Creating opportunities to rise

BARCLAYS

Barclays PLC

Annual Report 2018

Our common Purpose is 'Creating opportunities to rise'. We are a company of opportunity makers working together to help people rise – customers, clients, colleagues and society.

For further information and a fuller understanding of the results and the state of affairs of the Group, please refer to the full Barclays PLC Annual Report 2018 suite of documents available at **home.barclays.com/annualreport**

Barclays PLC Strategic Report 2018
An overview of our 2018 performance, a focus on our strategic direction, and a review of the businesses underpinning our strategy.

Barclays PLC Annual Report 2018
A detailed review of Barclays 2018 performance with disclosures that provide useful insight and go beyond reporting requirements.

Barclays PLC Country Snapshot 2018
An overview of our tax contribution country by country as well as our broader approach to tax, including our UK tax strategy.

Barclays PLC Environmental Social Governance (ESG) Report 2018
Our ESG strategic priorities and performance, reported against a range of quantitative and qualitative indicators.

Barclays PLC Pillar 3 Disclosures 2018
A summary of our risk profile, its interaction with the Group's risk appetite, and risk management.

Barclays PLC Annual Report was approved by the Board of Directors on 20 February 2019 and signed on its behalf by the Chairman.

Details on how to obtain a copy of the full Barclays PLC Annual Report 2018 can be found in the Shareholder information section at the back of this report.

Report of the Auditor
The Auditor's report on the full accounts for the year ended 31 December 2018 was unqualified, and their statement under section 496 (whether the Strategic Report and the Directors' report are consistent with the accounts) of the Companies Act 2006 was unqualified.

Approach to non-financial performance reporting
We note the requirements under the provisions of the Companies Act 2006, relating to the preparation of the Strategic Report which have been amended by the Companies, Partnerships and Groups (Accounts and Non-Financial Reporting) Regulations 2016, which implements EU Directive 2014/95/EU (on non-financial and diversity information). As a result of these changes, we have integrated the information required for a Non-Financial Information Statement into the Strategic Report, thereby promoting cohesive reporting of non-financial matters.

Notes, Non-IFRS performance measures and forward looking statements
Barclays management believes that the non-IFRS performance measures included in this document provide valuable information to the readers of the financial statements. This document also 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 Group. For further details on Notes, non-IFRS performance measures, and forward-looking statements used within this document, please see inside back cover.

When you see this icon you will find more information on another page or Barclays report

When you see this icon you will find more information online

What's inside this report

A solid foundation for the future

John McFarlane
Chairman

The Chairman presents a review of the year and the key events and impacts on our business.

Dear Fellow Shareholders

I am pleased to report that Barclays is in a very different place than it has been since the global financial crisis, and with the significant restructuring done, we can now for the first time in the recent past look forward to enhancing shareholder returns and distributions.

We have made significant progress, particularly in the past few years:

- we resolved a substantial portion of our major legacy matters putting behind us issues that have to date cost us over £17 billion
- we exited the bulk of our non-core and sub-performing assets at a cost of over £12 billion.

We implemented all elements of structural reform requirements:

- created a new ring-fenced UK bank from scratch, ahead of competitors and time, that is operating strongly
- established a service company that is delivering operational and financial efficiencies, creating the capacity to reinvest in the core businesses, as well as being in a position to provide essential services in the event of a failure of the bank
- finalised the arrangements for an intermediate holding company in the US
- set up arrangements in the EU and a transfer process, such that we are one of the most prepared banks for Brexit
- reflected advanced corporate governance in the major subsidiary banks with new governance arrangements including the introduction of separate boards of directors.

We have also developed a strong values-based culture that enables us to serve our customers, to make a significant contribution to society, to reward shareholders and to protect ourselves from the reputational damage associated with poor industry conduct.

Against a backdrop of very substantial increases in regulatory capital requirements, over time we have built up sufficient capital and financial strength enabling us to achieve our target capital ratio of c.13% of risk-weighted assets, prudently surpassing our mandatory distribution restriction hurdle, and we are in a position to endure severe future economic stress and yet be in a position to extend credit to our customers in that event. Some commentators imply because we are at that level but below other more domestic competitors, our capital is inadequate. However, we do not agree. The aim is to have the right amount of capital to balance safety and returns, rather than the maximum amount possible.

While digital technology has radically changed people's lives and has brought untold benefits, unfortunately, it has also brought cybercrime. Not only are criminals after information, they are after money, and can and will steal it where and whenever they choose, whether we are awake or asleep. They are harnessing this new digital reality, in which they can reach out across the globe, anonymously, and virtually risk-free. They are smart, highly innovative and persistent. The rewards are enormous and the risks to them low. This issue is a real and present danger, not only to our current way of life, but also to society as a whole.

At Barclays, we have made defending against cybercrime one of our most important and most urgent priorities. Accordingly, we are investing heavily to protect our customers, our systems, our bank and society. This is a decision not only worth making, but one where there really is no choice in assuring the long-term future of the company.

Moreover, and finally, our major businesses are now positioned for success and on a path to deliver healthy and sustainable returns for shareholders. The return to profit in the year has also enabled us to increase the return of capital to shareholders, including increasing our dividend to its previous level.

Turning to the year itself, Group statutory profit before tax was £3.5bn, down 1% on the prior year (after absorbing litigation and conduct losses in the year of £2.2bn) yielding a return on tangible equity of 3.6%, up 7.2% on the prior year. Earnings per share showed a better picture at 9.4p, up from a 10.3p loss in 2017. The improved result benefited from a significant reduction in impairment as a result of prudent management of credit risk, as well as the benefit from improved macroeconomic forecasts during the year.

The conduct losses were a major factor in reducing our tangible net asset value per share (TNAV) from 276p to 262p in the year. The significant reduction to today's level in part reflects the gruelling effect of the global financial crisis. I believe, and we have seen it in the quarterly progression since Q1 2018, that period of decline is now over, and we should over time see TNAV rising, which is an important foundation for the share price and progressive dividends.

Excluding litigation and conduct items, profit before tax was £5.7bn, up 20% on the previous year and yielded a return on tangible equity of 8.5%, just shy of our target levels for 2019 and 2020. Earnings per share was 21.9p, up from a 3.5p loss in the prior year.

Introducing your Chairman-designate

Succeeding John McFarlane, who has done such a sterling job during a period of great change at Barclays, is a huge honour.

I have been lucky enough to enjoy 36 years at Rothschild, working with many wonderful colleagues and clients, and particularly honoured to lead the firm for a decade or so.

I now look forward to joining another great institution and to working closely with its executive management team, led by Jes Staley, and my fellow non-executive Directors.

I am totally committed to helping Barclays and its people continue to develop and progress.

Nigel Higgins
Chairman-designate

These results demonstrate a good level of progress and provide a solid foundation for the future.

On the same basis, our businesses generally showed progress and advanced performance in the year.

Barclays International (which includes our Corporate and Investment Bank and Consumer Cards and Payments) grew its profits before tax 10% to £3.9bn and achieved a return on tangible equity of 8.7%. The Corporate and Investment Bank was the major contributor to profit growth, up 15% on the prior year at £2.7bn, and with an improved return on tangible equity of 7.1%. Consumer Cards and Payments achieved profits before tax of £1.2bn, with a strong return on tangible equity of 17.3%.

Barclays UK continues to be a major contributor to the Group with profits before tax of £2.4bn and with a strong return on tangible equity of 16.7%.

However, as we all know, in banking the journey is never done. The economic environment remains uncertain and issues will emerge, but we feel secure that we will be able to deal with these as they arise. In particular, we are well prepared for Brexit and the transfer of businesses into the EU, as and when this is required.

Shareholders may now be aware that funds managed by Sherborne, controlling approximately 5.5% of your company's share capital, have proposed that Edward Bramson, of Sherborne, be appointed to your Board. Sherborne's views and intentions in doing so are not fully clear to us. We continue to meet and correspond with Sherborne and Mr Bramson, and give due consideration to the issues they raise. As such, we do not believe that a board seat is needed for Sherborne to contribute its views. Your Directors believe that good governance requires a cohesive board that can properly represent the interests of all shareholders, and not just a small proportion of them.

The Board remains confident in our strategy, the fruits of which are reflected in our improved operating results. We believe it is important to avoid a further period of significant disruption, from which we have only this year freed ourselves, so that the Board and management can focus on executing the strategy and on our plans to improve performance beyond current levels. As a result, your Board is recommending that shareholders vote against the Sherborne resolution.

Chairman's letter

A solid foundation for the future

I might also mention our position on energy finance and climate change, as it is now a major consideration for boards. It is a priority for us to contribute to society's initiatives in limiting the impact of climate change. In doing so, we must recognise that for some time to come, renewable sources alone cannot meet global demand for energy.

Hence, our position has three areas of focus:

- financing the growth of green and renewable energy sources and proactively supporting the development of businesses aiming to solve the world's environmental challenges
- taking a responsible and sustainable approach to the financing of essential sources of energy today that are more carbon intensive, or those with higher environmental impact, and
- reducing the carbon footprint of our own operations and supply chain.

The world is in transition, and Barclays' approach reflects this. It requires a balance between advancing tomorrow's energy technologies and reducing our current exposure to carbon-intensive energy sources such as thermal coal, recognising current reliance on traditional energy sources is necessary until such time as new methods can replace them fully.

We share the desire to accelerate the transition to a green future, and will therefore work constructively with all of our stakeholders to find the right balance. Shareholders can read more about our approach on page 23 of the Strategic Report and in the Environmental, Social and Governance (ESG) Report.

If we pause to reflect on the period since the crisis, it has indeed been a tough few years for the Group. What we have achieved could not have been done without the leadership of our Chief Executive Jes Staley and his senior team. I would therefore like to thank the Board, our management and all our staff for the enormous efforts they have made to make Barclays a better place.

You will be aware I plan to retire from the Group at the upcoming AGM. I'm satisfied that I will leave a company that is capable and prepared for the future, in particular to be able to deliver sustainably stronger returns to shareholders than have been seen for many years.

The Corporate and Investment Bank is an important contributor to the economy, has increased its market position globally and particularly in the US and Europe, positioning itself as a leading player in the world's deepest capital pools at a time when capital markets are playing an increasingly important role in supporting the growth of our corporate and institutional clients.

Barclays UK is strongly positioned in both Cards and in Retail banking, and our US cards business is now larger than our UK equivalent with attractive prospects for growth.

The Group has also invested appropriately in digitisation to position us to take advantage of the technical revolution, as well as defending ourselves from new Fintech competitors.

This new financial and operational foundation and improved business productivity and performance should serve us well in the coming years and should enable share price recovery from recent discounted levels.

And finally, since this is my last letter to you as Chairman, it has been a great privilege for me to have served this great company and you as shareholders, and I thank you for allowing me to do so. I will of course continue to serve you until I finally step down.

I commend my proposed successor, Nigel Higgins to you. The Board has made an excellent choice and I have every confidence that Nigel will be a superb steward of the Board and the Company.

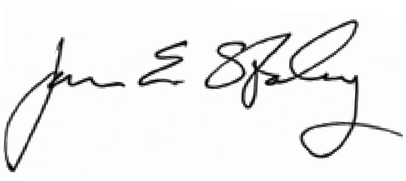
John McFarlane
Chairman

Chief Executive's review

We are delivering on our strategy

James E. Staley
Group Chief Executive

"The fundamental strength of our Group rests on a diversified, though connected, portfolio of interests – and Barclays today is very well diversified by geography, by product segment, and by currency."



2018 represented a very significant period for Barclays.

In the course of the year, having resolved major legacy issues and reduced the drag from low returning businesses, we started to see the true earnings potential of this bank, as the strategy we have implemented began to deliver.

This was evident in the strongly improved performance across the Group compared to 2017.

Excluding litigation and conduct, profit before tax was up 20% – an outcome driven in part by lower impairment as a result of prudent management of credit risk, as well as the benefit from improved macroeconomic forecasts during the year.

Our Group return on tangible equity, was 8.5% for the full year – close to our 2019 financial target of greater than 9%. Achieving our return on tangible equity targets of greater than 9% in 2019 and greater than 10% in 2020 will remain our overriding priority.

BX, our service company, has driven greater efficiency through the business and allowed us to bring costs down to within our guidance range of £13.6-13.9 billion, while creating capacity for investment. We have the ability to flex that investment to support our return on tangible equity targets if the environment requires us to do so.

Excluding litigation and conduct, our earnings per share for the full year were 21.9p.

What these key performance measures demonstrate is that our strategy is working, and momentum is building in Barclays.

As we began the year, we had all but reached the end of the huge restructuring of the business which we commissioned with our strategy in March of 2016:

- we had completed the run-down of our Non-Core Unit, eliminating over £90bn of Risk Weighted Assets – predominantly in our Corporate & Investment Bank – closing operations in a dozen countries, and selling some 20 businesses which were no longer strategically important to Barclays
- we had sold down our interest in Barclays Africa to a level allowing regulatory deconsolidation, which was formally granted in July of 2018
- we had completed our work on structural reform, creating our Intermediate Holding Company in the USA, and standing up our ring-fenced bank in the UK – the successful execution of which in April was the result of an extraordinary effort by colleagues across the bank, and one of the biggest technological shifts ever carried out in financial services; and

We are delivering on our strategy

- we had created our Service Company, Barclays Execution Services, or 'BX', as a state-of-the-art operating platform on which to run and build our business going forward.

We were able to resolve major outstanding legacy conduct issues for the bank in 2018:

- reaching a settlement with the US Department of Justice in relation to Residential Mortgage Backed Securities
- having the UK SFO charges against the bank relating to our 2008 capital raisings dismissed; and
- providing further for the completion of PPI redress.

We have also implemented our contingency plan to ensure we can continue to seamlessly service our clients across Europe following a UK withdrawal from the EU.

This transformation – as with any major corporate restructuring – cost a substantial amount of money to effect, and absorbed enormous amounts of colleague time and management focus. But the effort and investment was worth it to remove major drags on the operational effectiveness and profitability of Barclays, and to create the model we laid out in our strategy – a transatlantic consumer and wholesale bank, with global reach – which is now starting to generate attractive and sustainable returns for our shareholders.

The fundamental strength of our Group rests on a diversified, though connected, portfolio of businesses - and Barclays is well diversified by geography, by product and by currency between our consumer and wholesale businesses.

We have a great position in UK retail and business banking, serving 23 million customers and a million small businesses in a market where we have roots going back 328 years. We have an enviable position in fast growing international cards and payments in the UK, US, and Europe. And we are a strong and profitable global player in corporate and investment banking, anchored in the world's deepest and most sophisticated capital markets of London and New York.

Our diversified model is not only designed to be well balanced and produce consistent and attractive returns through the economic cycle, it is also a more robust model for any modern financial services business. A decade after the financial crisis I am very confident that Barclays today would be well prepared to weather major shocks in the future.

Of course one area where performance progress has unfortunately not been reflected is in our share price, which remains disappointingly low. In common with all European banks, we have been hit very hard in this regard by macroeconomic issues which have weighed heavily on investor sentiment.

Notwithstanding that, I have repeatedly said that a management team cannot rest while the share price trades below book value, and it is a priority for us to drive a recovery.

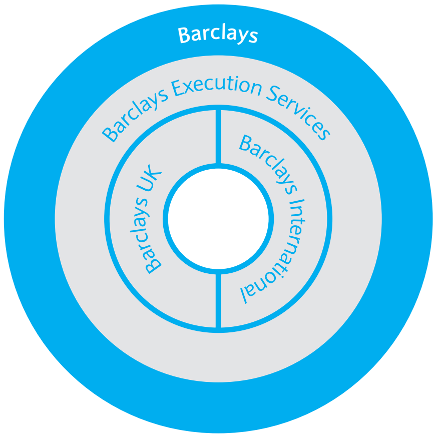
Improved returns to shareholders will certainly help in that endeavour. In 2018, based on our strong capital position, the restoration of the dividend to 6.5p, and the redemption of expensive preference shares dating from the financial crisis, saw us return around £1.8bn of capital. That is progress, but not yet sufficient.

As we generate excess capital going forward we intend to return a greater proportion of those earnings to shareholders by way of dividends and other distributions including buybacks, and I am optimistic for our prospects to do more in 2019 and beyond.

There are three principal reasons for that optimism.

First, the opportunity to further digitise our consumer businesses in the UK, the US, and in Germany is significant. For example, today we have 11 million digitally active customers, with over six million users of our award-winning mobile banking app in the UK, and the quality of engagement with customers on digital platforms such as these is impressive. On average, a Barclays customer visits a branch once every six weeks. Contrast that with the statistics for Barclays Mobile Banking, where customers typically go into the app every single day. Our relationships with these customers are consequently much stronger, and we are better able to help them with their financial needs. Of course as we expand our offering in this area we have a close eye on the security and resilience of systems.

Second, the importance of capital markets as a source of funding for corporates and investment is growing, continuing the shift in recent years away from reliance on bank balance sheets. In the past decade bank lending to corporates has declined by 14% relative to GDP. At the same time there has been a surge in capital market issuance, with global Debt Capital Markets up by 75% in the past decade - and we are a top 4 player in Debt Capital Markets. Since the financial crisis, growth in the bond market in Europe has replaced 90% of the decline in bank lending. These trends will continue and, as the only non-US investment bank operating at scale in both London and New York, we are well placed to participate in the opportunity this represents. Competing in the top tier of global



investment banking, enabled by our size and commitment across asset classes, is important to Barclays' future returns – and we demonstrably do compete. For example, in our Markets business in 2018 we saw revenue growth on a US dollar basis.

Third, we are today investing in multiple growth opportunities – principally in technology development – across the Group. The efficiencies driven by BX, our service company, have been instrumental in creating the capacity to do so, while continuing to control our costs. Such meaningful investments in growth opportunities were simply not a viable option during the many years of reshaping this company.

As our strategy continues to work, the principal calls on our future earnings should now be returns to shareholders and investment in growing the business – rather than litigation and conduct charges, restructuring costs, and capital accumulation. That shift is very welcome.

I remain hugely proud of the continuing positive impact which Barclays has in the communities in which we operate around the world. From our major citizenship programmes such as LifeSkills, Connect with Work, and Unreasonable Impact, to the individual, local, social and charitable efforts of colleagues and teams around the world. This work says much about the culture of Barclays today – driven by a deep commitment to help customers, clients, and wider society, to rise and succeed. I am grateful for the effort and commitment Barclays' people exhibit every day.

Finally, I want to pay tribute to the contribution of our retiring Chairman, John McFarlane, to the development of Barclays over these past four years.

John took on the Chairmanship of the Group during a period of tumultuous change for financial services, and for this bank in particular. Barclays, and I personally, have been fortunate to benefit from his wisdom, his challenge, his courage to make tough calls, and his steadfast leadership during that time. It is due in no small part to John that we find ourselves in such a positive position today, with our turnaround complete, and confident in our prospects. On behalf of colleagues across the bank, I would like to thank John for his stewardship, and to wish him and his family well following his retirement in May.

James E. Staley
Group Chief Executive

Delivering for our wider stakeholders is integral to our success

We are responding to global challenges like climate change and global energy demand by evaluating our financing of carbon intensive energy sources, while proactively supporting the development of green financial products and services. We are contributing to inclusive prosperity by enhancing the skills and meaningful employment opportunities of people in our local communities. And we are investing in innovation from our best asset – our colleagues – to test and scale new business opportunities that tackle social and environmental challenges.

We are responding to global challenges, supporting the development of green financial products and services, and contributing to inclusive prosperity.

The Environmental Social Governance (ESG) Report provides additional information on key non-financial topics and forms part of the Barclays PLC Annual Report suite.

See Barclays PLC ESG Report 2018 available at home.barclays/annualreport

Strategic report
Governance
Risk review
Financial review
Financial statements
Shareholder information

A constantly evolving operating environment

Barclays is a transatlantic consumer and wholesale bank, anchored in our two home markets of the UK and US, therefore impacted by a wide range of macroeconomic, political, regulatory and accounting, technological and social developments. The evolving operating environment presents opportunities and risks which we continue to monitor and evaluate to ensure that we appropriately adapt our strategy and its delivery.

Economic growth

The global economy continued to expand in 2018, at an estimated rate of 3.7%[a]. However, there have been noticeable regional differences. US expansion accelerated through higher consumer spending as tax cuts boosted disposable income. On the other hand, growth in Japan, Eurozone and the UK slowed amid political and economic disruption. Significant concerns remain around the sustainability of the sovereign debt level in Italy. Emerging markets diverged due to higher interest rates in the US, volatile oil price and escalating trade tensions.

Central banks continued tightening monetary conditions, notably, the Federal Reserve and Bank of England increased their policy rate and the European Central Bank (ECB) announced the end of its quantitative easing programme. Labour markets have tightened, putting upward pressure on inflation, indicating potential further monetary tightening.

Barclays' business mix spans multiple geographies and client types – we believe a diversified portfolio lowers volatility and enhances stability in a macro environment such as ours today. As a result, we believe in Barclays' ability to generate solid returns through economic cycles, even when some areas perform less well than others.

Political risks

Global political uncertainty continued to manifest itself in 2018. Conflicts remained unresolved in some areas of the world, such as Asia, the Middle East and Eastern Europe. In addition, rising trade tensions across the globe are starting to have a negative impact on economic activity, consumer confidence and general financial conditions. The possibility of an escalating trade conflict between the US and China would likely have significant and wide-ranging economic and political consequences. Separately, Brexit continues to give rise to significant uncertainty across the socio-economic environment in Europe.

The uncertain political environment may impact market dynamics and sentiment – however, we believe in Barclays' ability to adapt to changes for the benefit of customers, clients and broader stakeholders.

Regulations

From 1 January 2019, the largest UK banks were required to have separated core retail banking operations from investment banking and international banking activities to comply with the Financial Services (Banking Reform) Act 2013. These banks have had to restructure their activities and operations on a scale rarely seen before to comply with the new legislation. These changes have had implications for almost all stakeholders, with banks particularly focused on minimising disruption for clients and customers.

On 1 April 2018, Barclays' UK banking business, largely comprising of Personal Banking, Barclaycard Consumer UK and Business Banking, was transferred from Barclays Bank PLC (BBPLC) to Barclays Bank UK PLC under the single ring-fencing transfer scheme. The corresponding products and services including current and savings accounts, consumer lending, credit cards, investment products and services, and business banking solutions, were also transferred.

Separately, as a consequence of the likely departure of the UK from the European Union (EU), financial services firms that previously accessed European markets through the UK, will need to establish new legal entities in Europe to ensure business continuity and minimise disruption to clients. Banks in particular are having to implement significant changes that include but are not limited to; the transfer, or recruitment, of colleagues into the EU; building infrastructure; transfer of balance sheet; and trades.

To help manage the risks related to Brexit, Barclays is expanding its existing banking subsidiary in the EU, Barclays Bank Ireland PLC (BBI). BBI will become a wholly owned subsidiary of BBPLC, through which we will be able to continue to serve our European clients globally and our global clients in Europe. We currently already have branches of BBPLC in key European jurisdictions, which will become branches of BBI as part of our response to the UK exiting the EU. We continue to work closely with our regulators in the UK and Europe to ensure we will be able to support our clients in Europe, and globally, from the moment the UK leaves the EU. However, execution risks remain for the industry as a whole, including but not limited to balance sheet and trade transfers, client readiness and operational resiliency.

