to deal in BPLC shares.
- (b) The Barclays Values (Respect, Integrity, Service, Excellence and Stewardship) are a central part of everything we do. The Values form a critical part of how Barclays is changing, as well as our purpose and behaviours. You will be expected to act in accordance with the Values as a non-executive director of the Company, and, in particular, to follow our Code of Conduct (known as the Barclays Way).
- (c) On-going training and briefings on particular topics will be made available, including any topics that you may request.
- (d) As Company Secretary, I am available to all directors to support the effective discharge of their duties and to assist with any queries. The Barclays Group General Counsel is also available to assist you with legal queries.
- (e) Occasions may arise when you consider that you need professional advice in the furtherance of your duties as a director. Where it is deemed appropriate for you to seek advice from independent legal advisers, you may, with the prior written agreement of the Company Secretary, seek independent advice at Barclays' expense.

10. **Confidentiality**

- (a) You will appreciate that the business of the Company and the Barclays Group is a specialised and competitive business. In the course of your appointment you will have access to and knowledge of, the trade secrets and confidential information of the Company and the Barclays Group. You acknowledge that the disclosure of any trade secrets or confidential information to actual or potential competitors of the Company and/or any Barclays Group company would place the Company and/or the Barclays Group at a serious competitive disadvantage and would do serious damage, financial and/or otherwise, to its or their business and business development and would cause immeasurable harm.



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- (b) You must neither during the term of your appointment (except in the proper performance of the duties of your office or with the express written consent of the Board) nor at any time (without limit) after the termination of your appointment except where disclosure is required by law, by an order of a competent court or by a regulatory body:
  - i. publish, divulge or communicate to any person, company, business entity or other organisation or to the media or any social media;
  - ii. use for your own purposes or for any purposes other than those of the Company or the Barclays Group; or
  - iii. through any failure to exercise due care and diligence, permit or cause any unauthorised disclosure of any confidential information
- (c) These restrictions shall cease to apply to any information which shall become available to the public generally otherwise than through any breach by you of the provisions of this letter or other default of yours.
- (d) All notes, memoranda, records and documents (in whatever form or media held) that you make during the term of your appointment in performing your duties as non-executive director will belong to the Barclays Group and will be handed over to Barclays together with any copies promptly from time to time on reasonable request of any Barclays Group Company and at the end of your appointment.
- (e) Nothing in this letter, including but not limited to the provisions on confidentiality above, is intended to or shall prevent you from raising concerns in line with Barclays' internal reporting processes or making any disclosure to governmental bodies, law enforcement authorities and/or regulators as permitted or required under applicable law or regulation (including but not limited to a "protected disclosure" within the meaning of Part 43A (Protected Disclosures) of the Employment Rights Act 1996 and to any protected disclosures made about matters previously disclosed to another recipient).

11. Dealing in Barclays Securities

- (a) Your attention is drawn to the requirements under both law and regulation regarding the disclosure of price sensitive information. Matters relating to BPLC may from time to time give rise to price sensitive information which must be held under strict confidentiality conditions.
- (b) Your responsibilities will be explained to you as part of your induction. You should avoid taking any action that might risk a breach of these requirements. If you need any assistance in understanding your obligations, please contact me.

12. Indemnification and insurance

- (a) As a statutory director of BPLC you will have the benefit of and are able to rely upon an indemnity from BPLC. Your indemnity is of course in addition to any other protection available to you by virtue of the provisions of statute, common law or indeed any specific contract.
- (b) To formalise the indemnification arrangements referred to above, you will be issued with a deed of indemnity from BPLC and instructions on what steps you need to take to enter into the deed and to accept its terms and conditions.
- (c) As a UK statutory director you will be deemed to be an insured person for the purpose of the Group's current policy of Directors' and Officers' Liability Insurance subject to its terms and conditions.

13. Data Privacy

- (a) The Company and any Barclays Group company shall process your personal information for administrative and other purposes related to your appointment and the conduct of the business of the Barclays Group (the Agreed Purposes). Processing includes obtaining, holding, editing, destroying or disclosing your personal information to any Barclays Group company and/or any third parties (for example, insurers, banks and new Barclays Group companies following a business transfer or merger) for the Agreed Purposes ('Processing' or 'Process'). Barclays may also transfer your information to any Barclays Group company and/or any third

parties (for example, insurers, banks and new Barclays Group companies following a business transfer or merger) in order to Process your personal information for the Agreed Purposes.