The revised Payments Services Directive (PSD2) and Open Banking went live in early 2018. These initiatives require banks to share more customer information, subject to customer consent, with regulated third parties than ever before. Such regulatory changes are designed to bolster innovation and market competition. This poses challenges to the traditional banking business model, however, opportunities exist for banks that develop new products and services to customers, improve customer journeys, and extend beyond traditional financial products.

The EU General Data Protection Regulation (GDPR) came into effect in May 2018. The GDPR aims primarily to give individuals control over their personal data and to simplify the regulatory environment for international business by unifying the regulation within the EU. In today's modern economy, data is becoming increasingly important and banks are emerging as key custodians of customers' and clients' data.

Barclays has a history of innovation spanning three industrial revolutions. We want to lead the change, being technological, regulatory, or customer driven, rather than simply responding to it. We are committed to providing a market leading digital offering to our customers and clients by making customer journeys simpler and more intuitive and offering and building digital platforms that benefit the whole society and economy.

See page 131 of this report for further information on material and emerging risks

Note
a IMF estimate, January 2019.

Our preparations for the departure of the UK from the EU

2016

June

Begin evaluation of business model options post-Brexit

2017

February

Launch of formal programme to address Brexit contingency planning

October

Submission of draft Licence Extension Application to the ECB and the Central Bank of Ireland

2018

October

Licence extension approval for Barclays Bank Ireland attained from the Central Bank of Ireland

December

Migration of Germany Branch

Opened new office space in Dublin

2019

January

Court order received to enable use of Part VII transfer scheme

February

Migration of Spain and Sweden Branches

Euro payments technology transferred over from London to Frankfurt

Corporate Bank client migrations begin

March

Italy, Portugal, France, Netherlands branch migrations

Investment Banking, Markets and private banking: Onboarding to Barclays Bank Ireland and start of position migrations

We are a company of opportunity makers

Our common Purpose is 'Creating opportunities to rise'. Because when our customers, clients, colleagues and society rise, Barclays rises too. We measure and reward our people, not just on commercial results, but on how they live our Values and bring them to life every day.

Our Purpose and Values are central to Barclays. They drive everything we say and do. They are fundamental to the relationships we build with our colleagues, customers, clients and stakeholders and have been part of our DNA for over 328 years. They reflect our entrepreneurial spirit; our relentless quest for better; and our commitment to putting people first. Single-minded application of our Purpose and Values, across all of our activities, continues to build the bank, providing the fundamentals upon which to build further success.

In April 2018, we completed one of the most complex restructurings ever undertaken by a bank. We now look to the future and have a renewed focus on growth and returns. The ring fencing undertaken is a necessary regulatory requirement, but in all the ways that make us Barclays, we remain one. We're united by a common set of Values and a single guiding Purpose, detailed here, along with the other elements that help us play our part in building a clear, creative and compelling Barclays.

Our Purpose

In today's world, a bank needs to demonstrate, both internally and externally, the honest and authentic way it goes about its business, and the value it brings to its stakeholders. Purpose-driven organisations have higher levels of employee satisfaction, higher levels of business performance, and a higher level of societal impact.

We want to see Barclays playing a key role in restoring the professionalism of banking and want this bank to be respected and admired for the strength of its character; for our ability to foster trust between Barclays and its customers, clients and society.

Our Purpose also needs to reflect our entrepreneurial spirit; our drive to leave things better; our customer and client centricity; and our commitments to colleagues and to society at large.

In the process of researching the new Purpose, we interviewed colleagues and found that a new Purpose would be welcomed in order to reflect our strategy and a renewed sense of optimism. Colleagues said the statement should re-emphasise and build on the strength of existing values, and it should focus on what business we are in, and the impact we make. Our new Purpose therefore reflects this.

Our Purpose

Creating opportunities to rise
We are a company of opportunity makers, working together to help people rise – customers, clients, colleagues and society

Our Values

Our values underpin our business and govern everything we do

Our Group strategy

To build on our strength as a transatlantic consumer and wholesale bank, anchored in our two home markets of the UK and US, with global reach

Measuring success

Our performance measurement approach reflects the way in which management monitors the performance of the Group, allows for a holistic assessment and sets out our progress towards the strategic goals of the organisation

Our Values

Our five Values (as shown in the chart opposite), hold us to account and guide us to behave in the right way. They have always underpinned our Purpose and will continue to do so. Because 'Creating opportunities to rise' must never come at the cost of what is right. It will always be grounded in the deep-rooted Values of our organisation – Respect, Integrity, Service, Excellence and Stewardship.

The Barclays Code of Conduct – 'The Barclays Way' – outlines the Values and Behaviours which govern our way of working across our business globally. It constitutes a reference point covering all aspects of our working relationships, specifically with other Barclays employees, customers and clients, governments and regulators, business partners, suppliers, competitors and the broader community. The objective is to define the way we think, work and act at Barclays to ensure we deliver against our Purpose of 'Creating opportunities to rise'.

We want to see Barclays playing a key role in restoring the professionalism of banking and want this bank to be respected and admired for the strength of its character; for our ability to foster trust between Barclays and its customers, clients and society.

The Barclays Way is aligned to the Code of Professional Conduct, published by the Chartered Banker Professional Standards Board, which sets out the ethical and professional attitudes and behaviours expected of bankers. Barclays subscribes to this code and is committed to ensuring the broad principles into our business continue to apply.

You can learn more online at:
home.barclays/about-barclays/barclays-values

Our culture and people

The culture of Barclays is formed by its people and the choices they make. Fostering the right environment so that our people can flourish is critical to our success and to our values-based culture. The tone from the top has been clear throughout 2018, including through the launch of the Purpose, colleague forums specifically focused on colleague initiatives that are making Barclays a great place to work and the inaugural CEO Rise Awards which recognised the outstanding work our colleagues did in 2018.

We are proud of the progress we have made to promote respect, diversity and excellence in the workplace, and we see this progress reflected in our employee opinion survey results. The engagement of our colleagues has improved by four percentage points since 2016 (when we last asked all colleagues to take part in the survey at the same time) to 79% in 2018 and we were especially pleased to see that 92% of colleagues agreed that Barclays is focused on achieving good customer and client outcomes (up 9% points since 2016). In addition, 91% of colleagues said they felt they can be themselves at work, and when asked to describe the culture of Barclays, the top ten words selected by colleagues have all remained positive. Eighty-six per cent of our colleagues agree that it's safe to speak up, which is encouraging. To continue to encourage a culture which supports speaking up, the Group Executive Committee announced the creation of a centralised team and a new intranet site which sets out clearly how to raise a concern when things don't seem right.

We have continued to run key programmes and initiatives across the organisation that we know support our colleagues and help them to achieve excellent performance. These include Dynamic Working, sponsorship and development programmes, mental health and well-being awareness, and upgrading our technology and infrastructure. We are building the next generation workplace and we have had some great successes this year including the launch of our world-class Whippany campus and announcing our intention to build further campuses in Glasgow and India, which provide our colleagues the tools that they need to deliver outstanding service, and help us to attract and retain the very best talent in the global market. We are starting to build new skill sets across the firm, such as advanced analytics, digital and data and becoming more experimental, so we can be at the forefront of innovation.

From the trading floors to our branches, the way that we hire, train, develop and retain our colleagues, and the day-to-day decisions that they make, are intrinsic to embedding our culture and in turn, delivering the best for our customers, clients and local communities. For further details on the wide range of colleague and diversity initiatives that support our ambition to be the most accessible, inclusive and sought after employer, please refer to the People section on pages 93 to 98.

Playing to our strengths

As a leading, diversified, transatlantic bank with global reach, our goal is to support our stakeholders via a commercially successful business that generates long-term sustainable returns.

Building on our strong foundations

Our strategy is to build on our strength as a transatlantic consumer and wholesale bank, anchored in our two home markets of the UK and US, with global reach. Our two clearly defined divisions, Barclays UK and Barclays International, provide diversification to our business model. We believe that combining consumer and wholesale businesses, as well as accessing geographic diversification, provides real advantages to both the Group and our investors and helps contribute to the delivery of more consistent and sustainable returns through the business cycle. The diversification should help to reduce volatility of income and earnings, generate higher returns through the cycle and improve the resilience of the Group as a whole.

Consistent with the objective of delivering long-term sustainable value for our stakeholders, we continue to pursue an approach to citizenship and sustainability that is integrated with our core business. By focusing on our core products and services, and our relationships, we can make the greatest positive impact.

You can read more about our approach within our performance metrics on pages 18 to 27.

Completion of the restructuring

In 2018, we successfully concluded our restructuring which saw us run-down the Non-Core, sell-down Barclays Africa, complete the Structural Reform Programme and create BX. These combined actions have significantly contributed to the simplification of the Group, helping to reduce drag on Group profitability and laying the foundations for Barclays to drive sustainable returns in its businesses.

Delivering the Barclays of the future

Our focus is now on building the Barclays of the future, operating principally through Barclays UK, Barclays International and supported by BX. We remain fully committed to our model as a diversified bank and will remain a well-diversified financial institution providing excellent products and services to our customers and clients, underpinned by world class operations. We believe we are well positioned to deliver future growth and appropriate returns for shareholders.

> We will remain a well-diversified financial institution providing excellent products and services to our customers and clients.

We continue to invest in our technological and digital capabilities, particularly in Barclays UK where we already have a strong digital proposition, Barclays Mobile Banking. We are using technology to deliver more meaningful customer relationships by transforming the way we interact with customers, leverage data analytics and utilise the opportunities presented by Open Banking. Delivering a truly customer-centric model is at the heart of Barclays UK's strategy.

Barclays International will continue to focus on markets and services where we have a competitive advantage, allocating capital where we see the ability to generate the most attractive risk-adjusted returns and investing where we see an opportunity to expand our market share. We see technology as a significant enabler across the investment banking business, particularly in Markets business lines, and will continue to invest appropriately, alongside recruiting the best talent as we build the Barclays of the future.

Strategic opportunities

Leveraging our geographic and business diversification, we see a significant opportunity to develop our payments capabilities across the Group. We aim to leverage our extensive experience and expertise developed through our leadership position in the UK to grow our market share in the US. In the Business to Business (B2B) space, we will continue to invest in our commercial payments capabilities, in order to meet the evolving needs of our customers, by leveraging innovative solutions and our data assets. On the consumer side, we are growing our mobile payment solutions in the UK. In the US, we see continued opportunity to build on our position as a Top 10 credit card issuer by receivables, as our targeted partnership model drives continued growth. Furthermore, we are investing in our US consumer banking proposition, where we have a growing, own-brand digital banking offering.

Our strategy is enhanced by the launch of BX. BX changes the way Barclays operates, enabling the delivery of world class services through a more standardised global operating model. We believe this will enable us to extract cross-Group cost synergies through scale, simpler processes, enhanced controls, a better co-ordinated service provision and more effective management of investment in our technology and processes. Cost transparency is expected to improve as well by applying a price-quantity approach, that transfers increasing cost ownership to the business. BX is a key component of Barclays' operating model.

We remain focused on conduct, regulations and delivering enhanced controls

We aspire to be one of the world's most respected and well-regarded banks. We have worked hard to resolve outstanding legacy issues, while continuing to strengthen our control environment. We put our customers and clients at the heart of everything we do and seek to strengthen the trust of our customers, clients and wider society.

Barclays mobile app

Our customers increasingly engage with Barclays using a smartphone and we see that our app, BMB, has become a vital part of their financial life.

6.2 million customers use the Barclays app to manage their finances, c.700k more than last year, of which 5 million log into the app every week. On average each customer typically logs in every day and spends 21 minutes on the app per month. In addition to the 1.5 million customers who use the Barclaycard app, last year our customers logged in a total of 2 billion times.
3.6 million payments and 3 million transfers are made through the app every week, and we complete 155k personal loan fulfilments a year providing convenience and simplicity for our customers. In 2018 we embedded the ability to open up savings accounts which led to 200k customers opening an account via the Barclays app.

The app supports our customers through their life moments, for example, buying a home starts with helping customers save for a deposit, not just when they need a mortgage. We also help customers with relevant offers and services to help them move in and settle down in their new home.

We will continue to evolve the Barclays app around the theme of being a one-stop-shop for all the money management needs our customers have. We intend to do so through our investments in cutting edge technology and data capabilities. Just a few of the recent examples include; current account aggregation; transaction categorisation; the ability to turn off spending in merchant categories including gambling and premium rate phone numbers; and the functionality in the app to freeze cards if customers believe it to be lost or stolen.

Current account aggregation was one of the first of many innovations made possible by Open Banking. We were the first UK bank to launch this feature in our app in September 2018. Our customers can see current accounts from other UK high street banks safely and securely. We are planning to expand this functionality by adding more banks, aggregating other types of accounts like savings accounts and credit cards, and introducing the ability to initiate payments from accounts held with other providers from within the Barclays app.

A key need for our customers is the ability to understand and manage their spending. Customers will soon be able to undertake further analysis of spending by category, view the top merchants they spend the most money with, and get meaningful insights on their spending. This will further enable our customers to make informed decisions on how they manage their finances.

We also intend to bring innovation from the Fintech community around the world. Working with start-ups coming through the Barclays RISE accelerator as well as with other Fintech partners, we continue to gather customer feedback on innovative features through our Launchpad app. One such recent example is our partnership with Bink, bringing to life payment card linked loyalty.

We will continue to listen to our customers to make the Barclays app the best money management experience in the UK.

Business model

Working together to help people rise

Our business model enables us to leverage resource and relationships to produce long-term sustainable outputs for our stakeholders. These outputs provide combined value for our stakeholders, helping people to rise.

We believe our diversified business model through business line, geography and customer, helps enhance our resilience to changes in the external environment, and captures the benefits of diversification through the efficient delivery of cross-group synergies and funding.

Barclays operates via two clearly defined divisions – Barclays UK and Barclays International, supported by BX.

Barclays UK is a personal and business banking franchise with true scale, built around our customers' needs with innovation at its core. It comprises our UK retail banking operations, our UK consumer credit cards business, our UK-based wealth offering, and banking for smaller businesses.

Barclays International is a diversified transatlantic business comprising our corporate banking franchise, which is market leading in the UK with strong international growth opportunities, our top-tier investment bank, a strong and growing US and international cards business, our international wealth offering, and leading payments capability through both corporate banking and the Barclaycard merchant acquiring expertise. Barclays International has scale in wholesale banking and consumer lending, strength in our key markets, excellent growth potential, and good balance in its revenue streams, delivering further resilience and diversification.

BX provides state of the art, simple, efficient, innovative and secure operation and technology services which deliver customer and shareholder value. BX achieves this by building world-wide connectivity, standardising services, creating synergies and cost efficiencies, fostering innovation, leveraging technology Group-wide and ensuring resilience and security. It also builds trust through ensuring resilience and security, whilst creating capacity for investment.

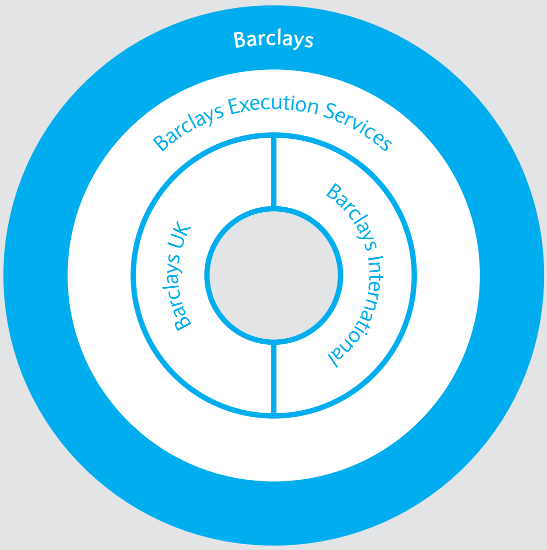
For further information on our divisions, see:

Barclays UK see pages 30 to 33

Barclays International see pages 34 to 37

Barclays Execution Services see pages 38 to 39

Resource and relationships



We draw on the following to support our activities and deliver value to our stakeholders:

- the strength and reputation of our brand – serving customers and clients for over 328 years
- a strong, well-funded and diversified balance sheet
- customer and client trust and depth of relationships
- our geographic focus: firmly anchored in the two financial centres of London and New York, with global reach
- a track record of successfully innovating for customers and clients
- the skills and expertise of our people and our shared values which inform the way we work and how we act.

We aim to provide superior services to help customers and clients create, grow and protect wealth in a sustainable way:

Barclays' customers and clients include: individuals, small and medium-sized businesses, large corporates and multi-national companies; financial institutions and banks; institutional investors, funds, sovereign institutions and governments.

We offer:

- a safe place to save, invest and manage cash and payments
- funding for purchases and growth
- management of business and financial risks
- financial and business support
- innovative digital and technology capabilities.

Outputs

Financial

- Group Return on Tangible Equity (RoTE) of greater than 9% in 2019 and greater than 10% in 2020, excluding litigation and conduct, and based on a CET1 ratio of c.13%.
- CET1 ratio of c.13%.
- Group costs, excluding litigation and conduct, of £13.6–£13.9bn in 2019, and a target cost: income ratio below 60% over time.

Non-financial

- Building trust with our customers and clients.
- Successfully innovating and developing products.
- Providing accessible products and services.
- Fostering a diverse and inclusive workforce.
- Motivating engaged and enabled colleagues.
- Enabling a positive conduct and a values-based environment.
- Making decisions and doing business that provides our stakeholders with access to a prosperous future.
- Proactively manage the environmental and societal impacts of our business.

See pages 44 to 46 for our non-financial information statement

Value created

Company

- We support our stakeholders via a commercially successful business that generates long-term sustainable returns.
- We work together with regulators to help reduce risk in the industry and provide a more sustainable banking landscape over the long term.

Customers and clients

- We offer superior service through a broad range of products to enable customers and clients to achieve their goals, and engaging with customers and clients in the way they want to engage with us.
- We develop strong relationships with customers and clients built on trust.

Colleagues

- We help our people have challenging and fulfilling careers in a values-driven organisation.
- We help our colleagues develop themselves and empower them to work in a way that suits their lives and supports our business.

Citizenship

- We deliver financing solutions in social and environmental sectors, and enable access to financial and digital empowerment for individuals and companies.
- We help provide employment and growth in the economies in which we operate.
- We engage with governments and society to address societal issues and needs.

See pages 18 to 27 this report for further insights

Engaging stakeholders for feedback and direction

Barclays aims to create value for all of our stakeholders, balanced across both the short and the long term. We engage with our stakeholders to better inform them of our activities to create mutually supportive opportunities and outcomes for them.

At Barclays, stakeholder engagement is key to ensure responsible balanced decisions are made. We provide opportunity for engagement through the year via different forums and channels to help shape the direction of our business, aligned to stakeholders needs and expectations.

Through engagement, we aim to build trust and confidence, promote participation and influence, identify and promote robust risk management, and ultimately make decisions with shared benefits for our stakeholders.

By having an open and frequent dialogue across stakeholders, we have developed a clearer understanding of stakeholder requirements and ambitions and how we can best address these needs.

Our performance measures build on our stakeholder engagement

Our performance measurement framework builds on our stakeholder engagement to align Barclays performance to their ambitions.

We reflect a balance of key financial performance metrics and broader strategic non-financial measures which focus on the impact we have on our customers and clients, colleagues, and the benefit we bring to society via our citizenship activity. These measures are underpinned by how we behave towards all our stakeholders, through our conduct and our culture.

To assess our performance we use a number of sources including dashboards of our performance metrics and measures, regular management reporting and external measures to provide a balanced review of performance during the year, while additionally monitoring for emerging trends.

Performance against our financial metrics and strategic non-financial performance measures is directly linked to executive remuneration, and influences incentive outcomes for Barclays' employees more broadly. This approach supports us in our work to deliver positive outcomes for all our stakeholders.

Please refer to the Remuneration report on pages 99 to 126 for further information.

The following pages detail the performance of the Group for 2018.

See pages 18 to 27 of this report for further insights

What is our ambition for our stakeholders?

Company

Achieving our targets is consistent with our aim of generating long-term sustainable returns for the shareholders:

- Group return on tangible equity* >9% in 2019 >10% in 2020
- CET1 ratio at c.13%
- Group cost guidance of £13.6–£13.9bn in 2019†. Targeting cost:income ratio below 60% over time

* Excluding litigation and conduct, and based on a CET1 ratio of c.13%
† Excluding litigation and conduct

Customers and clients

- Building trust with our customers and clients, such that they are happy to recommend us to others.
- Successfully innovating and developing products and services that meet their needs.
- Offering suitable products and services in an accessible way, ensuring excellent customer and client experience.

Colleagues

Promoting and maintaining:

- a diverse and inclusive workforce in which colleagues of all backgrounds are treated equally and have the opportunity to be successful and achieve their potential
- engaged and enabled colleagues
- a positive conduct and values-based environment.

Citizenship

- Making decisions and doing business that provides our clients, customers, shareholders, colleagues and the communities which we serve with access to a prosperous and sustainable future.
- Proactively managing the environmental and societal impacts of our business.

How did we engage them?	What were the key topics raised?	How did we respond?
We engaged with our shareholders and stakeholders at our AGM in May 2018, with the Board providing a review of the performance of the Group, and providing opportunity for interaction and shareholder voting on resolutions. We held conference calls or 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. We have an open and regular engagement with our regulators, ensuring clarity and transparency, and sharing views and expectations of Barclays.	Discussions included, but were not limited to: ■ improved operating performance of the Group in the first year post-restructuring ■ continued digitisation of the bank ■ ongoing investment in technology ■ value being created by Barclays Execution Services in improving the mix and efficiency of our cost base. Investors also discussed topics including the strategy, prudent risk management and steps taken to mitigate the potential impact from the uncertainty surrounding Brexit, as well as climate change and ESG factors.	■ We placed greater emphasis on regular new and existing 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. ■ We published our Environment and Climate Change Statement to clarify our position and commitment to supporting the transition to less carbon intensive sources of energy. ■ These actions help promote dialogue on longer-term strategic developments in addition to recent financial performance of the Group.
Our front-line colleagues are integral in engaging with our customers and clients, and we gain invaluable insight to how our customers feel about our service and what we could do better. By continually monitoring customer feedback, we aim to understand what features customers really want and need, as well as any frustration they may be feeling, which we can work to either develop or rectify. In developing our propositions, we look to take a customer-centric approach and put customers and clients at the heart of the process to understand what they really need and would value and build our products and services accordingly.	■ Innovation to meet our customer's rapidly evolving needs and expectations. As competition intensifies, with new FinTech and challengers entering the market, the pace of change is faster than ever and we continue to invest to meet this challenge. ■ The complaints we receive help us identify areas in our business which need to be improved. Including processes and services we deliver, through to the underlying policies. ■ For our business banking clients, managing cash flow and raising capital for growth are two key challenges they face, especially for those without premises to offer for a secured loan.	■ We will look to improve customer experience by; accelerating automation; building value and image perceptions; and delivering strong customer outcomes to grow relationships. ■ Accessibility – new services were launched including: the ability for deaf customers to contact us by telephone with the assistance of a third-party interpreter, online support page for people experiencing mental health concerns, and a wide-range of considerations for older customers including fraud and scams awareness and accessible banking services.
During the year, we engaged with our people through a number of forums and channels, to gather thoughts, opinions and feedback on how we are doing, with the opportunity to ask questions directly to our senior leadership teams. These include the annual Employee Opinion Survey supported by quarterly 'pulse checks', local colleague forums, town halls, and 'skip-level' meetings where senior leaders meet with small groups of employees not in their direct management. More recently we have seen an uptake in reverse mentoring sessions with senior leaders being mentored by more junior colleagues.	■ The ability to work flexibly continues to be key to unlocking colleague engagement (colleague engagement of those who work dynamically is up four percentage points on overall engagement score in 2018). ■ Scores on enablement, e.g. tools to do the job have been historically low and continue to be a key area of focus. However, there has been an improvement year on year, highlighting that our continued investment is having an impact.	■ Continued focus on dynamic working: We published a white paper on Dynamic Working to help other organisations understand the benefits. ■ Reducing under-investment and duplication: We have invested in hardware and software collaboration tools designed to make it easier and more efficient for colleagues to work. ■ We have focused on mental health through our Be Well campaign to launch new training for all colleagues and a launch of a film of senior leaders discussing their experiences of mental health to support with tackling the stigma and support our colleagues with managing stress in the workplace.
We engage in a continual dialogue with non-governmental organisations (NGOs) and other interest groups, to improve our understanding of emerging and existing environmental and societal topics. We regularly engaged with our stakeholders through participation in forums and round tables and joined industry, sector and specific topic debates. We explored citizenship and sustainability agendas, where collaboration and joint action are needed. We continue to engage with these stakeholder groups on an ongoing basis through Barclays' Sustainability and Citizenship teams.	■ Green finance and supporting clients through the transition to a low carbon economy. ■ Responsible financing for companies in sensitive energy sectors. ■ Societal impacts and work in the communities in which we operate. ■ Accessibility of our products and services to all demographics, and treating customers fairly.	We responded on key topics in 2018 through a number of communications and business developments including: ■ continuing to grow our suite of green products ■ releasing statements on coal, World Heritage Sites and Ramsar Wetlands, and a comprehensive Energy and Climate Change Statement (which replaced and strengthened the Coal Statement published previously) ■ maintaining ongoing dialogue with NGOs and civil society regarding financing extractive industries ■ enhancing transparency around our transition journey to a low carbon economy, and the support we provide to clients.

Measuring performance

Our performance measurement framework undertakes a holistic assessment and sets out our progress towards the strategic goals of the organisation. Our framework is focused on achieving positive and sustainable outcomes for our diverse group of stakeholders.

Company

How we are doing

Group Return on Tangible Equity* (RoTE)

8.5%

2017 (1.2)%

CET1

13.2%

2017 13.3%

Cost: income ratio

77%

2017 73%

Operating expenses†

£13.9bn

2017 £14.2bn

RoTE measures our ability to generate acceptable returns for shareholders. It 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.

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 Group's capital allocation and performance management process.

The CET1 ratio is a measure of the capital strength and resilience of Barclays. The Group's capital management objective is to maximise shareholder value by prudently managing the level and mix of its capital. This is to ensure the Group and all of its subsidiaries are appropriately capitalised relative to their minimum regulatory and stressed capital requirements, and to support the Group's risk appetite, growth, and strategic options while seeking to maintain a robust credit proposition for the Group and its subsidiaries.

The ratio expresses Barclays' capital as a percentage of risk weighted assets (RWAs), as defined by the PRA, in the context of Capital Requirements Directive IV (CRD IV) – an EU directive prescribing capital adequacy and liquidity requirements, and is part of the regulatory framework governing how banks and depository institutions are supervised.

Barclays views operating expenses as a key strategic area for banks; those which actively manage costs and control them effectively will gain a strong competitive advantage.

The cost:income ratio measures operating expenses as a percentage of total income and is used to assess the productivity of the business operations.

How we are doing

Group RoTE

RoTE for the Group, excluding litigation and conduct, was 8.5%. Based on a CET1 ratio of 13% this would have been 8.3%.

CET1

The 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 the bank resolved legacy matters, £1.7bn for ordinary dividends and AT1 coupons paid and foreseen, and £1.0bn from the redemption of capital instruments.

Operating expenses and cost: income ratio

Group operating expenses were £13.9bn† in line with 2018 guidance, while Total operating expenses were £16.2bn (2017: £15.5bn), including litigation and conduct, and a charge of £140m in relation to the equalisation of Guaranteed Minimum Pensions (GMP).

The 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 litigation and conduct charges for an RMBS settlement and PPI provisions.

For further information on the financial performance of the Group, please see page 224.

* Excluding litigation and conduct

† Excluding litigation and conduct and Guaranteed Minimum Pensions (GMP) charges

Customers and Clients

How we are doing

Barclays Net Promoter Score® (NPS)

+17

2017 +14

Lending to UK businesses

c.£63bn

2017 c.66bn

Barclays UK complaints including PPI

down 1% YoY

2017 down 7% YoY

Key outcomes we will look to achieve include:

- building trust with our customers and clients, such that they are happy to recommend us to others
- successfully innovating and developing products and services that meet their needs
- offering suitable products and services in an accessible way, ensuring excellent customer and client experience.

How we measure success

Measures used in our evaluation include, but are not limited to:

- Net Promoter Score® (NPS)*
- client rankings and market shares[a]
- complaints performance
- lending volumes provided to customers and clients
- digital engagement
- conduct indicators.

How we are doing

Areas of encouragement

Net Promoter Scores (NPS)[b]

The net promoter metrics across our brands are a view of how willing customers are to recommend our products and services to others, indicating how satisfied they are with their overall experience with us. Barclays Relationship NPS increased to +17 (2017: +14) due to continued investment into our customer experience, value propositions and consumer campaigns that not only strengthen our brand but work to improve the financial and security awareness of our customers. Barclaycard UK relationship NPS stayed flat over the year, closing at +9 at year-end (2017: +9). The Relationship NPS of the US Consumer Bank increased further to +38 (2017: +36) supported by our customer centric culture and improvements in our products and digital experience.

Client rankings and market shares[c]

The Banking franchise maintained its sixth place ranking by fee share (2017: sixth) in our UK and US home markets across M&A, equity and debt capital markets, and retained its top 3 position in the UK (Dealogic).

Our Markets franchise delivered strong results, maintaining its fourth place ranking in Global Fixed Income market share (Greenwich Associates).

Ninety-five per cent of our largest UK corporate clients considered the service they receive from Barclays to be good, very good or excellent, up from 88% in 2017 (Charterhouse).

Lending volumes provided to customers and clients[d]

Barclays continued to be an important provider of financial services to UK businesses. We provided around £63bn of lending, down 6% on 2017, as we continued to exert high levels of discipline in capital allocation decisions as part of our returns agenda, strengthening the long-term sustainability of the business for all our stakeholders.

Notes

a All Markets ranks and shares: Coalition, FY18 Preliminary Competitor Analysis based on the Coalition Index and Barclays' internal business structure

b NPS measures customer experience and facilitates benchmarking. It is widely used in banking and other industries and utilises a mixed-methodology to ensure full representativeness of financial behaviours across the UK population. The basis of Barclays Relationship NPS has been a 12-month rolling average to minimise data fluctuations. Source: UK: GfK FRS, 12 months ending December 2018. Adults interviewed: 8,765 Barclays main Current Account holders (Barclays Relationship NPS), and 4,741 Barclays main Credit Card holders (Barclaycard UK Relationship NPS); US: Satmetrix, average of two semi-annual results

c Charterhouse Research based on 683 interviews (173 Barclays £25m+) with companies turning over between £25m and £1bn carried out in year end 2018. Survey data is weighted by turnover and region to be representative of the total market in Great Britain. % Responses – Excellent, Very Good and Good.

d Best Lender for Buy to Let (Moneywise), Best lender for Remortgage (Moneywise), Best Lender for Large loans (Moneywise), Best National Bank (Mortgage Strategy Gazette), Best Intermediary Lender (Mortgage Strategy Gazette), Best Overall Lender (Mortgage Strategy Gazette), Best Buy to Let Lender (Mortgage Strategy Gazette), Mortgage Lender of the Year (Mortgage Introducer), Best Offset Mortgage Lender (What Mortgage), Best remortgage lender (Personal Finance)

Measuring performance

A vibrant small and medium-sized enterprises (SMEs) sector is a vital ingredient for a healthy market economy. Barclays UK provided new lending of £2.8bn to SMEs, 3% more than last year and completed over 110,000 mortgages for customers, worth over £23bn, up 1.5% year-on-year. Our Mortgage business won 10 awards in 2018, confirming our continued focus on customer experience.

Digital engagement
In the era of constant technological development, it is crucial for us to provide a market leading digital offering and digitally engage with our customers. By the end of 2018, around 10.8m customers and clients in the UK were using our digital services on a regular basis, 6% more than in 2017 with our Barclays Mobile Banking (BMB) user base increasing from 5.5m to nearly 6.2m.

In 2018, 69% of the US Consumer Bank customers are now digitally active (vs. 66% in 2017), and 57% now receive paperless statements. Our strategy and customer centricity is encouraged by the prestigious third place in J.D. Power's 2018 Credit Card Satisfaction Survey. To maintain and improve this position, we continue to work on building our single, integrated native app to provide our customers an effortless experience. The app will allow customers to apply for products, manage their accounts, and track rewards earned all in one convenient place.

In the Open Banking environment, we are committed to serve a new type of client: developers. Through our API Exchange, we received more than 8.4m calls or requests to our open APIs[a] in 2018.

BMB is the most used mobile banking app in the UK (source: eBenchmarkers) and was the first core banking app from a major UK high street bank to enable account aggregation through Open Banking technology. This means that customers can now view their balances and transactions from other banks in BMB without having to share their online or mobile banking credentials. Further to this, we also improved the functionality of our app throughout 2018 to better help our customers manage their money, with a temporary card-freeze feature for misplaced debit cards, a calendar view of regular payments and the ability to open an Everyday Saver account entirely in BMB. This has proved particularly popular, with over 60% of Everyday Saver accounts being opened digitally this year. We will continue to add great new features to BMB in the near future, including spend categorisation and financial insights.

Areas of continued focus

Complaints performance
In Barclays UK, we continue to focus on customer experience by transforming customer journeys. Our underlying complaint volumes reduced 9% year-on-year. However, we have seen an increase of 2% in PPI complaints. Total Barclays UK complaint volumes (including PPI) were down 1% year-on-year. Barclays International complaint volumes have shown a small increase (2%) year on year. The level of complaints we receive remains too high and reducing them further will continue to be a key priority for us in 2019

Conduct indicators
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. We remain focused on the continuous improvement being made to manage Conduct risk effectively, with an emphasis on enhancing governance and management information to facilitate the identification of risks at earlier stages. For further information on the management and performance of Conduct risk, please refer to the Risk review section on pages 146 and 212.

Note
a Open APIs are publicly available application programming interfaces that provide developers programmatic access to our products and services and use them in third-party applications. For example, a bookshop can integrate Barclays' payment initiation API into its web shop. After selecting the desired book, the customer is directed to her bank to authorise the payment without using a card or sharing any details with the bookshop. We make our open APIs available on the Barclays API Exchange website.

Colleagues

How we are doing

Sustainable engagement of colleagues

79%

2017 78%, 2016 75%

Women in senior leadership roles

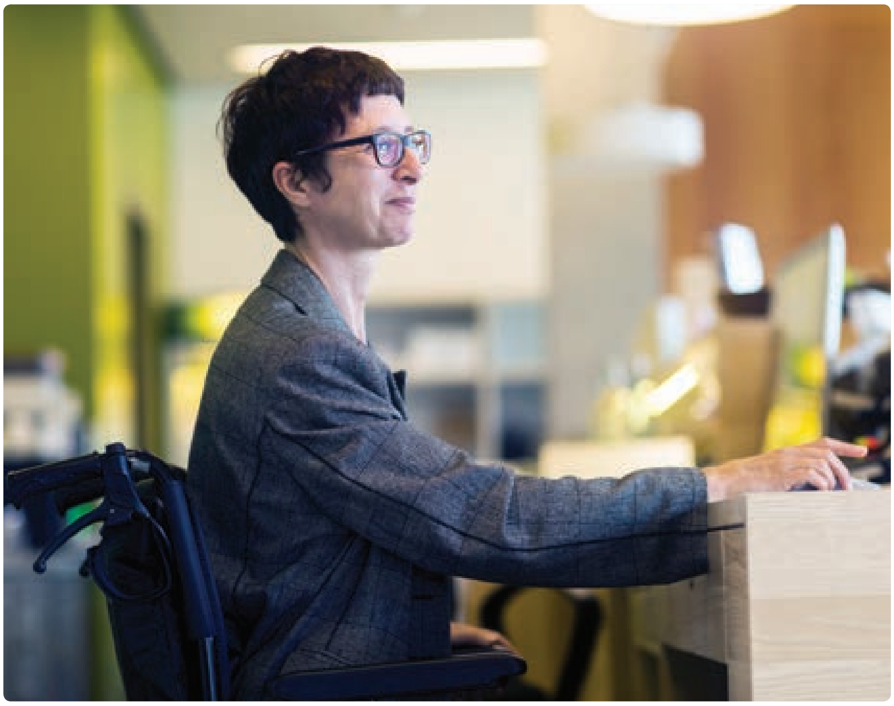
24%

2017 23%

"I would recommend Barclays as a good place to work"

86%

2017 82%



Key outcomes we will look to achieve include:

Promoting and maintaining:

- a diverse and inclusive workforce in which employees of all backgrounds are treated equally and have the opportunity to be successful and achieve their potential
- engaged and enabled colleagues
- a positive conduct and values-based culture.

How we measure success

Measures used in our evaluation include, but are not limited to:

- diversity and inclusion statistics
- employee sustainable engagement survey scores
- conduct and culture measures.

How we are doing

Areas of encouragement

A diverse and inclusive workforce

We continue to focus heavily on our culture, and in particular how we provide the right environment for all of our colleagues to feel able to bring their whole selves to work. We were delighted that 91% of our employees who responded in our Your View employee opinion survey agreed that we had made real progress again this year.

We were also proud to be recognised through a number of external awards in 2018:

- 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.

Engaged and enabled colleagues

An engaged workforce is critical to the success and delivery of our strategy. We continue to measure this with our annual Employee Opinion Survey, Your View, using the outputs to help shape our human capital agenda and areas of executive focus across all of our businesses and functions supported by small 'pulse check' surveys each quarter.

This year, our overall sustainable engagement increased to 79%, up four points from 2016, when we last had our all colleague survey. Our scores around Energise and Engage were also up five and four points on 2016 to 83% and 88%, respectively, which is above Financial Services Companies norms and our Enable score was up five percentage points to 65%.

A positive conduct and value-based culture

We have continued to make good progress on embedding our culture measurement framework and are now working with our businesses to develop further metrics to track and monitor performance on a more granular level which will be implemented in 2019.

We saw a notable increase on the question, 'Is it safe to speak up at Barclays', which went from 77% to 86%. 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, 2016: 83%); "I would recommend Barclays as a good place to work" (83% favourable, 2016: 76%); and "I can be myself at work" (91% favourable. A new question for 2018).

Areas of continued focus

A diverse and inclusive workforce

Gender diversity, particularly at senior leadership levels within the organisation remains our focus. At the end of 2012 the percentage of women in our senior leadership roles (Managing Directors and Directors) was 20% and we set ourselves a target to reach 26% by the end of 2018. The 2018 year-end

Measuring performance

position was 24% at the Barclays Group level (2017: 23%), the 2% gap can be attributed to the divestment of our Africa business. Our 2021 target is to reach 28% women in our senior leadership roles with each of our businesses developing local actions to help reach this Group-wide target.

We report progress on the women in senior leadership target annually to HM Treasury as part of our commitment to the Women in Finance Charter. We have committed to the Hampton-Alexander recommended targets of 33% female representation on the Board of Directors by 2020 year-end, and 33% female representation across the Group Executive Committee and direct reports by 2020 year-end. We are currently at 27% (2017: 21%), and 28% (2017: 26%), respectively.

This year, we have again increased our activities to support the development of our senior female leadership population and we expanded our Encore! Programme to attract more women returners. At our graduate level, the percentage of female hires in 2018 was 37% across the Barclays Group (2017: 40%).

Under the Companies Act 2006, Barclays is required to report on the gender breakdown of our employees and 'senior managers'. Of our global workforce of 83,500 (47,500 male, 36,000 female), 555 were senior managers (401 male, 154 female), which include Officers of the Group, certain direct reports of the Chief Executive, heads of major business units, certain senior Managing Directors, and directors on the boards of undertakings of the Group, but exclude individuals who sit as Directors on the Board of the Company. The definition of senior managers within this disclosure has a narrower scope than the Managing Director and Director female representation data provided above.

Engaged and enabled colleagues
Our score on the Enable pillar, which measures how Barclays is helping colleagues to meet challenges and overcome obstacles, has been on an upward trend since 2016. Yet it remains our biggest opportunity to improve, and we are not yet where we want to be. An area of continued opportunity is enabling our colleagues through enhanced technology and collaboration tools.

A positive conduct and value-based culture
We will maintain our focus to embed meaningful tracking of our culture with the revised culture dashboards. We will continue to target efforts in our action plans to address the key opportunities for improvement, such as an obstacle-free working environment that allows colleagues to do their jobs well.

Citizenship

How we are doing

Access to financing
£27.3bn
2017 £31.7bn

People helped to improve skill sets through employability partnerships
2.4m
2017 2.1m

Global carbon emissions reduction
38%
2017 26.1%

Key outcomes we will look to achieve include:

- making decisions and doing business in a way that provides our clients, customers, shareholders, colleagues and the communities we serve with access to a sustainable and prosperous future.
- proactively managing the environmental and societal impacts of our business.

How we measure success

Measures used in our evaluation include, but are not limited to:

- delivery against the Shared Growth Ambition
- colleague engagement in citizenship activities
- external benchmarks and surveys.

How we are doing

Areas of encouragement

Delivery against the Shared Growth Ambition
We met or exceeded five out of six internal objectives on the annual Shared Growth Ambition metrics. Performance was ahead of target against our annual internal milestones for the three focus areas of 'Access to financing', 'Access to digital and financial empowerment' and 'Access to employment'. We also met or exceeded our 2018 annual targets for The Barclays Way training and carbon emissions reduction. Supplier payment on time was below target due to a change in systems, which impacted performance during the year.

Access to financing
We have continued to build our capability to deliver financing solutions across a range of social and environmental sectors including renewable energy, education, healthcare and development finance institutions. Our financing volume is tracked and screened using Barclays Impact Eligibility Framework, developed in collaboration with Sustainalytics a global provider of ESG and corporate governance, research, ratings and analytics. In 2018 Barclays facilitated £27.3bn in financing for specific social and environmental sectors across our business (2017: £31.7bn). The reduction from prior year reflects market conditions, including the impact of changes in U.S. tax law which caused certain qualifying clients to accelerate new debt issuance from 2018 into 2017. Underlying environmental financing increased 11% to £5.3bn, driven by a range of capital markets transactions and a growing volume from our dedicated green product portfolio.

We expanded our green product portfolio, including the launch of the first Green Mortgage for retail customers by a mainstream UK institution, added Green Trade Finance to our Corporate Banking green product set, and structured several innovative transactions such as the first Sustainability-linked Revolving Credit Facility for a US borrower.

We also deepened client engagement on these issues and hosted Barclays' inaugural Green Frontiers conference with a keynote presentation from former US Vice President Al Gore. We continue to engage with industry groups and policymakers on enhancing sustainable finance flows and providing a supportive policy framework.

Access to financial and digital empowerment
We continue to focus on empowering customers and providing dedicated products, tools and training to help enhance access to financial services, manage digital security and improve financial health. We helped support around 260,000 people in 2018 (2017: 205,000) through initiatives such as Barclaycard Initial for those with a limited credit history; our Digital Eagles network, comprised of specially trained Barclays employees working to provide free technology support to both customers and non-customers alike. See the Barclays UK performance overview on pages 30 to 33 for further information on the support we provide to financially vulnerable customers, disabled people and older customer groups, and tools to enhance financial health and tackle fraud.

Access to employment
Barclays is committed to helping people gain access to the skills they need to secure meaningful employment, connecting job seekers and employers, and supporting entrepreneurs to scale their businesses to create new jobs. 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, our global Connect with Work programme and our LifeSkills programme in the UK.

We held programmes for the third year of the 'Unreasonable Impact' programme, created in partnership with the Unreasonable Group, focused on scaling innovative ventures that solve environmental and societal problems and grow to create new jobs. More than 90 ventures have participated to date in programmes across the UK and Europe, US and Asia.

Our programmes received a number of awards. Barclays was named on the Fortune 2018 Change the World List for the first time for positive social impact connected to core business strategy. Additional awards include the Business in the Community (BITC) Outstanding Employment Award for our Connect with Work programme, and the Corporate Engagement Award for Best Environmental or Sustainable Programme and Better Society Innovation Award, both for Unreasonable Impact.

Proactively managing the environmental and societal impacts of our business
We released statements in April 2018 on our approach to the coal sector and Ramsar Wetlands and World Heritage Sites. This was followed by a more comprehensive statement on our approach to energy and climate change in January 2019 (which strengthened and replaced our Coal Statement), and which includes a wider range of sensitive energy sectors. See the box on page 25 for more information.

We published an updated Statement on Modern Slavery which includes additional information on the work our financial crime teams are doing in partnership with law enforcement agencies to identify suspicious activity and support our customers. The statement is available on our website **home.barclays/citizenship/our-approach/human-rights.html**

We continued to manage our operational environmental impacts, reducing global carbon emissions by 38% (2017: 26.1%) and exceeding our target of 30% reduction by 2018 against the 2015 baseline.

We achieved 82.1% (2017: 89%) on-time payment by value to our suppliers, falling short of our public commitment of 85% for the first time. This metric was affected by a change in systems which impacted performance during the year.

Colleague engagement in citizenship activities
Our colleagues are central to the success of our citizenship strategy and in driving our societal impact. Beyond the financial services we provide, our colleagues support the local communities in which we operate through volunteering, matched fundraising and payroll giving. We provide the opportunity to engage via our Barclays programmes such as LifeSkills and Digital Eagles among others, but similarly support other charitable activities in which our colleagues participate. We have active internal Environmental, Green Banking and Social Innovation networks. We celebrate our colleague engagement and participation through our 21st annual Citizenship Awards, which saw almost 1,500 employees nominated. 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.

Areas of continued focus
Banks play a key role in connecting the providers and users of capital. Barclays recognises this role in serving society, and our success as a business has always been inextricably linked to the progress of the people and businesses that we serve.