- (b)
- You agree to provide your personal information to the Company and the Barclays Group and consent to the Processing of that information for the Agreed Purposes. This may include transfers to recipients based in another country to your place of appointment (either within or outside the EEA).

This letter and enclosures set out the main terms of your appointment and on acceptance will constitute a contract for services.

Please confirm your acceptance of the appointment as set out in this letter by signing and returning the enclosed duplicate letter. If I can help with any further information, please do not hesitate to contact me.

Yours sincerely,

Stephen Shapiro  
Company Secretary  
Barclays PLC

- Enclosures:
- Role Profile for BPLC non-executive directors
- Dates for 2018 BPLC Board and Committee meetings

I agree to the terms and conditions of my appointment as set out in this letter dated 1 April 2018.

Signed:

Name:

T J Breedon

Date:

1 April 2018



Exhibit 11.1

Code of Ethics

The NYSE Rules require that domestic US companies adopt and disclose a code of business conduct and ethics for Directors, officers and employees. ‘The Barclays Way’ is the Barclays Code of Conduct that outlines the Values and Behaviours which govern our way of working across our business globally.

‘The Barclays Way’ is published on the Barclays website at <https://home.barclays/citizenship/the-way-we-do-business/code-of-conduct/>



Exhibit 12.1

CERTIFICATIONS FILED PURSUANT TO 17 CFR 240. 13(A) - 14(A)

I, James E Staley, certify that:

1. I have reviewed this annual report on Form 20-F of Barclays PLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

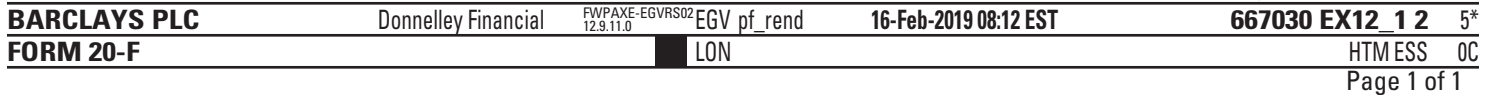
(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's boards of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.
- Date: February 21, 2019
- /s/ James E Staley  
James E Staley  
Title: Group Chief Executive  
Barclays PLC

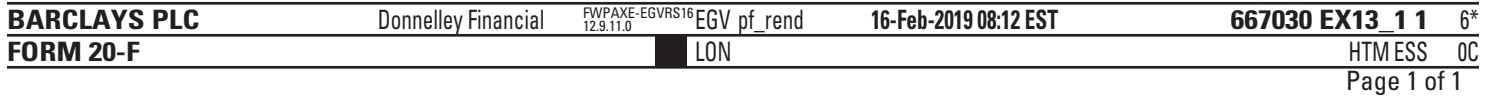


1. I have reviewed this annual report on Form 20-F of Barclays PLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's boards of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: February 21, 2019

/s/ Tushar Morzaria  
Tushar Morzaria  
Title: Group Finance Director  
Barclays PLC





### Exhibit 13.1

**CERTIFICATIONS FILES PURSUANT TO 17 CFR 240. 13(A) AND 18 U.S.C**

## SECTION 906 CERTIFICATION

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each undersigned officer of Barclays PLC, a public limited company incorporated under the laws of England and Wales ("Barclays"), hereby certifies, to such officer's knowledge, that:

The Annual Report on Form 20-F for the year ended December 31, 2018 (the “Report”) of Barclays fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934 and information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Barclays.