As society's expectations of businesses continue to evolve, we aim to stay ahead of those expectations. It is by focusing on our core products and services, and our relationships, that we can make the greatest positive impact.

So as we move forward into 2019, our citizenship and sustainability work will evolve to align with our new Purpose, and will go further towards improving the positive social environmental impact of the business we do every day.

Measuring performance

Capital and products

We will continue to develop opportunities to achieve positive outcomes through the products and services we provide across the diverse consumer and wholesale client segments we serve:

- We will facilitate £150bn of social and environmental financing by 2025, including funding for sectors such as renewable energy, clean technology, education, affordable housing and national and supranational development institutions.
- We remain committed to the green bond market as an investor and after meeting our £2bn target, we now aim to double our green bond investment to £4bn over time.

Skills and employability

- We will scale our partnerships with leading community organisations to address critical skills development and employability opportunities: we aim to upskill ten million people to support all generations across the UK through LifeSkills by 2022
- we will also use our networks to help provide pathways to employment using a demand-driven approach. We will help place 250,000 people into work through our Connect with Work partnerships across the UK, US and Asia by 2022.

Economic growth

Barclays has been part of the fabric of the UK for over 328 years. In addition to our role in the UK as a leading employer and provider of financial services across all segments of the economy, we will also pursue targeted local economic growth initiatives working in partnership with stakeholders:

- we will support business growth across the UK through dedicated regional and industry focused growth funds
- we will work with partners to identify the opportunities to Build Thriving Local Economies and run pilot schemes in four different local economies around the UK by 2022.

Sustainable innovation

We recognise the role of innovation in solving some of society's major challenges and the part Barclays can play in supporting new ideas to flourish and entrepreneurs and ventures to grow and thrive:

- we will support innovative business models and help to mentor over 250 high impact businesses solving social and environmental challenges through our Unreasonable Impact accelerator by 2022
- we will continue to support Barclays' Social Innovation Facility (SIF) to enable colleagues to develop new products and services that allow Barclays to generate both commercial and social value.

Environmental stewardship

Banks have an important role to play in ensuring the world's energy needs are met while helping to limit the threat that climate change poses to people and to the natural environment. We are focused on three areas of activity at Barclays:

- financing the growth of renewable energy sources and proactively supporting the development of businesses aiming to solve the world's environmental challenges
- taking a responsible and sustainable approach to the necessary financing of sources of energy that are more carbon intensive or those with higher environmental impact; and
- reducing the carbon footprint of our own operations and supply chain throughout the world. We will reduce operational scope 1 and 2 emissions by 80% by 2025 and commit to RE100 – the world's most influential companies committed to 100% renewable power – to procure 100% of global operational energy needs from renewable sources by 2030, with an interim target of 90% by 2025.

Contributing to global initiatives

We will continue to engage with industry groups and policymakers on enhancing sustainable finance flows and providing a supportive policy framework. This includes supporting the Task Force on Climate-related Financial Disclosures, the IIF Sustainable Finance Group and a range of Green Finance initiatives with the UK Government and the Corporation of London.

Barclays is one of the 28 founding banks of the Principles for Responsible Banking under the United Nations Environment Programme – Finance Initiative (UNEP FI). We support the finalisation of the Principles and will work to implement them over time. We support the creation of national green finance strategies, which specifically aim to support the mobilisation of finance towards the low-carbon economy.

External ESG ratings and surveys

Barclays is evaluated on ESG factors by a wide range of external agencies. Currently there is significant variance between methodologies, with relatively opaque scoring models and limited consistency in the underlying data used at present. We believe it is important that these agencies, working with companies, investors and other market participants, continue to enhance consistency and transparency to support increasingly robust ESG data and ratings in the future.

Across a set of ESG Ratings, our performance was broadly stable year-on-year with methodology changes the primary drivers of scoring. The FTSE4Good ESG Rating[c] was flat at 4.3/5 (2017: 4.3/5 with an 81st percentile ranking against the global banks sector. Barclays was rated BBB by MSCI ESG Ratings (2017: BBB) and scored 60 points in Sustainalytics ESG Ratings[e] (2017: 61 points). We saw a decline in our RobecoSAM[f] scores due to changes in methodology, down by 4 points to 75 points (2017: 79 points), against a sector average of 54 points. Institutional Shareholder Services[g] (ISS) released new environmental and social quality scores to assess corporate disclosures. On a 1-10 scale where 1 is highest, Barclays was rated as '1' for social reporting and '2' for environmental reporting. Barclays was rated as A- in the 2018 CDP climate disclosure survey, up from B in 2017.

Enhancing disclosures

We recognise that markets and stakeholders need clear, relevant and consistent information and will continue to focus on enhancing disclosures, particularly on climate change, and across wider ESG factors, including the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD). We have enhanced our TCFD aligned disclosures in 2018 and set out a high-level implementation plan. See pages 26 to 27 for further information.

Barclays publishes an annual Environmental Social Governance (ESG) Report as part of the Annual Report suite of documents. We have provided additional detail on material ESG themes in the 2018 Report available at **home.barclays/annualreport**

Barclays PLC ESG Report 2018 is available at home.barclays/annualreport

Notes

a Eligible environmental and social transactions and relevant products are tracked through a use of proceeds framework. Further detail is available in the ESG Report and online at home.barclays/citizenship.

b Unique participants measures colleague involvement in eligible volunteering, matched fundraising, regular giving initiatives. Data sourced from internal reporting systems including several manual sources and includes employee self-reported activity.

c Source: FTSE Russell.

d Source: MSCI ESG Inc.

e Source: Sustainalytics Inc.

f Source: RobecoSAM.

g Source: Institutional Shareholder Services.

Our approach to sensitive energy sectors

Barclays is committed to a considered approach to energy and mining clients in sectors with higher carbon-related exposures or emissions from extraction or consumption, or those which may have an impact in certain sensitive environments or on communities. We conduct Enhanced Due Diligence (EDD) on a case-by-case basis on clients in these sensitive energy sectors, and will consider the following factors as a minimum:

- The client's adherence to the Equator Principles (if a project finance or credit transaction is deemed to be in scope) and relevant International Finance Corporation (IFC) performance standards;
- The client's adherence to local and national environmental regulation and standards and industry best practice;
- The client's management and implementation of procedures which minimise direct environmental impacts in the context of their operations;
- The client's responsible public and stakeholder engagement with impacted local communities and indigenous people;
- The client's approach to health and safety of the workforce and local communities; and,
- The client's transparent corporate governance and oversight of climate change issues and associated corporate risks, including disclosure against principles such as the Financial Stability Board (FSB) Taskforce on Climate-related Financial Disclosures (TCFD).

In order to assist and enhance the EDD process, we operate a training programme for credit teams.

External technical input may be obtained to assist the business in reviewing and assessing whether certain client activities meet our internal EDD criteria, or where there is uncertainty as to whether a certain activity is within scope of our EDD criteria.

Barclays will continue to align its approach to sensitive energy sectors with developments in government and public policy.

Because of the nature of the business activities and the associated social and environmental impacts and risks, Barclays will apply further sector specific EDD and, in some cases restrictions, to the following sensitive energy sources:

- Coal
- Arctic Oil and Gas
- Oil Sands

Barclays external statements can be found in the Statements section of **home.barclays/citizenship** with further detail in the Barclays PLC ESG Report 2018

Measuring performance

Task Force on Climate-related Financial Disclosures (TCFD)

Barclays is a member of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) and signed the Statement of Support for the TCFD Recommendations, which were published in June 2017. This disclosure outlines the progress Barclays has made to date in adopting these voluntary recommendations, and presents our plan on how we will achieve alignment to the recommendations by February 2021.

The TCFD recommendations aim to improve the disclosure of information to allow investors, regulators and other stakeholders to better assess and manage the risks and opportunities resulting from climate change. We rely on appropriate disclosures from clients to inform our own climate-related sector risk management. Clear understanding and analysis of potential financial risks and opportunities in short, medium and longer-term horizons is still at an early stage. We anticipate that disclosures will continue to develop over time, supported by improved analytical tools, data and market practice. This will support Barclays as a user of climate disclosures across industry sectors and subsequently to inform our own disclosures as a preparer.

We provide summary disclosures in the Strategic Report with additional detail, including results of pilot scenario analysis and wider activity in 2018, in the ESG Report.

Governance

Barclays Group Executive Committee is responsible for managing the overall delivery of environmental and social matters, which includes climate-related risks and opportunities. On behalf of the Board, the Board Reputation Committee (RepCo) reviews and approves Barclays' overall approach to environmental and social issues, including the approach taken on climate change.

The TCFD Implementation Forum, a senior forum set up in 2017 to provide oversight and drive implementation of the TCFD recommendations met three times in 2018. The Forum has representation from across the bank, including: Group CEO Office; Green Banking; Strategy; Compliance; Corporate Relations, including Sustainability and Reputation Risk; Credit Risk; Investor Relations and business teams from Barclays International and Barclays UK.

Strategy

Barclays has been integrating the management of climate-related risks and opportunities for a number of years, advising on, and developing green products. The Barclays Energy and Climate Change Statement focuses on financing the growth of renewable energy sources, taking a responsible and sustainable approach to the necessary financing required, and reducing the carbon footprint of our own operations and supply chain.

Increasing funding needs for the energy transition and climate resilient infrastructure will continue to provide opportunities to mobilise capital, advise clients and develop dedicated products. We continued to build our platform for green and sustainable finance. See page 25 for more information.

Taking an exploratory approach in 2018, Barclays assessed credit risk (and opportunity) alongside 15 other banks as part of the United Nations Environment Programme Finance Initiative (UNEP FI) pilot project on both transition and physical risks. This was our first iteration of how scenario-based climate-related transition and physical risks could potentially be integrated into the credit risk process. Testing of transition risk was undertaken in Electric Utilities and Oil and Gas (sub-set Exploration and Production) up to 2030 and 2040; and physical risk in the UK Mortgage Portfolio up to 2020 and 2040. The pilot testing of these scenarios proved a useful exercise, and also indicated the current challenges with data and applying climate scenario methods over long-term time horizons.

Risk management

Through the TCFD implementation programme, Barclays is taking steps to identify the relative significance of climate-related risks as they relate to the Principal Risks within the Barclays Enterprise Risk Management Framework (ERMF).

Environmental risk is recognised as a credit risk issue and Barclays has a dedicated Environmental Risk Management team, within the central Credit Risk Management function. An addition in 2018, resulting from both TCFD implementation and the UNEP FI pilot learnings, was to include the impacts of climate change in both the Environmental Risk Standard and the Client Assessment Standard. See page 134 for information on environmental risk management within credit risk and the Pillar 3 disclosures available at **home.barclays/annualreport**

Metrics and targets

As disclosures develop, we would expect further dialogue over time between banks, corporates, investors and other market participants on appropriate, decision-useful and robust metrics to assess material financial risks and opportunities. Areas of focus include, among others, clarity over detailed definitions of carbon-related assets building on the TCFD high-level guidance; standardised methods for the calculation and presentation of credit exposure to carbon-related assets; definitions for climate-related and green financing across product categories; and suitable risk management metrics.

- Financing: Barclays facilitated £5.3bn in environmental financing in 2018 (2017: £4.82bn) which includes green bonds and loans for renewable energy and low-carbon technology.
- Treasury Green Bond Investment: Barclays remains committed to the green bond market as an investor and has continued to expand our green bond portfolio to £2.27bn in 2018 (2017: £1.56bn), meeting our target of £2bn. We now aim to double our investment to £4bn over time.
- Operations: In 2018 we set a science-based reduction target for scope one and two greenhouse gas emissions of 80% by 2025; this is in line with the level of decarbonisation required to keep global temperature increases well below two degrees.

Structure and governance overseeing risk

Barclays is exposed to internal and external risks as part of our ongoing activities. These risks are managed as part of our business model.

Enterprise Risk Management Framework

At Barclays, risks are identified and overseen through the Enterprise Risk Management Framework (ERMF), which supports the business in its aim to embed effective risk management and a strong risk management culture.

The ERMF specifies the Principal Risks of Barclays and the approach to managing them.

The management of risk is embedded into each level of the business, with all colleagues being responsible for identifying and controlling risk.

Risk Appetite

Risk Appetite defines the level of risk we are willing to take across the different risk types, taking into consideration varying levels of financial and operational stress. Risk Appetite is key for our decision making process, including ongoing business planning, new product approvals and business change initiatives. In recent years we have taken significant steps to de-risk our business, setting us up for sustainable growth in the future.

The management of risk is embedded into each level of the business, with all colleagues being responsible for identifying and controlling risks.

Three Lines of Defence

The First Line of Defence is comprised of the revenue generating and client facing areas, along with all associated support functions, including Finance, Treasury, Human Resources and Operations and Technology. The First Line identifies the risks, and sets the policies, standards and controls, within the criteria set by the Second Line of Defence.

The Second Line of Defence is made up of Risk and Compliance and oversees the First Line by setting the limits, rules and constraints on their operation, consistent with the Risk Appetite.

The Third Line of Defence is comprised of Internal Audit, providing independent assurance to the Board and Executive Committee.

Although the Legal function does not sit in any of the three lines, it works to support them all and plays a key role in overseeing Legal Risk throughout the bank. The Legal function is also subject to oversight from the Risk and Compliance functions with respect to the management of operational and conduct risks.

Monitoring the risk profile

Together with a strong governance process, using Business and Group level Risk Committees as well as Board level forums, the Board receives regular information in respect of the risk profile of the Group, and has ultimate responsibility for Risk Appetite and capital plans.

We believe that our structure and governance will assist us in managing risk in the changing economic, political and market environments.

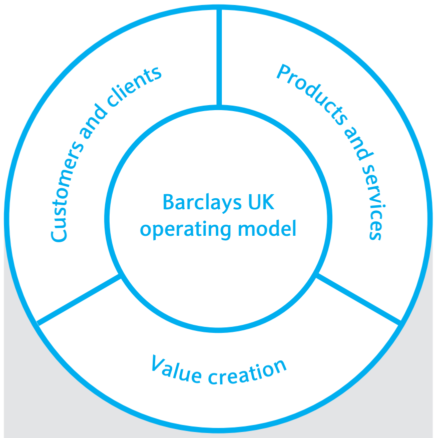
Principal risk management

Risks are classified into Principal risks, as below		How risks are managed
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.	Credit risk teams identify, evaluate, sanction, limit and monitor various forms of credit exposure, individually and in aggregate.
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.	A range of complementary approaches to identify and evaluate market risk are used to capture exposure to market risk. These are measured, controlled and monitored by market risk specialists.
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.	Treasury and capital risk is identified and managed by specialists in Capital Planning, Liquidity, Asset and Liability Management and Market Risk. A range of approaches are used appropriate to the risk, such as: limits; plan monitoring; and stress testing.
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 (e.g. fraud or cybercrime) where the root cause is not due to credit or market risks.	The Group assesses its operational risk and control environment across its businesses and functions with a view to maintaining an acceptable level of residual risk.
Model risk	The risk of the potential adverse consequences from financial assessments or decisions based on incorrect or misused model outputs and reports.	Models are evaluated for approval prior to implementation, and on an ongoing basis.
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.	Reputation risk is managed by maintaining a controlled culture within the Group, with the objective of acting with integrity, enabling strong and trusted relationships to be built with customers and clients, colleagues and broader society.
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.	The Compliance function sets the minimum standards required, and provide oversight to monitor that these risks are effectively managed and escalated where appropriate.
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.	The Legal function supports colleagues in identifying and limiting legal risks.

Leaders in innovation

Ashok Vaswani
CEO, Barclays UK

With 24 million customers and clients and 25,000 colleagues, Barclays UK's strategy is about building long-term, meaningful relationships with our customers. This is achieved through colleagues, empowered by technology, passionate about the customer, delivering perfect and personalised experiences to help customers move forward with confidence every day.



Customers and clients
- Individuals
- Small and medium-sized enterprises

Products and services
- Personal banking services
- Credit cards and transactional lending
- Mortgages and secured lending
- Investment products and services
- Business banking solutions

Value creation
- To our customers and clients – building meaningful relationships, providing relevant and personalised financial solutions
- To society – helping communities move forward
- To shareholders – providing sustainable, diversified returns and prudent balance growth

Contribution to Barclays

£7.4bn
Income

£2.4bn*
Profit before tax

16.7%*
RoTE

56%*
Cost: income ratio

£75.2bn
Risk weighted assets

* Excluding litigation and conduct.

Overview

Barclays UK is a personal and business banking franchise, comprised largely of our Personal Banking, Barclaycard Consumer UK and Business Banking businesses.

Our Personal Banking business includes Community and Premier banking, as well as Savings, Investments & Wealth Management, which offer financial solutions to help customers move forward with confidence. Barclaycard Consumer UK is a leading credit card provider, offering flexible borrowing and payment solutions, while delivering a leading customer experience. Business Banking serves a spectrum of clients, from high growth start-ups to small and medium-sized enterprises who need specialist advice, products and services.

This year, we officially established Barclays Bank UK PLC, which forms part of Barclays PLC Group, being the first bank in the UK to become legally ring-fenced. This was a huge undertaking and brings with it a new phase in Barclays' history.

Strategy

Our strategy is centred on building long-term, meaningful relationships with our customers. This is achieved through colleagues, empowered by technology, passionate about the customer, delivering perfect and personalised experiences to help customers move forward with confidence every day.

The Barclays Purpose is Creating opportunities to rise. In Barclays UK we express this as #letsgoforward – helping people move forward and do the things they want to do, with confidence, every day.

Market and operating environment

The current political and economic environment poses a number of challenges through the impact on our customers of continuing uncertainty, modest economic growth and volatile exchange rates, while ongoing low interest rates constrain overall profitability. Against this backdrop, competition, customer behaviour and regulatory expectations continue to evolve rapidly, requiring a high degree of business change. Barclays UK, however, continues to deliver solid financial performance, with a Return on Tangible Equity of 16.7% (excluding litigation and conduct), underpinned by strong capital and liquidity positions with a conservative LDR of 96%. This has been achieved through the delivery of customer-centric solutions and franchise-led deposit growth, matched by low risk, high-quality secured asset growth while maintaining a stable net interest margin.

Risks to the operating model

The uncertainty around Brexit has been a challenge throughout 2018 and remains so, impacting both customer confidence and the market environment. We closely monitor the environment in which we operate and key indicators within our business, while proactively planning for numerous potential outcomes, in order to minimise the risks associated with the UK's withdrawal from the European Union. We remain conservative in our outlook, supported by our strong risk management framework and oversight.

The threats of organised crime and cyberattacks remain key risks to our operating model and we continue to invest to ensure the operational resilience and reliability of our technological infrastructure, while simplifying our technological estate in order to remain agile and drive technological advancement for the benefit of our customers.

We remain focused on reducing the volume of operational incidents through continued investment in our technology and controls. The volume of operational incidents caused by technology are becoming less frequent across Barclays year-on-year, with a 13% reduction in the last 12 months. Where incidents do occur, we are resolutely focused on minimising any impact on customers.

There have been a number of significant regulatory developments around retail banking business models and pricing in 2018 that have the potential to impact our business models going forward, while potential new market entrants, such as Fintechs and established large technology companies, threaten to take market share.

As the deadline for PPI enquiries approaches, we continue to monitor responses and resource appropriately for an increase in the lead up to the cliams deadline date, in order to ensure the right outcomes for our customers.

Key highlights of the year

Throughout 2018, we have continued to demonstrate our position as leaders in innovation, providing customers with solutions to better serve their financial needs. Through automation and digitisation, over half of the products we delivered in 2018 were taken out digitally and 90% of our service transactions are now completed in a self-service fashion by our customers.

We have continued to develop the capabilities of our mobile banking app, Barclays Mobile Banking (BMB) to allow our customers to manage their finances more easily and effectively, with BMB becoming the most used banking app in the UK (eBenchmarkers). We now have around 10.8 million digitally active, around five million of whom are digital only.

We are proud to be the first major UK high street bank to allow customers to aggregate their other current accounts into our mobile banking app through Open Banking API technology, meaning that customers do not have to share their online banking log-in credentials with us in order to do this. We will continue to harness the opportunities that Open Banking provides in order to deliver new and exciting applications for our customers in the future.

By focusing our efforts on improving the end-to-end journeys for our customers, we have again reduced the number of complaints we receive. Despite this, the level of complaints we receive remains too high and reducing them further will continue to be a key priority for us in 2019.

This year has seen further progress in ensuring we continue to properly support older, disabled or potentially vulnerable customers. A number of new services were launched including: the ability for deaf customers to contact us by telephone with the assistance of a third-party interpreter; an online support page for people experiencing mental health concerns; and a wide-range of considerations for older customers including fraud and scams awareness and accessible banking services.

We are investing in personalised ways to support customers who are showing that they may be experiencing early stages of financial stress. Enabled by a new sophisticated data engine, we have developed a suite of tailored contacts to direct customers towards tools and information that could help them improve their financial health.

We have already helped over 6.7 million young people develop the core, transferable skills they need for the world of work through our LifeSkills programme and we have committed to upskill another 10 million people over the next five years to support all generations, across the whole of the UK.

Ashok Vaswani
CEO, Barclays UK

Building Thriving Local Economies

In September, we launched our first Building Thriving Local Economies pilot in Bury, Greater Manchester. Through this we aim to bring together people, teachers, business groups and political leaders across our communities to identify growth opportunities and understand the barriers that prevent local communities in the UK from moving forward. We understand that every community has different characteristics and circumstances, so following our pilot in Bury, we will create a further three pilots in different types of communities across the UK, including a rural community, a coastal community and a smaller town.

Leaders in innovation

Personal Banking

Our Community and Premier Banking team develop transparent and innovative solutions for our customers. We help customers move forward by putting them at the heart of everything we do, connecting the different aspects of their lives to their financial lives, at the time that suits them. This ranges from opening their first bank account to completing a mortgage on their dream home.

Savings, Investments & Wealth Management serves a spectrum of clients – from those who manage their own investments, requiring an execution service, to those who require a dedicated and holistic service through our Wealth Management division.

Community and Premier Banking

Throughout the year, we have helped our Community and Premier customers go forward through a range of both new products and propositions as well as enhancements to existing ones.

We have made a range of enhancements to BMB in order to help our customers manage their finances more effectively. As well as being able to view current accounts from other banks, we continue to give customers more control of their financial lives. Misplaced debit cards can now be temporarily frozen through BMB, preventing any cash machine withdrawals and online or in-store debit card purchases. We have also implemented a calendar view feature showing regular payments scheduled for the month ahead to assist in better financial planning, as well as an improved view of transaction details, including a map view, so our customers can identify with whom they have spent their money more quickly and easily.

We continued to reward customers who chose to bank with us, launching two switching campaigns in 2018 based on our Blue Rewards proposition. Our first campaign offered double rewards for a year for switching, followed by a subsequent campaign offering double Rewards for Community and triple Rewards for Premier customers for switching to a Barclays Current Account through the Current Account Switch Service. 1.4 million customers now benefit from Blue Rewards, including Cashback, representing a 51% year-on-year increase.

In 2018, we helped over 110,000 customers take out a mortgage or further borrowing on their property, 22,000 of whom were first-time buyers. We continue to help our customers on their home-buying journey with 1.5% growth in gross lending year-on-year.

Demonstrating our commitment to Barclays Group's green finance agenda, we were the first major UK bank to offer a Green Mortgage product. The Barclays Green Home Mortgage rewards customers with lower rates on certain deals when purchasing new energy efficient homes and builds upon Barclays green product offering.

Savings, Investments and Wealth Management

In 2018, we brought our Savings proposition together with our Wealth and Investments business, so that we can seek to offer our customers and clients a flawless experience, whatever stage they are at in their savings and investments journey.

We launched our Flexible Monthly Income Bond, which enables customers to deposit a lump sum for a three-year term and then drawdown the capital on a monthly basis to supplement their income. This is a unique and innovative product designed for customers in the retirement segment, with the launch linked to National Pension Awareness Day.

Customers who want instant access to their savings can now open an Everyday Saver account entirely through BMB. We have seen a huge customer response to this with over 60% of Everyday Saver accounts opened digitally in 2018.

In our Wealth Management business we continued our focus on growth throughout 2018, with a number of new hires and continued strong levels of new client acquisition. However, challenging market conditions have resulted in overall assets under management falling year on year. Investment will continue to be made to improve the client experience and productivity of our Wealth Managers during 2019.

After a difficult start to the year, with issues relating to the migration of customers to our digital investing proposition, Smart Investor, we have worked to enhance the platform in 2018 – for example customers can now sign up to Smart Investor via BMB. However, there remains work to do in 2019 to turn the platform into a leading digital investments offering. To this end, we have a confirmed 2019 delivery roadmap, based on client feedback, that will see significant upgrades to the platform throughout the year.

Barclaycard Consumer UK

Barclaycard Consumer UK is a leading credit card provider, providing flexible borrowing and payment solutions to around 10 million customers in the UK. We help people move forward, by helping them to borrow and pay in the way that suits them. We are a responsible lender, providing credit based on credit history, ability to afford credit and our risk appetite, while seeking to deliver a leading customer experience.

In 2018, we have looked at further ways to meet the needs of our customers. At Barclaycard Consumer UK, we inspire confidence by making sure everything we do is secure, reliable and useful to our customers and clients, like giving our customers 24/7 fraud protection to keep their money safe and equipping customers with the knowledge to protect themselves from fraud. Our Fraud Fighter campaign highlights that fraud is not always so easy to spot and encourages customers to use our Fraud Fighter Tool.

We continued working to better understand the needs of different customer circumstances and help put the customer in control. We launched a credit build tool that offers tips and advice to help customers build their credit score. We helped customers move forward this year with our first ever product upgrade from Initial to Platinum for qualifying price promise customers – we upgraded customers who kept their accounts in order for 12 months to help them further build their credit score and go forward to do the things they want to do, with confidence, every day.

We are also committed to ensuring more transparency with our customers, not just in the ways that we communicate with them, but by simplifying the ways that our products work. Over the last year, we have waived interest charges on purchases that are paid in full if a card also has a promotional balance. Under this new scheme, cardholders that make new purchases during the billing cycle and pay them off in full by their payment due date will no longer pay any interest on those transactions, thus removing the need for customers to use separate cards for their spending and balance transfers.

We continue to challenge ourselves to think differently and create a model that lowers complaints and provides better customer experience while delivering sustainable returns. Customers want relevant, personalised payment and borrowing options, coupled with perfect digital-driven experiences and they want those experiences to come to them, in the digital channels they choose, at the moment that's right for them. In a first for any of Barclays UK's retail banking products, customers can now acquire a Barclaycard credit card on an external Open Banking Mobile app.

Barclays was the first major UK bank to offer a Green Mortgage product. The Barclays Green Home Mortgage rewards customers with lower rates on certain deals when purchasing new energy efficient homes and builds upon Barclays green product offering.

Business Banking

Business Banking offers products, services and specialist advice to over one million clients in the UK, ranging from start-ups to mid-sized businesses, to help them achieve their goals.

Business Banking provides support to clients across the UK at all stages of their business cycle through a relationship-based and digitally-driven service.

Our UK-wide network of experts has helped thousands of businesses get started and grow, with access to specialist industry insights across key segments such as Agriculture and Real Estate. We also support a legacy portfolio of Education, Social Housing and Local Authorities (ESHLA) clients. Although new lending to ESHLA clients is met through Barclays International, Barclays UK continues to support ESHLA clients, for example, by agreeing a number of mergers within social housing, which gives clients the capacity to continue building more new homes to address UK housing needs.

Innovation is an integral part of our strategy for growth and continues to be at the forefront of our services. In 2018, we announced a number of key partnerships with Fintech businesses, such as our industry-leading collaboration with PayPal, enhancing customers' digital payments, saving SMEs time and putting them in control, with access to marketing, inventory and other valuable data all in one place. We collaborated with MarketInvoice, Europe's largest online invoice financing platform, providing small businesses with access to invoice financing products and transforming the way SMEs manage cash flow and accelerate growth.

We also launched £100,000 unsecured lending limits for SMEs, doubling our maximum limits for unsecured business loans for eligible clients, making small business lending faster, simpler and easier. This adds to our existing unsecured lending offering which allows qualifying SME clients to access pre-assessed affordable lending up to £25,000 via our mobile app and through online banking, often receiving the cash that same day.

Island dream becomes reality thanks to funding from Barclays

Laura Pitchford from North Wales has secured funding from Barclays to take ownership of a community coffee shop on the Isle of Mull that she has visited since childhood. The business loan enabled her to purchase the business which includes tearooms and self-catering accommodation, a centre point in the local community.

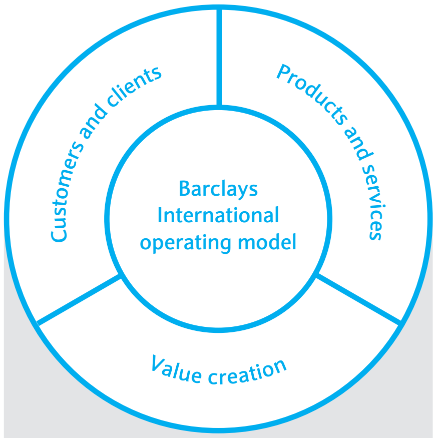
Laura and her family have been repeat visitors there for 15 years and while visiting last summer, Laura asked the owner if she ever planned on selling. Just six months later, the call came offering Laura the chance to make her island dream a reality.

Laura approached her local Barclays Relationship Manager to support her ambitions, "Running my own business is something I've wanted to do for some time" said Laura. "I'm really excited about the future and looking forward to adapting to the island way of life. Thanks to the support from Barclays, the dream I've had for years has become a reality."

A Barclays spokesperson said: "At Barclays we're passionate about helping Scotland's business owners at every stage of their journey. We were able to offer Laura a local relationship manager, who understood her ambitions and helped her to take ownership of the business. With Barclays' backing, Laura's island plans have now become a reality."

Strengthening our diversified portfolio

Tim Throsby
CEO, Barclays International



Customers and clients
- Consumers
- Corporates
- Financial institutions
- Governments
- High and ultra-high net worth individuals and family offices
- Money managers and institutional investors

Products and services
- Corporate banking
- Investment banking
- Non-UK consumer banking, cards and lending
- Payments
- Securities sales, trading and research
- Wealth management

Value creation
- To our customers and clients – we connect providers and users of capital
- To society – we facilitate sustainable economic growth
- To shareholders – we deliver sustainable returns from our diversified portfolio of businesses

Contribution to Barclays

£14.0bn
Income

£3.9bn*
Profit before tax

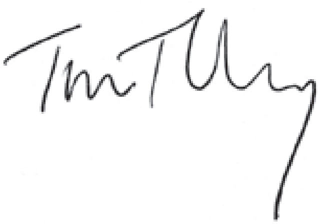
8.7%*
RoTE

68%*
Cost: income ratio

£210.7bn
Risk weighted assets

* Excluding litigation and conduct.

In 2018, Barclays International made good progress on executing our strategy and improving returns. Our progress gives us confidence that by continuing to build our businesses through targeted deployment of financial resources and investments in talent and technology, we can accelerate our growth and achieve increased returns.



Overview

Barclays International consists of the Corporate and Investment Bank (CIB) and Consumer, Cards and Payments (CCP). With relentless focus on delivering for customers and clients in our UK and US home markets and around the world, Barclays International's diversified business portfolio provides balance, resilience and exciting growth opportunities. The division has strong global market positions, and continues to invest in people and technology in order to deliver sustainably improved returns.

Strategy

Barclays International has a transatlantic footprint anchored in the world's deepest and most sophisticated capital markets, London and New York.

Barclays International offers clients and customers a range of products and services spanning retail banking and wealth management, credit cards and payments, and corporate and investment banking. The diversified business model provides Barclays shareholders with a mix of revenue streams that benefit from the different stages of the world's economic cycles.

We are making strategic investments to seize the clear growth prospects each business presents. Similarly, we continue to build a great culture where our strong conduct and rigorous controls environment enable us to deliver the right outcomes for all our stakeholders.

Market and operating environment

The markets in 2018 were characterised by US economic outperformance, including further labour market improvements and on-target inflation rates. Against this backdrop, short-term US interest rates increased further, ahead of other core markets, and the US dollar strengthened. While market volatility remained generally low, isolated bouts of volatility resulted in a more uneven equity performance. In the UK, growth softened further amid heightened uncertainty around Brexit developments, reflected in a volatile and depreciating sterling.

Barclays has been working on plans with respect to the UK's departure from the EU in 2019. Our plans are driven by an overriding commitment to preserve seamless ongoing EU market access for Barclays and our customers and clients. A key element of our plans was to seek regulatory authorisations from the Central Bank of Ireland and the European Central Bank to expand the operations of Barclays Bank Ireland PLC (BBIPLC). Barclays has had a banking licence in Ireland for almost 40 years. During 2018, Barclays received the necessary authorisations, scaled up our presence in Ireland, and began the transfer of our European branches from BBPLC to BBIPLC. We remain confident in our ability to serve our customers and clients once the UK's withdrawal is complete.

Our US Intermediate Holding Company (IHC) received positive feedback from the US Federal Reserve on the IHC's first-ever public stress test submissions, indicating the strength of the IHC's capital position. The IHC, which we established in 2016, is an umbrella holding company for our US subsidiaries, including the US broker-dealer that operates key investment banking businesses and the entity that operates Cards & Payments in the US.

Risks to the operating model

Geopolitical and macroeconomic uncertainty in some markets remain a risk, while the volume and reach of regulatory change continues to require significant attention.

The potential impact of longer-term uncertainty is a sustained low rate environment, predominately impacting revenues and driving cautious market activity. This was evident in 2018, and created a challenging operating environment for corporate and investment banking activities in particular.

As we accelerated our growth efforts in 2018, we increased our focus on ensuring that new revenue opportunities do not compromise our prudent approach to risk, or our ability to generate sustainable returns. Coupled with our cost efficiency programmes, this balanced approach is designed to deliver a more attractive bottom line.

We have a conservative risk profile, and continue to work to maintain the quality of our lending book. The quality of our US credit card portfolios has been consistent with the overall industry and key competitors. After an increase in delinquency rates in 2017, rates moderated for both the industry and Barclays in 2018. Loss and arrears rates are still below the long-term average and below pre-recession levels, driven in part by favourable US GDP growth and low unemployment rates. We continue to monitor overall growth in unsecured debt across the industry, particularly relative to wage growth, and during 2018 unsecured debt growth slowed to 4.9%, compared with 6.7% in 2017.

We continue to invest to ensure our infrastructure is resilient to cybercrime, conducting comprehensive penetration testing, supported by the deployment of a number of best-in-class malware detection tools.

Key highlights of the year

Barclays International delivered profit before tax across all four quarters of 2018 – demonstrating the increasing ability of our diversified portfolio of businesses to deliver the sustainable growth our shareholders expect.

We continually evaluate our entire portfolio of businesses for capital, leverage, risk assets and funding across all jurisdictions and legal entities. This helps us to further enhance both our operational discipline and precision in our capital allocation to deliver stronger returns.

Identifying the right talent to execute on our ambitions remains fundamental to our growth strategy. Over the course of the year, we hired several experienced professionals to bring complementary skills to our leadership team, and made strategic appointments in areas where we see opportunities for growth, including a significant number of internal promotions.

To enable our people to deliver the best outcomes for our customers and clients, we focused our technology investment on commercially impactful enhancements, and this focus remains a hallmark of the division's strategy for the year ahead. Key initiatives ranged from new data science and algorithmic capabilities, to an enhanced digital experience for our customers and clients.

We are already seeing results of investing in our businesses. For example, our Equities franchise delivered a standout performance this year, with revenue growth outpacing competitors. Similarly, we are seeing growth in our newly launched US consumer loans product, which complements our US cards business.

During the year, we continued to contribute to society, from launching a new housing development fund to creating pathways to employment, and from mentoring entrepreneurs to structuring sustainability-linked loans.

Building on our progress is the mission of every colleague in Barclays International. We are confident in our ability to build on the commercial focus we demonstrated in 2018, and to deliver the right outcomes for all our stakeholders.

Tim Throsby
CEO, Barclays International

Investing in electronic trading capabilities to increase share in Markets

Upgrading our cross-asset electronic trading platform, BARX, provided significant fuel for our Markets business' standout performance this year. For example, the overhaul of our e-Rates platform is driving a tenfold increase in electronic trading of interest rate swaps by our buyside clients. Our new Equities platform, featuring industry-leading algo capabilities, is generating significantly higher volumes from our clients and very positive feedback. The clients who generate the highest returns do more business with firms who deliver a consistently strong market-making offering across asset classes, so we are committed to extending our BARX investment in order to meet and exceed those client expectations, and to drive profitable growth in our franchise.

Strengthening our diversified portfolio

Corporate and Investment Bank

The Corporate and Investment Bank comprises principally the Banking, Corporate Banking and Markets businesses which aid money managers, institutions, governments and corporate clients in managing their funding, financing, and risk management needs.

Performance overview

Banking

Banking provides clients with long-term strategic advice on mergers and acquisitions (M&A), corporate finance and financial risk management solutions, as well as equity and debt capital raising services.

In 2018, across the industry, fees were down approximately 4% globally, with some products and regions down double digits. Barclays' global investment banking fee share was 4.2%, consistent with our performance in 2017.

In Europe and the Middle East, we ranked fifth for all Banking products, our highest ever full-year ranking. In the Americas, we ranked sixth, and remain the highest-ranked European investment bank. Our Asia Pacific franchise continues to perform well.

Our performance was bolstered by a standout year in M&A, where we attained our highest global fee share in four years and ranked in the top five in Americas M&A for the third consecutive year. In Debt Underwriting we ranked in the top four in global fee share for the third consecutive year, driven by a continued strong presence in both the leveraged finance and investment grade primary debt markets. Our Equity Underwriting business performed well in a very challenging market environment, winning our highest ever ranking in European rights offerings, and continued to demonstrate momentum in initial public offerings (IPOs), where we book-ran five of the year's 10 largest IPOs from the Americas, Europe and the Middle East.

During 2018, our new Social Impact Banking group structured the first sustainability-linked loans in the US. More than 100 of our Banking colleagues mentored entrepreneurs as part of the third annual Unreasonable Impact programme, the world's first international network of accelerators focused on scaling-up entrepreneurial businesses that will help employ thousands worldwide while solving some of society's most pressing challenges.

Barclays was the recipient of multiple industry awards in 2018, including being named by Euromoney as the UK's Best Investment Bank for the third consecutive year (and sixth time in the last seven years), and as Western Europe's Best Bank for Financing. In addition, Global Capital ranked Barclays as the Best Corporate Broker in the UK for the third year running, and IFR magazine named Barclays its North America Asset-Backed Securitisation House of the Year.

In the year ahead, we see opportunities to improve further the performance of Banking by investing in talent in key products and sectors, and continuing to build on our historical strength in debt underwriting.

Corporate Banking

Our Corporate Banking business provides GBP and EUR working capital and transaction banking services, including trade and payments, for multinational corporates and institutions, and UK large and medium size corporate clients.

Our new Corporate Banking leadership is focused on enhancing our offering. During the year, we developed a new multi-country digital banking platform, primarily supporting Corporate and Investment Bank clients, which was most recently rolled out in Ireland and Germany. In Q3 2018, Corporate Banking and the UK Government launched a £1bn housing development fund to boost the delivery of new housing in England, and also launched a £300m ENABLE Guarantee cashback scheme with the British Business Bank to boost asset finance lending to SMEs.

Corporate Banking has also driven stronger client relationships through innovative programmes like Connect with Work, which builds bridges between people who face barriers to getting into work and businesses that are recruiting but struggling to find suitable candidates.

Through significant investments in our technology, we are increasing the resiliency and performance of our digital client experience. These investments will continue to be a focus for the year ahead, alongside enhancing our competitive position in the UK, and growing our transaction banking revenues globally, expanding our European cash management platform, and continuing to enhance the commercial effectiveness of our lending book.

Markets

Our Markets business provides a broad range of clients with market insight, execution services, and tailored risk management and financing solutions across equities, credit, rates and foreign exchange (FX) products.

We made good progress in 2018 on our strategy to rebuild our franchise and transform performance over the long term. Supported by our investments in financial resources, technology, and human capital, our business this year increased market share[a] across each asset class and delivered five consecutive quarters of outperformance vs. our peers. In a year of challenging market conditions, our Credit and Macro (Rates and FX) businesses – which we report as FICC (Fixed Income, Credit and Commodities) – produced steady performances, driven by revenue diversification in Credit and market share gains in Macro. Revenue growth in our Equities franchise outperformed our competitors, driven by strong performances in derivatives and equity financing. We also made significant progress in building out our

Note

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

Enhancing the precision of our capital allocation

With the goal of ensuring that our resources are being deployed in a manner that will drive improved shareholder returns, we are embedding a rigorous approach to quantitative and analytic capabilities and balancing risk and return within our businesses across Barclays International. We are focused on driving efficiency in funding and optimising the allocation of our capital. In addition, we identify new businesses to grow top line revenue. Early success on this front includes the Asset Finance business, which executed two major mortgage acquisition and securitisation transactions this year, both valued over £4bn.

electronic platform capabilities across all asset classes, enabling best-in-class execution for clients.

We continued to help clients navigate market events and volatility, and maintained or improved our position in a number of markets. For example, Barclays was one of three banks chosen to execute the first-ever bond issue and the first-ever asset-backed commercial paper transaction based on the new Secured Overnight Financing Rate (SOFR). Additionally, we are a top three ranked broker by traded notional on the Tokyo Stock Exchange (TSE), with over 100 trillion yen traded for our clients in 2018, equating to more than 10% market share.

The clients who generate the highest returns for market-making businesses consistently allocate the greatest and most profitable share of their activity to full service markets franchises. To better meet the needs of these clients – typically the world's largest money managers – and therefore to improve returns, in 2019 we plan to pursue targeted growth and diversification opportunities. Our dialogue with clients regarding these initiatives gives us confidence that these investments will drive the right commercial outcomes.

Research

Our Research team's mission is to affect clients' decision-making through independent, thought-leading, differentiated insights on equity and debt, as well as on the macro trends shaping the global economy.

To enhance our relevance to clients, particularly after the implementation of MiFID II, we continue to invest in our analysts and the digital capabilities supporting their work, as well as in best-in-class platforms to disseminate their insights. The Research Data Science Platform we are building will become an increasingly important differentiator for us, with state-of-the-art data infrastructure operated by leading data scientists and leveraging alternative data sets in innovative ways. Partnerships with research aggregators and new multimedia capabilities are helping clients interact with us in the channels of their choice, and report enhanced categorisation is bringing our best content to a broader audience.

The insights generated by our analysts drive connectivity with clients across the Investment Bank, with particularly strong client engagement on cross-asset, cross-regional perspectives, and our teams' industry rankings demonstrate their relevance in helping clients understand the markets in a challenging year.

Consumer, Cards & Payments

Consumer, Cards and Payments includes Cards & Payments and Private Bank & Overseas Services. Cards & Payments provides branded and co-branded consumer credit cards, lending and deposit accounts to our customers in the US and Germany, and payment solutions to our customers and clients in the UK. Private Bank & Overseas Services provides banking, credit and investment services to retail, high net worth and ultra-high net worth clients, family offices, businesses, corporates and fiduciaries internationally.

Performance overview

Cards & Payments

Our Cards & Payments business operates across five business units: US Consumer Bank, Barclaycard Payment Solutions, Barclays Partner Finance, Barclaycard Commercial Payments and Barclaycard Germany.

US Consumer Bank offers co-branded and branded credit cards in the US, along with consumer loans and online retail deposits. Across all credit card products, US Consumer Bank added over two million new accounts in 2018 while growing our consumer retail deposits to over US$14bn. We are among the top-ten credit card issuers in the market by total outstandings as at the end of 2018. Our strong position in the travel and entertainment industry continued with the launch of a new Frontier Airlines co-brand credit card. Our Uber Visa card and our JetBlue Plus Card appeared in *U.S. News & World Report's* list of Best Travel Rewards Credit Cards. We also maintained our number three position in the 2018 J.D. Power US Credit Card Satisfaction Study. Driving continued strong growth in our US Consumer Bank – across online consumer banking and our partner cards franchise – is a strategic priority for us in 2019.

Barclaycard Payment Solutions provides merchant acquiring, payments integration and acceptance, and payment gateway products in the UK. In 2018, we processed over £250bn in payments, making us one of the largest payment acceptance providers in Europe. During the year, we successfully migrated over 100,000 clients from across our small business and corporate client base onto our new BankWORKS platform; clients now enjoy better and more resilient service, including new and improved statements and simplified and flexible pricing.

Barclays Partner Finance provides point of sale finance products to consumers in the UK through a network of retailers and car dealerships. In 2018, we grew our existing partnerships, built relationships with new clients, won a number of industry awards, and retained our position as the market leader in the UK retail market.

Barclaycard Commercial Payments provides commercial cards and virtual payment products in the UK. In 2018, we launched the UK's first co-branded trade credit card partnership with Travis Perkins Group, and strengthened our presence in the travel industry by signing new partnerships with Amadeus, Paxport and Voxel.

Barclaycard Germany is now over a quarter of a century old and serves over 1.3 million credit card, deposit and loan customers. We are the leading issuer of revolving credit cards in the country by outstanding balances. We also have a growing instalment loans business as well as an online deposit product. In 2018 we launched a new Barclaycard Visa credit card, and expanded our unique Equal Payment Plan (EPP) offering by enabling credit card customers to repay their credit card balance in fixed instalments. Barclaycard Germany continues to drive exceptional customer satisfaction rankings (RNPS), with the business ranking in the top two for both cards and loans.

Barclays is also a leading provider of credit cards and lending in Norway, Sweden and Denmark via our EnterCard joint venture with Swedbank.