Date: February 21, 2019

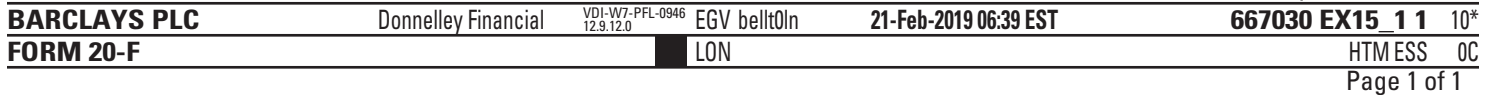
/s/ James E Staley

James E Staley  
Title: Group Chief Executive  
Barclays PLC

Date: February 21, 2019

/s/ Tushar Morzaria

Tushar Morzaria  
Title: Group Finance Director  
Barclays PLC



## Exhibit 15.1

We consent to the incorporation by reference in the registration statement (File Number: 333-223156) on Form F-3 and in the registration statements (File Numbers: 333-225082, 333-216361, 333-195098, 333-183110, 333-173899, 333-167232, 333-153723) on Form S-8 of our report dated 20 February 2019, with respect to the consolidated balance sheets of Barclays PLC and subsidiaries as of 31 December 2018 and 2017, and the related consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity, and consolidated cash flow statements for each of the years in the two-year period ended 31 December 2018, and the related notes and specific disclosures described in Note 1 to the financial statements as being part of the consolidated financial statements, and the effectiveness of internal control over financial reporting as of 31 December 2018, which report appears in the 31 December 2018 Annual Report on Form 20-F of Barclays PLC.

/s/ KPMG LLP  
London, United Kingdom  
February 21, 2019

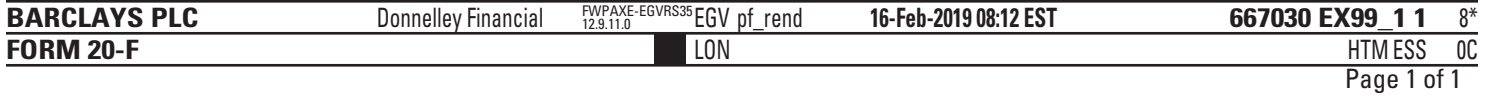


Exhibit 15.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (File Nos. 333-225082, 333-216361, 333-195098, 333-183110, 333-173899, 333-167232 and 333-153723) and Form F-3 (File No. 333-223156) of Barclays PLC of our report dated February 22, 2017 relating to the financial statements, which appear in the Annual Report of Barclays PLC on Form 20-F for the year ended December 31, 2018.

/s/ PricewaterhouseCoopers LLP  
London, United Kingdom  
February 21, 2019



## Capitalisation and Indebtedness

The following table sets out the issued share capital of Barclays PLC and its consolidated subsidiaries' total shareholders' equity, indebtedness and contingent liabilities as at 31 December 2018. The information has been prepared in accordance with the International Financial Reporting Standards (IFRS).

| As at 31 December                                                   | 2018<br>(000)  |
|---------------------------------------------------------------------|----------------|
| <b>Share Capital of Barclays PLC</b>                                |                |
| Ordinary shares - issued and fully paid shares of £0.25 each        | 17,132,806     |
|                                                                     | £m             |
| <b>Group equity</b>                                                 |                |
| Called up share capital                                             | 4,283          |
| Share premium account                                               | 28             |
| Other reserves                                                      | 5,153          |
| Other equity instruments                                            | 9,632          |
| Retained earnings                                                   | 43,460         |
| <b>Total equity excluding non-controlling interests</b>             | <b>62,556</b>  |
| Non-controlling interests                                           | 1,223          |
| <b>Total equity</b>                                                 | <b>63,779</b>  |
| <b>Group indebtedness<sup>a</sup></b>                               |                |
| Subordinated liabilities                                            | 20,559         |
| Debt securities in issue                                            | 82,286         |
| <b>Total indebtedness</b>                                           | <b>102,845</b> |
| <b>Total capitalisation and indebtedness</b>                        | <b>166,624</b> |
| <b>Group contingent liabilities and commitments</b>                 |                |
| Guarantees and letters of credit pledged as collateral security     | 15,805         |
| Performance guarantees, acceptances and endorsements                | 4,498          |
| <b>Total contingent liabilities</b>                                 | <b>20,303</b>  |
| Documentary credits and other short-term trade related transactions | 1,741          |
| Standby facilities, credit lines and other commitments              | 322,482        |
| <b>Total commitments</b>                                            | <b>324,223</b> |

a "Group indebtedness" includes interest accrued as at 31 December 2018 in accordance with International Financial Reporting Standards.