Private Bank and Overseas Services

In the Private Bank we focus on bespoke solutions, ranging from standard to sophisticated, for our high net worth, ultra-high net worth and family office clients. Overseas services offers banking, investment and credit products and services to local residents and businesses based in Jersey, Guernsey and the Isle of Man, and serves non-UK based corporates and fiduciaries who have UK banking, credit and investment requirements. International Banking delivers banking, savings, mortgages and investment products to affluent international customers.

Private Bank and Overseas Services delivered a strong performance during 2018. We continued to enhance our client offering with new products and services, which drove an underlying increase in client balances. The business delivered strong revenue growth year on year, and a good return on equity.

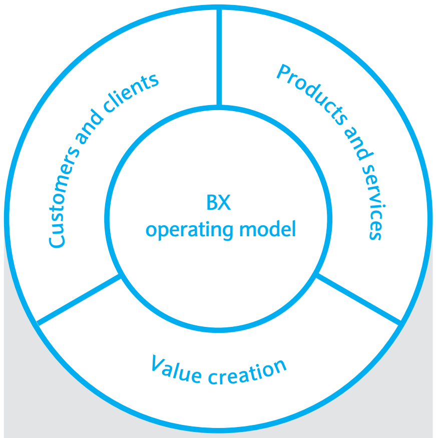
We strive to build long-term value creation with our clients. Central to our strategy is continually enhancing our investment, banking and credit propositions. We have been developing differentiated capabilities in discretionary portfolio management, foreign exchange and real estate, and in bringing investment opportunities from our world-class Investment Bank.

Barclays Execution Services

World-class service provider

Paul Compton
CEO, Barclays Execution Services

2018 is the second year of operations for BX and we have gone from strength to strength. Through our centres of excellence we are delivering capacity to support investment in our businesses and drive exceptional customer service.



Customers and clients
- BUK and BI businesses – and their customers and clients

Products and services
- Technology
- Operations
- Other functional services

Value creation
- To our customers and clients – delivering high quality services and an outstanding experience
- To society – safety and continuity of services to the financial system
- To shareholders – generating efficiencies by transforming the way we do business

Overview

BX is the Group-wide service company providing technology, operations and functional services to businesses across the Group.

The initial catalyst for the creation of BX was the UK ring-fencing regulation and the need to ensure operational continuity. However, from day one, we have thought about BX strategically as an organisation that can drive productivity and capacity across Barclays. BX has a central role in Barclays' operating model supporting the performance of both the BI and the BUK businesses.

BX operates through centres of excellence which group complimentary processes and services together in order to offer consistency and efficiency of delivery. It is an organisation of scale and sophistication with nearly two-thirds of colleagues within the BX organisation.

Strategy

The BX strategy is to be a world class provider of simple, efficient, innovative and secure services, which deliver customer and shareholder value.

We will achieve this by leveraging our centres of excellence to drive operational excellence and outstanding customer experience to create competitive advantage.

We remain focused on eliminating inefficiencies within the Group, creating capacity to enable investment both in our core infrastructure and in growth opportunities.

Bringing teams together creates opportunities to identify and share best practices and foster innovation. This delivers enhanced controls and security resulting in a more resilient organisation.

Market and operating environment

In an era of high paced development, maintaining state of the art technology for our customers and colleagues is critical. Technology is a core enabler of our strategy and BX partners with BI and BUK to ensure that we continue to offer a market leading digital offering; for example, supporting the development of BUK's mobile banking application and developing enhanced electronic trading capabilities for BI's Equities business.

Risks to the operating model

Robust management of operational risks have never been more important in financial services and Barclays is no exception. BX is at the forefront of actively managing the Group's operational risks. Key focus areas for BX include enhancing and maintaining the cyber defences and technology resilience that is critical. The threat of cybercrime remains a key risk and we continue to invest in keeping our customers and businesses safe. We have made major investments in our cyber defences, including in our global network of Security Joint Operation Centres. These are state of the art integrated facilities, providing 24/7 monitoring and response capability enabling a Group-wide collaborative response to threats and incidents potentially impacting our colleagues, customers and clients.

Technology resilience is at the heart of our approach to operational resilience. The demands of stakeholders including customers, markets and regulators, have never been greater in respect of this risk. We continue to invest to ensure the operational resilience and reliability of our technology infrastructure.

Key highlights of the year

Throughout 2018, we have delivered outstanding customer service and kept Barclays safe and secure.

Engaging with financial technology companies to drive innovation

Innovation plays a key role in solving Barclays' challenges, identifying new revenue and investment streams and building next-generation products, services and platforms. One way of bringing innovation into the organisation is by harnessing the power of FinTech companies.

Known as the #homeoffintech, Rise, created by Barclays, is a global community of the world's top innovators working together with our colleagues, partners and clients, to create the future of financial services. Rise operates state-of-the-art workspaces in key cities across the world, including London, New York, Tel Aviv and Mumbai. Today, we have over 250 Technology companies who are based at Rise, along with a virtual community of over 6,000 members.

Rise is home to the Barclays Accelerator, powered by Techstars. Now in its fifth year, this 13-week programme is designed to tackle some of Barclays' biggest challenges, as well as shape and scale the next generation of FinTech businesses. To date, we've had over 140 companies graduate from the programme. Their combined valuation is estimated at £550m.

This year, we launched 'Rise Growth Investments', making up to £10 million of investment capital available to each class of ten companies coming through the Barclays Accelerator. These funds would provide financial support at a key growth stage for FinTech companies working with us on strategic opportunities, reflecting Barclays' commitment to mutual growth and success.

In 2018, we successfully halved the onboarding cycle time for our clients across Corporate, Markets and Banking and 95% of Corporate new-to-bank clients say they have had a positive experience with their onboarding manager.

Our investments in resilience and in our cyber defences are enhancing the resilience of our operations. In addition, we have made major strides in moving our hosting solutions to the Cloud and this will remain an area of focus in 2019.

We have continued to develop our digital capability and in 2018 we added over 15,000 clients onto our Corporate Banking iPortal platform, covering more than 80% of the customer base. In addition, we added more cash management services to the platform and launched the first mobile version.

In 2019, investment in iPortal will increase to allow the addition of: digital onboarding and servicing; improved user experience; extended transaction banking capabilities; and API accessibility to deliver a market leading Corporate Banking platform. We have developed strategic campus sites in Whippany, Glasgow and Pune which provide state of the art work spaces for our colleagues.

Our focus on our customers and clients remains relentless.

Paul Compton
CEO, Barclays Execution Services

Compliance with The UK Corporate Governance Code 2016

The UK Corporate Governance Code 2016 (The Code)

A snapshot of how Barclays complies with the requirements of The Code is set out below. For further information, see pages 83 to 88.

Leadership

The Barclays PLC Board of Directors (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 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.

There is clear division of responsibilities between the Chairman, who runs the Board, and the Group Chief Executive, who manages the Barclays Group on a day-to-day basis. Individual roles on the Board and their responsibilities are set out in Barclays' *Charter of Expectations*. Pursuant to the *Charter of Expectations*, non-executive Directors provide effective oversight, strategic guidance and constructive challenge, help to develop proposals on strategy and empower the executive Directors to implement the strategy, while holding the executive Directors to account. The Senior Independent Director provides a sounding board for the Chairman and acts as an intermediary for the other Directors when necessary.

Effectiveness

A majority of the Board – 12 of the 15 Directors – are independent non-executive Directors and, as required by The Code, the Chairman was independent on appointment.

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. Having served on the Board for nine years, both Reuben and Dambisa will be retiring from the Board at this year's AGM and will not, therefore, be standing for re-election.

The composition of the principal Board Committees meets the independence criteria of The Code, and there is appropriate cross-membership to further promote effectiveness.

All appointments to the Board are based on merit and objective criteria, in the context of Barclays' strategic direction 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, particularly at Board and senior leadership levels 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. 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.

Potential new Directors are asked to disclose their significant commitments, and to give an indication of the time spent on those commitments, 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. In 2018, the attendance of Directors at scheduled Board meetings was 100% and the attendance of Directors at additional Board meetings (which were often called on short notice) was strong, at 95%.

All Directors are expected to allocate sufficient time to their role on the Board in order to discharge their responsibilities effectively. In 2018, the attendance of Directors at scheduled Board meetings was 100%.

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. 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.

Directors are subject to election or re-election each year by shareholders at the AGM.

The effectiveness of the Board, the Board Committees and the individual Directors has been assessed in a process facilitated by an independent third party. Further information regarding the process for the review of the Board, the Board Committees and the individual Directors' effectiveness can be found in the Nominations Committee report on page 68.

Accountability

The Board is responsible for setting Barclays' risk appetite, that is, the level of risk it is prepared to take in the context of achieving Barclays' strategic objectives.

Barclays' Enterprise Risk Management Framework (ERMF) is designed to identify and set minimum requirements in respect of the main risks to strategy execution. The key elements of the Barclays Group's system of risk management and internal control are set out in the risk frameworks relating to each of our eight Principal Risks – Credit risk, Market risk, Treasury and Capital risk, Operational risk, Model risk, Reputation risk, Conduct risk and Legal risk – and the Barclays Control Framework, which details requirements for the delivery of control responsibilities. Frameworks, policies and standards applicable to the Barclays Group under the ERMF also set out the approaches to meet applicable legal and regulatory requirements relating to internal control and assurance.

Regular reports are made to the Board covering significant risks to the Barclays Group. Key controls are assessed on a regular basis for both design and operating effectiveness. 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. The Board reports on the risks faced by the Barclays Group in the annual viability statement on pages 42 and 43.

The Audit Committee, comprising independent non-executive Directors, oversees the effectiveness of Barclays' internal and external auditors.

Remuneration

The Remuneration Committee, which comprises independent non-executive Directors, sets the overarching principles and parameters of remuneration policy across the Barclays Group and approves the remuneration arrangements of the Chairman, the executive Directors, other senior executives and certain Barclays Group employees.

The Barclays Group's remuneration philosophy links remuneration to achieving sustained high performance and creating long-term value.

The remuneration structure for employees is closely aligned with that for executive Directors, the primary exceptions being that the executive Directors participate in the Barclays' Long Term Incentive Plan and receive part of their pay in Barclays PLC shares.

To ensure alignment with shareholder interests, 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.

Unvested deferred remuneration is subject to malus. Clawback also applies to any variable remuneration awarded to Material Risk Takers after 1 January 2015.

> The composition of the principal Board Committees meets the independence criteria of The Code, and there is appropriate cross-membership to further promote effectiveness.

Relations with 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.

The Directors, in conjunction with the senior executive team and Investor Relations, participate in varied forms of engagement with institutional investors, including investor meetings, seminars and conferences across many geographic locations, reflecting the diverse nature of our equity and debt institutional ownership. The Chairman and Senior Independent Director, together with other Board representatives and the Company Secretary, hold investor meetings focused on corporate governance matters. The Group Chief Executive and Group Finance Director also hold quarterly results briefings and maintain a dialogue with investors.

We continue to communicate with our private shareholders through 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.

The Board and the senior executive team consider the AGM as a key date for engagement with shareholders. A number of Directors, including the Chairman, are available for informal discussion either before or after the meeting.

The Senior Independent Director is available to shareholders if they have concerns that have not been addressed through the normal channels.

A revised version of The Code was published in 2018, and came into effect for financial years beginning on or after 1 January 2019 (The New Code). We will report against the requirements of The New Code and The Companies (Miscellaneous Reporting) Regulations 2018, which were also published last year and came into effect for our financial year beginning on 1 January 2019, in our next Annual Report.

Acknowledging the heightened focus in The New Code on 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, the Board is reviewing its existing engagement mechanisms with colleagues, shareholders and other key stakeholders. For more details of how we engage with our workforce, in particular, please refer to the 'Governance reporting for 2019' section on page 88.

Viability statement

The UK Corporate Governance Code 2016 – Section (C.2.2)

The financial statements and accounts have been prepared on a going concern basis.
In addition, the UK Corporate Governance Code (2016) – Section (C.2.2) requires the Directors to make a statement in the Annual Report regarding the viability of the Group, including explaining how they assessed the prospects of the Group, the period of time for which they have made the assessment and why they consider that period to be appropriate.

Time horizon

In light of the analysis summarised below, the Board has assessed the Group's current viability, and confirms that the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the next three years. This time frame is used in management's Working Capital and Viability Report (WCR), prepared at February 2019. The availability of the WCR gives management and the Board sufficient visibility and confidence on the future operating environment for this time period. The three-year time frame has also been chosen because:

- it is within the period covered by the Group's future projections of profitability, cash flows, capital requirements and capital resources
- it is also within the period over which regulatory and internal stress testing is carried out; and
- it is representative of the continued level of regulatory change in the financial services industry.

The Directors are satisfied that this period is sufficient to enable a reasonable assessment of viability to be made.

Considerations

In making their assessment the Board has:

- carried out a robust and detailed assessments of the Group's risk profile and material existing and emerging risks. Notable among these are risks which senior management believe could cause the Group's future results of operations or financial condition to differ materially from current expectations or could adversely impact the Group's ability to maintain minimum levels of regulatory capital, liquidity, funding and the minimum requirement for own funds and eligible liabilities ('MREL') over the period of the assessment
- reviewed how those risks are identified, managed and controlled (further detail provided on pages 137 to 148)
- considered the WCR which provides an assessment of forecast CET1, leverage ratio, Tier 1 and total capital ratios, as well as the build-up of MREL up to 2022
- reviewed the Group's liquidity and funding profile, including forecasts of Barclays' internal liquidity risk appetite (LRA) and regulatory liquidity coverage ratios
- considered the Group's viability under specific internal and regulatory stress scenarios
- considered the stability of the major markets in which it operates, the risks posed by the simplification of the business model and regulatory changes
- considered scenarios which might affect the operational resiliency of the Group
- reviewed the draft statutory accounts and the in-depth disclosure of the financial performance of the Group
- considered the Group's medium-term plan (MTP); and
- reviewed the legal, competition and regulatory matters set out in Note 27 to the financial statements on pages 315 to 322.

Assessment

Risks faced by the Group's business, including in respect of financial, conduct and operational risk, are controlled and managed within the Group in line with the Enterprise Risk Management Framework. Executive management set a Risk Appetite for the Group, which is then approved by the Board. Risk and Compliance set limits, within which businesses are required to operate. Management and the Board then oversee the ongoing Risk Profile. Internal Audit provide independent assurance to the Board and Executive Committee over the effectiveness of governance, risk management and control over current and evolving risks.

A full set of material risks to which the organisation is exposed can be found in the Material existing and emerging risks on pages 131 to 136. Certain risks are additionally identified as key themes and monitored closely by the Board and Board Committees. Certain particular risks to viability identified by the Board are detailed below. These have been chosen on the basis of their ability to impact viability over the timeframe of the assessment but in some instances the risks exist beyond this timeframe.These particular risks include:

- The consequences from the UK's anticipated exit from the EU market and Customs Union are unpredictable and diverse and may impact over a prolonged period. In particular, a significant deterioration in the macro-economic environment in the UK and Europe could lead to increased credit rating downgrades of the UK sovereign and the Barclays Group, significantly increasing borrowing costs, widening credit spreads and materially adversely affect the Group's interest margins and liquidity position.
- legal proceedings, competition, regulatory and conduct matters giving rise to the potential risk of fines, loss of regulatory licences and permissions and other sanctions, as well as potential adverse impacts on our reputation with clients and customers and on investor confidence and/or potentially resulting in impacts on capital, liquidity and funding
- sudden shocks or geopolitical unrest in any of the major economies in which the bank operates which could impact credit ratings, alter the behaviour of depositors and other counterparties and affect the ability of the firm to maintain appropriate capital and liquidity ratios; and
- evolving operational risks (notably cybersecurity, technology and resilience) and the ability to respond to the new and emergent technologies in a controlled fashion.

As a diversified, transatlantic bank with global reach, Barclays is impacted in the longer term by a wide range of macroeconomic, political, regulatory and accounting, technological and social developments. The evolving operating environment presents opportunities and risks which we continue to evaluate and take steps to appropriately adapt our strategy and its delivery. Notably, the consequences of the withdrawal of the UK from the European Union and the associated economic and operational risks have received significant management attention, particularly, given the greater uncertainty this is likely to cause in 2019.

Stress tests

The Board has also considered the Group's viability under specific internal and regulatory stress scenarios.

The Board reviewed external regulatory stress test results which are designed to assess the resilience of banks to adverse economic developments and confirm that we have robust forward-looking planning processes for the risks associated with our business profile.

In addition, the latest macroeconomic internal stress test, conducted in Q4 2018, considered the potential impacts of:

- a severe UK recession triggered by the UK leaving the EU with no transitional arrangements including falling property prices which fail to recover over the forecast horizon and rising unemployment
- significant weakness in the US economy post 2019 as the stimulative effects of tax reform fade
- a sudden shortage of credit in China causing a global recession
- weakness in peripheral Europe driven by an aggressive fiscal easing pledged by the Italian Coalition Government. This weakness is exacerbated by the global economic slowdown in the US and China combined with trade tensions; and
- a major technological outage in the firm.

All of which could result in, among other things, a loss of income or increased impairment. The stress test outcome for macroeconomic tests shows our full financial performance over the horizon of the scenario and focuses on the CET1 capital ratio.

Legal proceedings, competition, regulatory and remediation/redress conduct matters ar so assessed as part of the stress testing process. Capital risk appetite and LRA are set at a level designed to enable the Group to withstand various stress scenarios. As part of this process, management also identified actions, including cost reductions and withdrawal from lines of business, available to restore the Group to its desired capital flightpath.

The Group-wide stress testing framework also includes reverse stress testing techniques which aim to identify and analyse the circumstances under which the Group's business model would no longer be viable. Examples include extreme macroeconomic downturn scenarios, or specific idiosyncratic events, covering operational risk (for example, cyberattack), adverse outcomes in legal proceedings, competition, regulatory and conduct matters and capital/liquidity events.

We use an inventory of models, quantitative procedures and judgement to support the stress test calculations and projections. These tools range from experienced management judgement through to sophisticated financial and behavioural models. The stress test evaluation process produces both gross impacts and the effect of mitigation including management actions. This enables us to understand, monitor and control the risks identified. The stress testing process is overseen by a governance structure from the Board through executive business and risk committees. Management believes that the internal and external stress testing process considers a wide range of severe but plausible events. However, stress tests should not be assumed to be an exhaustive assessment of all possible hypothetical extreme or remote scenarios.

These internal and external stress tests informed the conclusions of the WCR. Based on current forecasts, incorporating key known regulatory changes to be enacted and having considered possible stress scenarios, the current liquidity and capital position of the Group continues to support the Board's assessment of the Group's viability.

For a statement as to our dividend policy please see page 89.

The Board's assessment of the Group's viability over the next three years is subject to material existing and emerging risks highlighted on pages 131 to 136.

Non-financial information statement

Measurement and reporting of non-financial matters is key to Barclays and we firmly believe that what is being measured is being managed, hence, our continuous effort at improving and refining our non-financial reporting.

We use a variety of tools to track and measure our strategic delivery and collect both quantitative and qualitative information to get the full picture of our performance. We are also committed to maintaining a robust internal and external assurance process for our key metrics, ensuring that we have strong controls and clear data management in place.

The Non-Financial Reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006 are addressed within this section by means of reference in order to indicate which part of the strategic narrative (within this document, or available online) the respective requirements are embedded. We have used references to avoid disrupting or duplicating the narrative flow, in the spirit of clear, concise and transparent reporting.

Non-financial information and the delivery of non-financial benefits for our stakeholders is integrated into the strategy of Barclays. Our business model on page 14 encompasses the non-financial value created for our stakeholders from our resources and relationships of the Group. This value creation is measured through our performance measures.

The principal risks related to the non-financial matters are shown alongside the financial principal risks on page 28, along with a description of their management,

Our non-financial performance measures shown on pages 19 to 27 ensure we maintain accountability and deliver for a wider range of stakeholders. Delivery for our colleagues is discussed in detail within the Colleague section within our KPI framework, and the culture that fosters this environment is discussed in further detail on page 11, and within the People section on pages 93 to 98. In respect of environmental matters, we assess our performance through our Citizenship lens, in addition to providing granular level information in our 2018 ESG Report. The report also discusses our position in society, respect for human rights and anti-corruption and anti-bribery matters in more detail.

Areas of the Non-financial information statement are reflected by way of reference to the following locations:

Non-financial information	Section	Page
Business model	Business model	14
Policies	Non-financial information statement	45
Principal risks	Risk review Risk management Risk performance	127 137 149
Key performance indicators	Key performance indicators	18

We have a range of policies and guidance (available at home.barclays/citizenship/our-reporting-and-policy-positions/ and shown opposite) that support our key outcomes for our customers and clients, colleagues and citizenship activity. Performance against our strategic non-financial performance measures, as shown on pages 19 to 27, is one indicator of the effectiveness and outcome of policies and guidance. The due diligence carried out for each policy is contained within each respective policy documentation. Policies are reviewed annually by the appropriate Board Committee, including an assessment of the effectiveness of the Policy with any recommendations for revisions made to the Board for approval.

Extensive non-financial reporting can also be found in our 2018 ESG Report at home.barclays/citizenship

Each policy is available for downloading from home.barclays/citizenship/our-reporting-and-policy-positions

Across Barclays, policies and statements of intent are in place to ensure consistent governance on a range of issues. For the purposes of the Non-Financial Reporting requirements, these include, but are not limited to:

Non-financial interests

Environmental matters

Policy statement	Description
Energy and Climate Change statement	Our new Energy and Climate Change statement sets out our approach to energy sectors with higher carbon-related exposures from extraction or consumption, and/or those with an impact in certain sensitive environments, namely thermal coal, Arctic oil and gas, and oil sands. The statement outlines the important role Barclays plays in ensuring that the world's energy needs are met, while helping to limit the threat that climate change poses to people and to the natural environment.
World Heritage Site and Ramsar Wetlands statement	We understand that certain industries, and in particular mining, oil and gas and power, can have negative impacts on areas of high biodiversity value including UNESCO World Heritage Sites and Ramsar Wetlands. We recognise that financing projects located in these areas can impact on the outstanding universal value that they provide. Our World Heritage Site and Ramsar Wetlands statement outlines our due diligence approach to preserving and safeguarding these sites.
Environmental risk	We have a strong commitment to managing the environmental risks associated with commercial lending and recognise that a bank's major environmental impacts tend to be indirect, arising from the provision of financial services to business customers. We believe that taking due account of our environmental impacts is not only the right thing to do, but also makes good business sense.

Employees

Policy statement	Description
Board Diversity Policy	The Board Diversity Policy ('the Policy') sets out the approach to diversity on the Boards of Directors of Barclays PLC.
Code of Conduct	The Barclays Code of Conduct outlines the Values and Behaviours which govern our way of working across our business globally. It constitutes a reference point covering all aspects of colleagues' working relationships, specifically (but not exclusively) with other Barclays employees, customers and clients, governments and regulators, business partners, suppliers, competitors and the broader community.
Health, safety and welfare	Our commitment is to ensure the health, safety and welfare of our employees and to provide and maintain safe working conditions. Effective management of health and safety will have a positive effect on the services we provide. Good working environments will help our employees to perform better in serving our customers, which in turn will create value for all our stakeholders – customers, employees, shareholders and the communities that we serve.
Equality and Diversity Charter	Barclays Equality and Diversity Charter governs the approach for employees of the Group. A diverse employee-base will include and make good use of differences in the skills, regional and industry experience, background, race, gender and other distinctions between employees, with all appointments made on merit.

Non-financial information statement

Social matters

Policy statement	Description
Donations	Barclays works in partnership with non-profit organisations, including charities and NGOs, to develop high-performing programmes and volunteering opportunities that harness the skills and passion of Barclays' employees. Barclays Citizenship has chosen to partner with a small number of organisations, allowing us to have deeper relationships and ultimately enabling us to have the greatest impact on the communities in which we operate. For this reason, we are unable to provide funding to many of the individual requests we receive. Barclays does not accept unsolicited donation requests.
Tax	Our Tax Principles are central to our approach to tax planning, for ourselves or on behalf of our clients. Since their introduction in 2013 we believe our Tax Principles have been a strong addition to the way we manage tax, ensuring that we take into account all of our stakeholders when making decisions related to our tax affairs. The same applies to our Tax Code of Conduct.
Sanctions	Sanctions are restrictions on activity with targeted countries, governments, entities, individuals and industries that are imposed by bodies such as the United Nations (UN), the European Union (EU), individual countries or groups of countries. The Barclays Group Sanctions Policy is designed to ensure that the Group complies with applicable sanctions laws in every jurisdiction in which it operates.
The defence industry	Barclays has a strong and long-standing commitment to managing the social and ethical risks associated with lending and other types of financial services. We provide financial services to the defence sector within a specific policy framework. Each proposal is assessed on a case-by-case basis and legal compliance alone does not automatically guarantee our support. The Barclays Statement on the Defence Sector outlines our approach and appetite to Defence-related transactions and relationships.

Human rights

Policy statement	Description
Human rights	We operate in accordance with the Universal Declaration of Human Rights and take account of other internationally accepted human rights standards. We also promote human rights through our employment policies and practices, through our supply chain and through the responsible use of our products and services.
Modern slavery	Barclays recognises its responsibility to comply with all relevant legislation including the UK Modern Slavery Act 2015. In accordance with the requirements of the Act, we release an annual Barclays Group Statement on Modern Slavery. This includes work on combating modern slavery in our operations, supply chain, and with clients and customers.
Supply chain	Our supply chain helps us deliver for all our customers, clients and colleagues. Our supply base is diverse, including start-ups, small and medium-sized businesses, and businesses owned, controlled and operated by under-represented segments of society as well as multinational corporations. We recognise that these partnerships have significant direct and indirect environmental and social impacts. We actively encourage our supplier partners to meet Barclays' requirements in order to meet our obligations to our stakeholders.
Data protection	Across Barclays, the privacy and security of personal information is respected and protected. Our Privacy Statement governs how we collect, handle, store, share, use and dispose of information about people. We regard sound privacy practices as a key element of corporate governance and accountability.

Anti-bribery and anti-corruption

Policy statement	Description
Bribery and corruption	We recognise that corruption can undermine the rule of law, democratic processes and basic human freedoms, impoverishing states and distorting free trade and competition. Our statement reflects the statutory requirements applicable in the UK as derived from the United Nations and Organisation for Economic Co-operation and Development conventions on corruption.
Anti-money laundering and counter-terrorist financing	Barclays Anti-Money Laundering Policy is designed to ensure that we comply with the requirements and obligations set out in UK legislation, regulations, rules and industry guidance for the financial services sector, including the need to have adequate systems and controls in place to mitigate the risk of the bank being used to facilitate financial crime.

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.

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
Every company should be headed by an effective board which is collectively responsible for the long-term success of the company.	
▪ Composition of the Board	50
▪ Board of Directors	51
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	83
The chairman is responsible for leadership of the board and ensuring its effectiveness on all aspects of its role.	
▪ Roles on the Board	83
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	83

Effectiveness

	Page
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	51
▪ Board diversity	50
There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board.	
▪ Appointment and re-election of Directors	89
All directors should be able to allocate sufficient time to the company to discharge their responsibilities effectively.	
▪ Board of Directors	51
▪ Attendance	84
▪ Time commitment	85
All directors should receive induction on joining the board and should regularly update and refresh their skills and knowledge.	
▪ Induction	85
▪ Training and development	85
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	86
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	86
All directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance.	
▪ Composition of the Board	50
▪ Appointment and re-election of Directors	89

Accountability

	Page
The board should present a fair, balanced and understandable assessment of the company's position and prospects.	
▪ Strategic report	2
▪ Risk management	129
▪ Viability statement	42
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	86
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	58
▪ Accountability	86

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	99
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	99

Relations with shareholders

	Page
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	87
The board should use general meetings to communicate with investors and to encourage their participation.	
▪ Shareholder engagement	87

Chairman's introduction

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

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, 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. While 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 had been 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 72.

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 68 to 72.

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.

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 73 to 76.

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. You can read more about our current stakeholder engagement on pages 16 to 17.

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 certain enhancements already 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 88.

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 86. 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.

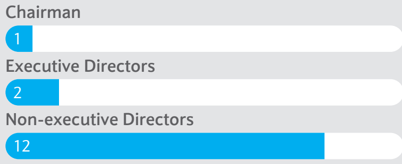
Looking ahead

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.

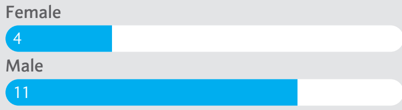
John McFarlane
Chairman
20 February 2019

Board composition

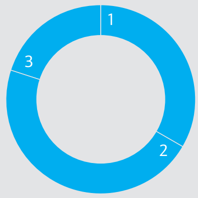
Balance of non-executive Directors: executive Directors



Gender balance



Length of tenure
(Chairman and non-executive Directors)



1 0-3 years	5
2 3-6 years	7
3 6-9 years	3

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.

Who we are – Board of Directors

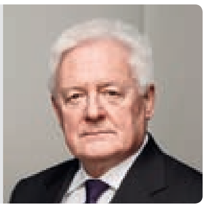
Board of Directors

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.

Full biographies can be accessed online via **home.barclays/investorrelations**

John McFarlane
Chairman

Appointed:
1 January 2015



Relevant skills and experience
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.

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.

Key current appointments
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

Committees
Nominations (Chair)

Jes Staley
Group Chief Executive

Appointed:
1 December 2015

Relevant skills and experience
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.

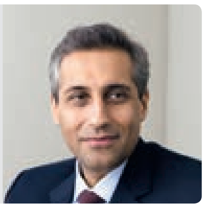
He previously worked for more than 30 years at JP Morgan where he initially trained as a commercial banker, later advancing to the leadership of major businesses involving equities, private banking and asset management and ultimately heading the company's Global Investment Bank.

Key current appointments
Board member, Bank Policy Institute; Board member, Institute of International Finance

Committees
None

Tushar Morzaria
Group Finance Director

Appointed:
15 October 2013



Relevant skills and experience
Tushar is a chartered accountant with over 25 years of strategic financial management, investment banking, operational and regulatory relations experience.

He joined Barclays from JP Morgan, where he held various senior roles including the CFO of its Corporate & Investment Bank at the time of the merger of the investment bank and the wholesale treasury/security services business.

Key current appointments
Member, 100 Group Main Committee; Chair, Sterling Risk Free Reference Rates Working Group

Committees
None

Crawford Gillies
Senior Independent Director

Appointed:
1 May 2014

Relevant skills and experience
Crawford has extensive business and management experience at executive and board level spanning over 30 years.

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.

Key current appointments
Non-executive director, SSE plc; Chairman, Edrington Group

Committees
Audit, Nominations, Remuneration (Chair)

Mike Ashley
Non-executive

Appointed:
18 September 2013

Relevant skills and experience
Mike has deep knowledge of accounting, auditing and associated regulatory issues, having previously worked at KPMG for over 20 years.

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.

Key current appointments
Member, Cabinet Office Board; Member, International Ethics Standards Board for Accountants; Member, ICAEW Ethics Standards Committee; Member, Charity Commission

Committees
Audit (Chair), Nominations, Risk, Reputation

Tim Breedon CBE
Non-executive

Appointed:
1 November 2012

Relevant skills and experience
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.

He had a distinguished career with Legal & 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.

Key current appointments
Chairman, Apax Global Alpha Limited; Chairman, The Northview Group Limited

Committees
Audit, Nominations, Remuneration, Risk (Chair)

Sir Ian Cheshire
Non-executive

Appointed:
3 April 2017

Relevant skills and experience
Sir Ian is a member of the Board and is also Chair of Barclays Bank UK PLC.

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.

Key current appointments
Chairman, Maisons du Monde; Chairman, Menhaden plc; Lead non-executive director for the Government; Trustee, Institute for Government

Committees
Nominations

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 with 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

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

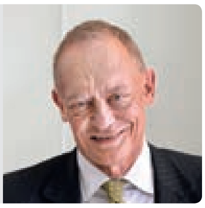
Non-executive director, Ensco PLC; Member of Advisory Panel, The Institute of Business Ethics Member, UK Takeover Appeal Board

Committees

Remuneration, Reputation (Chair)

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 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

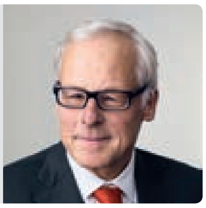
Chairman, The City UK China Market Advisory Group; Lead non-executive, Ministry of Defence; Member, Financial Services Trade and Investment Board; Public interest non-executive director, Deloitte NWE LLP

Committees

Nominations

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

Committees

Nominations, Risk

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

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

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

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

Company Secretary

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 corporate law and M&A at Hogan Lovells 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 FTSE 100 companies, and has previously served as Chairman of the ICC UK's Committee on Anti-Corruption.

Who we are – Group Executive Committee

Group Executive Committee

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 51.

Paul Compton
Group Chief Operating Officer

Tim Throsby
Chief Executive Officer, Barclays International

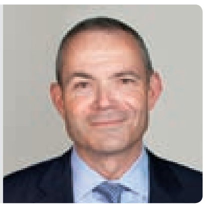
Bob Hoyt
Group General Counsel

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.

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, the Board considers 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 86 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 restructured 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 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**.

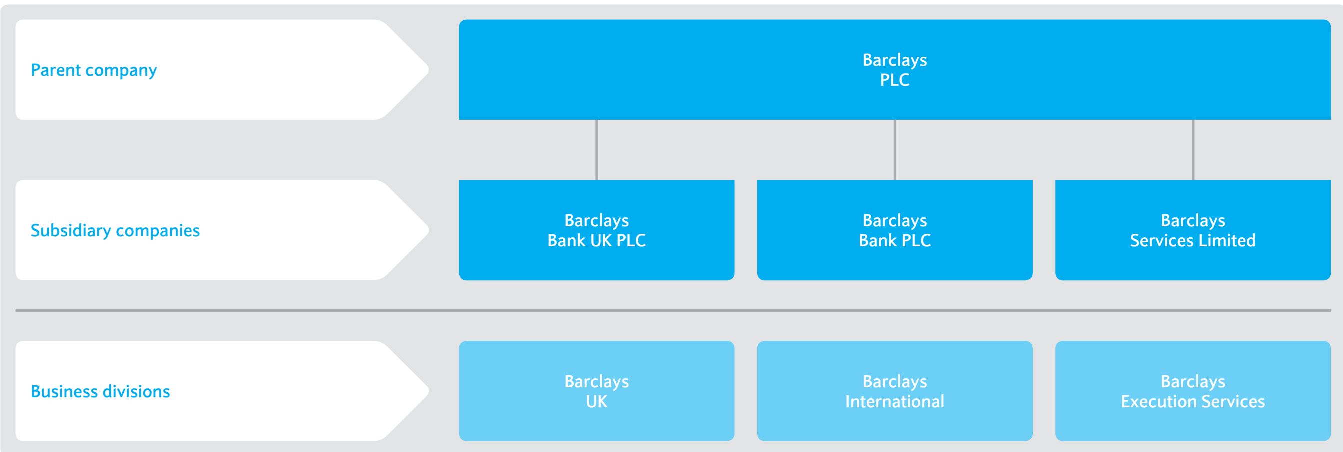
The Board Committees

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.



Board Governance Framework

Barclays PLC
Responsible for the overall leadership of the Barclays Group

Audit Committee
- Reviews accounting policies and financial reports
- Monitors the internal control environment
- Considers the adequacy and scope of the internal and external audit
- Reviews and monitors the Barclays Group's whistleblowing policies

See page 60 for further information

Risk Committee
- Monitors and recommends financial and operational risk appetite
- Monitors the financial and operational risk profile
- Reviews limits for types of financial and operational risk

See page 77 for further information

Reputation Committee
- Oversees reporting on Barclays' culture
- Considers Barclays' conduct and reputational risk issues and exposures
- Reviews and approves Barclays' approach to citizenship, environmental and social matters
- Oversees Barclays' approach to customer and regulatory matters

See page 73 for further information

Nominations Committee
- Reviews the composition of the Board
- Recommends the appointment of new Directors
- Considers succession plans for the Chairman and Group Chief Executive
- Oversees the annual Board effectiveness review

See page 68 for further information

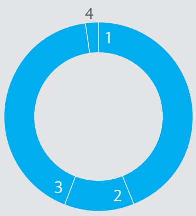
Remuneration Committee
- Sets principles and parameters of remuneration for Barclays
- Considers and approves remuneration for executive Directors and senior executives
- Oversees employee share schemes

See page 125 for further information

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.

Board allocation of time* (%)



	2018	2017
1 Strategy formulation and implementation monitoring	44	47
2 Finance (including capital and liquidity)	12	15
3 Governance and risk (including regulatory issues)	42	35
4 Other (including remuneration)	2	3

* Based on scheduled Board meetings

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, 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.

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:

- the Barclays Internal Control Enhancement Plan (the programme for remediation of identified risk and control issues)
- the Risk and Control Self Assessment process
- improvements to the operating model of the Controls Office.

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:

- the new corporate governance framework for the Barclays Group, which reflects the corporate structure post-structural reform and recent corporate governance reforms
- 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.

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:

- meeting with institutional investors at seminars and conferences across many geographic locations, and meeting with private shareholders at the AGM
- receiving updates on shareholder views through regular updates, with insights provided by the Head of Investor Relations and brokers
- 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.

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 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 50.

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 99 to 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 cyberattacks 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 a 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 58 to 67 and pages 77 to 82 respectively.

What we did in 2018

Board Audit Committee report

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.

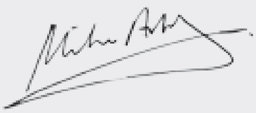
The Committee sought to address this by embedding the progress made by the Audit, Reputation and Risk Committees in 2017 to avoid duplication where there is an overlap of responsibilities, and focusing on time management in meetings such that discussions, and presenters, are limited to the allocated 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 71.

Looking ahead

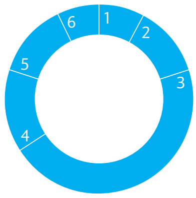
In 2019, the Committee will continue to monitor the impact of IFRS 9, and the new IFRS 16 accounting standard pursuant to which companies will be required to bring most leases on-balance sheet from 1 January 2019. We will also further develop our relationship with the audit committees of Barclays Bank 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 (%)



	2018	2017
1 Control issues	8	11
2 Business control environment	12	15
3 Financial results (including IFRS 9)	46*	33
4 Internal audit matters	14†	25
5 External audit matters	13	8
6 Other (including litigation, governance and compliance)	7	8

* 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 51 and 52.

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**

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

What we did in 2018

Board Audit Committee report

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 page 248 to 255.

Area of focus	Reporting issue	Role of the Committee	Conclusion/action taken
Fair, balanced and understandable reporting (including country-by-country reporting and Pillar 3 reporting)	Barclays is required to ensure that its external reporting is fair, balanced and understandable. 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.	▪ 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. ▪ Evaluated reports from Barclays PLC's Disclosure Committee on its assessment of the content, accuracy and tone of the disclosures. ▪ Established through reports from management that there were no indications of fraud relating to financial reporting matters. ▪ Evaluated the outputs of Barclays' internal control assessments and Sarbanes-Oxley s404 internal control process. ▪ Assessed disclosure controls and procedures. ▪ Confirmed that management had reported on and evidenced the basis on which representations to the external auditors were made.	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. 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: ▪ the impact of IFRS 9 on, among other things, Barclays' CET1 ratio, credit risk disclosures in the Pillar 3 Report and shareholders' equity ▪ the Group Finance Director's presentations to analysts ▪ the level of segmental reporting. The Committee recommended to the Board that the 2018 Annual Report and financial statements are fair, balanced and understandable.

Area of focus	Reporting issue	Role of the Committee	Conclusion/action taken
Impairment (refer to Note 7 to the financial statements)	Barclays has implemented IFRS 9 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.	▪ Assessed impairment experience against forecast, and considered whether impairment provisions were appropriate. ▪ Evaluated the impact of IFRS 9 on impairment. ▪ Monitored the Barclays Group's ECLs, model changes, scenario updates, post-model adjustments, and volatility. ▪ Monitored SOX compliance in relation to IFRS 9 controls and, specifically, the ECL calculation.	The Committee received a number of deep dive presentations from the Finance and Credit officers responsible for the IFRS 9 implementation. The Committee considered in detail the key IFRS 9 assumptions relating to staging criteria and the weighting of economic scenarios. 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. The Committee agreed that the provision levels for impairment were appropriate. 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.
Conduct provisions (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).	▪ 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. ▪ 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. ▪ 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. ▪ Monitored the position on provisions for alternative PPI (card protection and payment break plan insurance) and considered whether further provisions were required.	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.

What we did in 2018

Board Audit Committee report

Area of focus	Reporting issue	Role of the Committee	Conclusion/action taken
Legal, competition and regulatory provisions (refer to Notes 25 and 27 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.	■ Evaluated advice on the status of current legal, competition and regulatory matters. ■ 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. ■ Considered the adequacy of disclosure, recognising that any decision to set provisions involves significant judgement.	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.
Long-term viability (refer to the Viability statement on pages 42 to 43)	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.	■ 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. ■ Considered the viability statement in conjunction with Barclays' risk statements and strategy/business model disclosures. ■ Addressed feedback from investors, the FRC and other stakeholders on viability statements in general.	The Committee agreed that the appropriate time frame for the viability statement continued to be three years. 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.
Valuations (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.	■ Evaluated reports from the Group Financial Controller. ■ 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.	The Committee noted that there were no new significant valuation judgements during the year.
Tax (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.	■ Evaluated the appropriateness of tax risk provisions to cover existing tax risk. ■ Confirmed that the forecasts and assumptions supporting the recognition and valuation of deferred tax assets was in line with Barclays' Medium Term Plan (MTP). ■ 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).	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. The Committee was pleased to note that the Barclays Group was not affected by BEAT in respect of 2018.

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
Internal control Read more about Barclays' internal control and risk management processes on page 86.	The effectiveness of the overall control environment, including the status of any material control issues and the progress of specific remediation plans.	▪ 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. ▪ 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 time frames. ▪ Considered the second line of defence role in the oversight of operational risk controls, including financial controls over operational risk. ▪ Evaluated reports on the internal control environment from the external auditor. ▪ Evaluated quarterly updates on lessons learned from Critical risk events, which were tracked by the Chief Controls Office.	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. 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. 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.
Business control environment	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.	▪ 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 work streams to enhance the respective control environments. ▪ Received updates directly from senior management, and scrutinised action plans, in relation to remediation plans following unsatisfactory audit findings. ▪ 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.	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 time frames and accountability for delivery of that plan.
	The effectiveness of the control environment in the Chief Operating Office (COO) and the status and remediation of any material control issues.	▪ 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.	The Committee was pleased to note continuing progress to address control issues in accordance with the agreed timescales.

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.	▪ Monitored enhancements to the whistleblowing programme following the independent review that was commissioned by the Board in 2017. ▪ Reviewed the examples of best practice in the FCA's Review of Firms' Whistleblowing Arrangements. ▪ Monitored whistleblowing metrics, including case load and case ageing. ▪ Monitored instances of retaliation reports, and whether any instances had been substantiated. ▪ Received a presentation from BIA following its audit of the Investigations and Whistleblowing team.	As Whistleblowing Champion, the Chair of the Committee presented his annual report on whistleblowing matters to the Board. 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. 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. The Barclays PLC Environmental Social Governance Report 2018 includes further details regarding the Barclays Group's whistleblowing procedures and controls.
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.	▪ Scrutinised and agreed internal audit plans, methodology and deliverables for 2018. ▪ 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. ▪ 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. ▪ Debated audit risk appetite and issue validation. ▪ Tracked the levels of unsatisfactory audits, and monitored related remediation plans. ▪ Approved the appointment of the Chief Internal Auditor for Barclays Bank UK PLC and Barclays Bank PLC respectively. ▪ Discussed BIA's assessment of the management control approach and control environment in Barclays Bank UK PLC, Barclays Bank PLC and the functions. ▪ Evaluated the outcomes from BIA's annual self-assessment.	The Committee received semi-annual thematic control reports from BIA and a quarterly operational report during 2018. 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. 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. 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.

Area of focus	Reporting issue	Role of the Committee	Conclusion/action taken
External audit	The work and performance of KPMG.	▪ Met with key members of the KPMG audit team to discuss the 2018 audit plan and agree areas of focus. ▪ Assessed regular reports from KPMG on the progress of the 2018 audit and any material accounting and control issues identified. ▪ Discussed KPMG's feedback on Barclays' critical accounting estimates and judgements. ▪ Discussed KPMG's draft report on certain control areas and the control environment ahead of the 2018 year end. ▪ Discussed the approach to KPMG's annual report to the PRA which will be issued following completion of the 2018 audit. ▪ Considered the draft SOX control report and the draft audit opinion.	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. 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 67.

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 judgemental 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 to 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 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 & 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 judgements 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.

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 52. 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 72.

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**.

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 93 to 98.

Committee performance

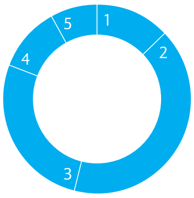
The performance of the Committee was assessed by Independent Board Evaluation, an independent, external corporate governance consultancy as part of the annual effectiveness review. The results confirm that the Committee is performing effectively, and that the role and responsibilities of the Committee 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 71 and 72.

Looking ahead

While 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 allocation of time (%)



	2018	2017
1 Corporate governance matters	13	8
2 Board and Board Committee composition	41	45
3 Succession planning and talent	27	33
4 Board effectiveness	11	11
5 Other	8	6

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 Jeffery III. You can find more details of the experience of Committee members in their biographies on pages 51 and 52.

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 Jeffery 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**

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.	▪ 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. ▪ Identified the requirement for additional non-executive Directors with attributes including investment banking experience, retail banking experience and also digital/technology experience. ▪ Continued the search for an additional female non-executive Director with the relevant skill set. ▪ Played an important role in the search for the Chairman's successor. ▪ Reviewed the membership, size and composition of the Board Committees.	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. The Committee continues its search for an additional female non-executive Director – preferably with 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.
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.	▪ 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.	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.

What we did in 2018

Board Nominations Committee report

Area of focus	Matter addressed	Role of the Committee	Conclusion/action taken
Executive succession planning and talent management	Succession planning and talent management at the Barclays Group Executive Committee level.	▪ Reviewed the progress being made against Barclays' Talent and Succession strategy, including monitoring diversity within the talent pipeline. ▪ 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. ▪ Considered individuals identified as potential Barclays Group Executive Committee successors and discussed next steps for their development. ▪ Assessed the succession plans for the most critical business unit and functional roles, and discussed how to develop the high-performing individuals identified.	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. 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.
Diversity and Inclusion	Ensuring Barclays attracts and retains the best talent.	▪ Reviewed the Barclays Group's progress towards continuing to build a diverse and inclusive workforce.	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. Further detail on this progress can be found above under 'Board and Board Committee Composition' and in the People section on pages 93 to 98.

In addition, the Committee also covered the following matters:

- 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
- monitored Directors' conflicts of interests, and Directors' induction and training
- evaluated the outcomes of the assessment of the Committee's performance and any areas of Committee performance that needed to be enhanced
- reviewed the Committee's terms of reference, recommending them to the Board for approval.

Appointment and re-election of Directors

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.

The Committee 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 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 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 *Charter of Expectations* contains the key competencies, skills and experience expected of non-executive Directors, and these, in addition to 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.

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 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 page 52 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 72.

The Directors in office at the end of 2018 were subject to an effectiveness review, as described below, 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. 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 at 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.

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, was 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 subject to his appointment by shareholders, will succeed John McFarlane as Chairman with effect from the conclusion of this year's AGM.

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 well-being 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, focused 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 long-standing 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 71.

Strategic report
Governance
Risk review
Financial review
Financial statements
Shareholder information

What we did in 2018

Board Reputation Committee report

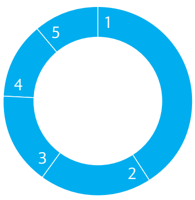
Looking ahead

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

Mary Francis
Chair, Board Reputation Committee
20 February 2019

Committee allocation of time (%)



	2018	2017
1 Conduct and compliance	41	36
2 Culture	19	20
3 Reputation risk	16	14
4 Customer satisfaction	13	14
5 Citizenship	11	16

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 51 and 52.

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**

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	▪ 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. ▪ Requested and considered deep dive analyses on conduct risk, including on progress in developing intelligence-led initiatives to combat fraud. ▪ Received reports on internal audit activities relating to conduct, including details of any unsatisfactory audit reports and remediation steps identified. ▪ Received updates on the implementation of the revised Code of Conduct, *The Barclays Way*. ▪ Reviewed the Compliance function's annual compliance plan.	Management was engaged in thorough discussion and challenge on the conduct risk dashboard, and alignment with the *Culture Dashboard*. 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. The Committee benefited from the presentation of material conduct structured scenario assessments, described in the 'Governance in action' section of this report on page 76. 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.

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.	▪ Debated culture dashboards and the progress being made to embed cultural change across Barclays globally. ▪ Received regular updates on colleague engagement metrics and the results of employee *Your View* surveys. ▪ Received reports on internal audit activities relating to culture. ▪ 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. ▪ 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.	Following the Committee's challenge to improve the use of the *Culture Dashboard*, it was satisfied with management's progress to evolve and align the culture dashboards with the conduct dashboards Through consideration of the *Your View* 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. The Committee regularly discussed the importance of an open and honest culture in which colleagues feel able to speak up and raise concerns.
Reputation and brand	Ensuring that Reputation risks and issues are identified and managed appropriately.	▪ 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. ▪ Regularly evaluated the measures being taken to understand external perceptions of the Bank, including 2018 YouGov Reputation Research. ▪ Considered whether the process for identifying, managing and overseeing Reputation risk was functioning effectively. ▪ Reviewed the refreshed Reputation Risk Management Framework.	The Committee achieved greater oversight from enhanced Reputation risk reports, and minutes of meetings of Risk Committees of major subsidiaries. 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.
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.	▪ Received bi-annual updates on complaints and challenged the performance against key indicators. ▪ Considered the quality of the processes in place to address and resolve customer complaints. ▪ 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.	The Committee was pleased to see a general downward trend (excluding PPI) in the overall number of complaints received by Barclays during 2018. 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.

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.	▪ Received and considered the bi-annual summary Citizenship dashboards, assessing status updates on the Shared Growth Ambition as the plan drew to an end. ▪ Reviewed Barclays' ratings and relative peer ranking in external ESG benchmarks and tracked external perceptions on Citizenship through stakeholder and media analysis. ▪ Reviewed updates at each meeting on reputation risk considerations of sensitive sector engagement.	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. 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. You can read more about our approach to ESG, Citizenship and our Shared Growth Ambition on pages 22 to 25 of the Strategic Report, with further detail in our Environmental Social Governance report.

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.

You can read more about Barclays' risk management on pages 129 to 148, and in our Pillar 3 Report, which is available online at **barclays.com/annualreport**

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.

What we did in 2018

Board Risk Committee report

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.

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 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 Board and 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 requirments – 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.

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 71.

Looking ahead

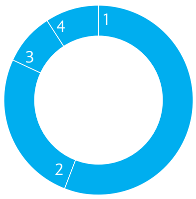
In 2019, the Committee will continue to focus on the impact of the external environment on the risk profile of the bank, particularly as the position in relation to the UK withdrawal from the EU becomes clearer. Following the feedback from the independent Board evaluation, we will also consider opportunities 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 51 and 52.

Committee allocation of time (%)



	2018	2017
1 Risk profile/risk appetite (including capital and liquidity management)	56	53
2 Key risk issues	26	26
3 Internal control/risk policies	9	12
4 Other (including remuneration and governance issues)	9	9

* Based on scheduled meetings

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**

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
Risk appetite and stress testing 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.	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).	■ To discuss and agree stress loss and mandate and scale limits, for Credit Risk, Market Risk and Treasury and Capital risk. ■ To evaluate the BoE annual cyclical stress test results, and the results of a stress test under the EBA biennial stress test submission. ■ Considered and approve internal stress test themes and the financial constraints and scenarios for stress testing risk appetite for the MTP. ■ 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.	The Committee reviewed proposed enhancements to the Barclays Group's stress testing processes which are designed to improve capabilities in this area. 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. 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. 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. Similarly, the Committee approved the results of the stress test under the biennial EBA stress test submission.
Capital and funding 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.	The trajectory to achieving required regulatory and internal targets and capital and leverage ratios.	■ To review on a regular basis, capital performance against plan, tracking the capital trajectory, any challenges and opportunities and regulatory policy developments. ■ To assess on a regular basis liquidity performance against both internal and regulatory requirements. ■ To monitor capital and funding requirements.	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. 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. 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.

What we did in 2018

Board Risk Committee report

Area of focus	Matter addressed	Role of the Committee	Conclusion/action taken
Political and economic risk 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	▪ To review and discuss plans for the impacts of Brexit under various withdrawal scenarios. ▪ To consider trends in the UK and US economies, including the impact of rate rises. ▪ To assess the transmission effects of a Chinese economic slowdown/trade war metrics arising from its influence on the world economy. ▪ To review exposures to Emerging Markets as a result of volatility in these markets arising from the impact of global political and economic events	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. Other key material risk themes kept under review by the Committee included stress in US consumer credit and stress in UK property. A new theme of Italian peripheral and redenomination risk was added as a key risk theme. The Committee directed management to apply additional focus to monitoring evidence of rising global leverage, credit cycle and geopolitical risks.
Credit risk 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.	▪ To assess conditions in the UK property market and monitor signs of stress. ▪ To monitor how management was tracking and responding to persistent rising levels of consumer indebtedness, particularly unsecured credit in both the UK and US. ▪ To review Leveraged Finance portfolios in order to assess these were within risk appetite and manageable limits. ▪ To review business development activities in the Corporate and Investment Bank.	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. 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.
Operational risk 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.	▪ To track operational risk key indicators. ▪ 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. ▪ 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.	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. 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. The Committee reviewed and approved two 'material outsourcing' programmes which supported the roll-out of Barclays Cloud outsourcing.

Area of focus	Matter addressed	Role of the Committee	Conclusion/action taken
Model risk 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.	■ 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.	The Committee reviewed and approved the Model Risk Framework and Tolerance Statement. 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. 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. 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.
Risk framework and governance	The frameworks, policies and talent and tools in place to support effective risk management and oversight.	■ 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. ■ To assess risk management matters raised by Barclays' regulators and the actions being taken by management to respond. ■ To review the design of the Barclays Group's Enterprise Risk Management Framework (ERMF).	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. The Committee discussed and approved an annual refresh of the Principal Risk Frameworks under the remit of the Committee. The annual update to the ERMF was also approved by the Committee.
Remuneration	The scope of any risk adjustments to be taken into account by the Board Remuneration Committee when making remuneration decisions for 2018.	■ 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.	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.

Read more about Barclays' risk management on pages 129 to 130 and in our Pillar 3 report, which is available online at home.barclays/annualreport

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.

Read more about Barclays' risk management on pages 129 to 130 and in our Pillar 3 Report, which is available online at **barclays.com/annualreport**

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.

How we comply

The UK Corporate Governance Code 2016 (The Code)

As Barclays PLC is listed on the London Stock Exchange, we apply the main principles of The Code, as set out below. A revised version of The Code was published in 2018, and came into effect for our financial year beginning on 1 January 2019 (The New Code). The New Code, together with The Companies (Miscellaneous Reporting) Regulations 2018 (The Regulations) which was also published in 2018 and came into effect for our financial year beginning on 1 January 2019, mark a major landmark in the UK government's suite of corporate governance reforms which aim to build trust in business. Barclays PLC will report against the requirements of The New Code and The Regulations in its next Annual Report. Please refer to the 'Governance reporting for 2019' section on page 88 for a description of certain enhancements already made to our governance practices to reflect the requirements of The New Code and The Regulations.

A copy of The Code, and The New Code, can be found at **frc.org.uk**. For the year ended 31 December 2018, and as at the date of this report, we are pleased to confirm that we complied in full with the provisions of The Code.

Disclosure Guidance and Transparency Rules

By virtue of the information included in this Governance section of the Annual Report we comply with the corporate governance statement requirements of the FCA's Disclosure Guidance and Transparency Rules. Certain additional information that is required to be disclosed pursuant to DTR7.2.6 can be found on pages 89 to 92.

New York Stock Exchange (NYSE)

Barclays is permitted by NYSE rules to follow UK corporate governance practices instead of those applied in the US. However, any significant variations must be explained in Barclays PLC Form 20-F filing, which can be accessed from the Securities and Exchange Commission's EDGAR database or on our website, **home.barclays**.

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 53 to 55.

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 53.

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**.

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 at short notice) and attendance was very strong, as recorded in the table on the following page. 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.

Strategic report
Governance
Risk review
Financial review
Financial statements
Shareholder information

How we comply

Board attendance	Independent	Scheduled meetings eligible to attend	Scheduled meetings attended	% attendance	Additional meetings eligible to attend	Additional meetings attended
Chairman						
John McFarlane	On appointment*	15	15	100	6	6
Executive Directors						
Tushar Morzaria	Executive Director	15	15	100	4	4
Jes Staley	Executive Director	15	15	100	4	4
Non-executive Directors						
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
Secretary						
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 12 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 71.

Our biographies containing our relevant skills and experience, Board Committee membership and other principal appointments can be found on pages 51 and 52. Details of changes to the Board in 2018 and year to date are disclosed on page 89.

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.

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 58 to 67.

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 129 to 222.

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.

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 215 to 222.

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 99 to 126, 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**.

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 £212,000 returned in 2017, £1.65m returned in 2016 and £2.2m in 2015.

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 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).

For further details on how we engaged with our shareholders and other stakeholders in 2018, please refer to page 16 of the Strategic Report.

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 'Our culture and people' section on page 11. 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, town halls 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 Well-being 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 round tables 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 Directors' remuneration report and a summary of any discretion that has been exercised in the award of Director remuneration.

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:

Disclosures required pursuant to Listing Rule 9.8.4R can be found on the following pages:

Section 414A of the Companies Act 2006 requires the Directors to present a Strategic report in the Annual Report and Financial Statements. The information can be found on pages 2 to 39.

The Company has chosen, in accordance with section 414C(11) of the Companies Act 2006, and as noted in this Directors' report, to include certain matters in its Strategic report that would otherwise be disclosed in this Directors' report.

An indication of likely future developments may be found in the Strategic report.

The particulars of important events affecting the Company since the financial year end can be found in the Strategic report and Note 27, Legal, competition and regulatory matters.

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).

Shareholders may have their dividends reinvested in Barclays by joining the Barclays PLC Scrip Dividend Programme (the Programme). The Programme enables shareholders, if they wish, to receive new fully-paid ordinary shares in Barclays PLC instead of a cash dividend, without incurring dealing costs or stamp duty.

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 51 and 52 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 who, having served on the Board for nine years, will both be retiring from the Board at this year's AGM.

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

Other statutory information

connection with the Company's activities as Trustee of the schemes above.

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**. 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[a] 2018	Previous reporting year 2017	Previous reporting year 2016	Previous reporting year 2015
Global Greenhouse Gas Emissions[b]				
Total CO_2e (tonnes)	292,151	344,816	401,340	469,502
Scope 1 CO_2e emissions (tonnes)[c]	25,553	24,779	26,814	29,146
Scope 2 CO_2e emissions (tonnes)[d]	197,365	249,396	307,190	341,978
Scope 3 CO_2e emissions (tonnes)[e]	69,233	70,641	67,337	98,379
Intensity Ratio				
Total Full Time Employees (FTE)	83,500	79,900	119,300	85,800
Total CO_2e per FTE (tonnes)[f]	3.50	4.32	3.36	5.47
Scope 2 CO_2e market based emissions (tonnes)[d]	249,294	297,128	326,201	

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 perfomrnce data based on updated carbon emmissions factors, improvements in data quality and updates to estimates previously applied. For 2019 we have applied the latest DEFRA and IE emmission factors. Where our performance has changed by more than 1% we have restated the balances and baseline. Emissions (tonnes CO_2e) 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 the UK only, which is the most material contributor). Fugitive emissions reported in Scope 1 cover emissions from the 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 326.

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 non-residents 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[a]	Nature of holding (direct or indirect)
The Capital Group Companies Inc[b]	1,172,090,125	6.84	indirect
Qatar Holding LLC[c]	1,017,455,690	5.40	direct
BlackRock, Inc[d]	1,018,388,143	5.94	indirect
Sherborne Investors[e]	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.

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 Strategic report and 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 Auditor's report set out on page 248 to 255, 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.

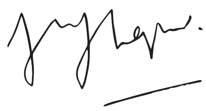
The Directors have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Barclays Group and to prevent and detect fraud and other irregularities.

The Directors, whose names and functions are set out on pages 51 and 52, 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) the management report, on pages 5 to 39, which is incorporated in the Directors' report, 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

People

As highlighted in 'Our culture and people' 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 acclimatisation 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 at all 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 focused 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 nine 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.

People

Be Well – Barclays well-being 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 well-being 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 well-being 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 focused 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 programmes 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 principal reasons for us missing this target was due to the divestment of the Africa business which reduced our year-on-year 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 some 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.

UK-wide gender pay gap results 2018
(representing all UK employees of Barclays PLC, Barclays Bank PLC, Barclays Bank UK PLC and Barclays Services Limited)

	Ordinary Pay Gap		Bonus Pay Gap		Receiving Bonus		Pay Quartiles		
	Median	Mean	Median	Mean	Female	Male		Female	Male
UK-wide	42.9%	40.2%	43.1%	73.7%	93.5%	91.4%	Q4	29%	71%
							Q3	47%	53%
							Q2	64%	36%
							Q1	68%	32%

People

Legal entity gender pay gap results 2018

	Ordinary Pay Gap – Median	Ordinary Pay Gap – Mean	Bonus Pay Gap – Median	Bonus Pay Gap – Mean	Receiving Bonus – Female	Receiving Bonus – Male	Pay Quartiles Q4 Female / Male	Pay Quartiles Q3 Female / Male	Pay Quartiles Q2 Female / Male	Pay Quartiles Q1 Female / Male
Barclays Bank UK PLC	14.9%	25.8%	43.7%	57.4%	94.8%	92.7%	44% / 56%	65% / 35%	67% / 33%	72% / 28%
Barclays Bank PLC	44.1%	49.3%	71.4%	77.0%	93.1%	93.8%	19% / 81%	32% / 68%	52% / 48%	64% / 36%
Barclays Services Limited	27.5%	23.0%	23.0%	44.1%	91.1%	89.2%	29% / 71%	36% / 64%	48% / 52%	57% / 43%
Barclays PLC[a]	23.9%	35.5%	9.4%	51.6%	95.2%	96.9%	25% / 75%	25% / 75%	20% / 80%	35% / 65%

Note
a Barclays PLC (c.90 employees) solo basis.

We are pleased to see that our initiatives 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 (IDAHOBIT) 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 Whippany, 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 health care benefits into our private health care 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 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 of 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.

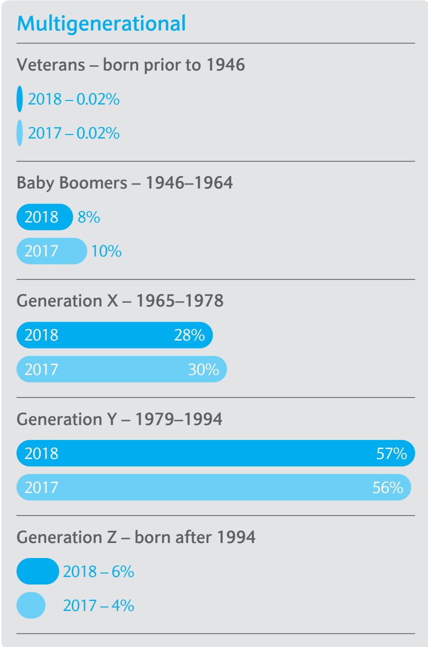
We are proud to have joined the Equality and Human Rights Commission's 'Working Forward' campaign which aims to make workplaces the best they can be for pregnant women and new parents.

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 providing 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 EMpower 2018 Ethnic Minorities Leaders List published in the Financial Times.

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 under-represented populations that make up our global and regional populations. Under-represented populations include Asian, Mixed, Black, Hispanic/Latino, Native Hawaiian or Other Pacific Islander and Native American colleagues. To improve the accuracy of reporting on under-represented 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 2016 was the last all-employee survey. During 2017 we ran quarterly surveys surveying 25% of our population each quarter.

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.

Contents

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[a] (PBT) up £953m (20%) from 2017 to £5,701m. Group return on tangible equity[b] (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 c.13%.

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[a] 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.

Notes
a Excluding litigation and conduct.
b Excluding litigation and conduct. The prior year excludes litigation and conduct, Deferred Tax Asset remeasurement and the loss on the sale of 33.7% of BAGL's issued share capital and the impairment of Barclays' holding in BAGL.

Annual statement from the Chairman of the Board Remuneration Committee

The increase also reflects some strategic 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[a], which continues to improve, down year on year from 38.0% to 36.6%. The ratio of Group staff costs to income[a] 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 '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 107. Our full Fair Pay Report can be found on **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[b] 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, reducing the awarded value 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 the 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.

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

Notes
a Basis aligned with disclosure in the Results Announcement.
b Excluding litigation and conduct.

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 eight 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, the ability to apply malus and 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

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[a] up 20% and RoTE[b] 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).

Group profit before tax excluding litigation and conduct

+20%

2018 £5,701m

2017 £4,748m

Group incentive pool

+9%

2018 £1,649m

2017 £1,506m

Group RoTE excluding litigation and conduct and other material items[b]

+2.9%pts

2018 8.5%

2017 5.6%

Cost:income ratio excluding litigation and conduct

-2%pts

2018 66%

2017 68%

Group compensation to net income ratio[c]

-1.4%pts

Corporate and Investment Bank (CIB) front-office ratio also down 1.1%pts (2018: 25.0%, 2017: 26.1%)

2018 36.6%

2017 38.0%

Group staff costs to income ratio[c]

-0.4%pts

2018 40.2%

2017 40.6%

a Excluding litigation and conduct.
b Excluding litigation and conduct. The prior year excludes litigation and conduct, Deferred Tax Asset remeasurement and the loss on the sale of 33.7% of BAGL's issued share capital and the impairment of Barclays' holding in BAGL.
c 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

Annual bonus

Jes Staley
£1,061k 48.3% of maximum
0% 50% 100%

Tushar Morzaria
£729k 49.3% of maximum
0% 50% 100%

2016-2018 Long Term Incentive Plan

Tushar Morzaria
£851k[a] 39% of maximum
0% 50% 100%

a By reference to Q4 2018 average share price

Performance measures (% weighting)

Financial (60%)
Profit before tax excluding material items (40%)
0% 50% 100%

Cost:income ratio excluding material items (20%)
0% 50% 100%

Strategic non-financial (20%)
0% 50% 100%

Personal objectives (20%)
Jes Staley
0% 50% 100%

Tushar Morzaria
0% 50% 100%

Financial (70%)
RoTE excluding material items (25%)
0% 50% 100%

CET1 ratio (25%)
0% 50% 100%

Cost:income ratio excluding material items (20%)
0% 50% 100%

Risk scorecard (15%)
0% 50% 100%

Balanced scorecard (15%)
0% 50% 100%

Executive Directors: remuneration outcomes

Fixed Pay · Pension and benefits · Annual bonus · LTIP

Jes Staley

2017[a]	£3.87m
2018[a,b]	£3.86m
Max	£8.29m

Tushar Morzaria

2017	£3.59m
2018	£3.48m
Max	£5.60m

a 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.
b 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

Jes Staley Date of appointment: 1 December 2015

Requirement	£5,492k
Actual	£7,729k

Tushar Morzaria Date of appointment: 15 October 2013

Requirement	£3,700k
Actual	£4,525k

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.

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	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. 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.

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.

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. Capital requirements regulation (CRR) quantitative disclosures on MRTs are set out on pages 203 to 211 of Barclays PLC 2018 Pillar 3 Report.

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. 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 £1,000,000 100% 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**.

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 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, we 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 93 to 98 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.

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.

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
Fixed Pay To reward skills and experience appropriate for the breadth and depth of the role and to provide the basis for a competitive remuneration package	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. 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. Malus and clawback provisions do not apply to Fixed Pay.	No change from 2018. ▪ Jes Staley: £2,350,000. ▪ Tushar Morzaria: £1,650,000. These amounts are fixed and will not change during the policy period for these individuals.
Pension To enable executive Directors to build long-term retirement savings	Executive Directors receive an annual cash allowance in lieu of participation in a pension arrangement. For new hires, the pension allowance is limited to 10% of Fixed Pay.	No change from 2018. ▪ Jes Staley: £396,000 (Equivalent to 17% of Fixed Pay). ▪ Tushar Morzaria: £200,000 (Equivalent to 12% of Fixed Pay). These amounts are fixed and will not change during the policy period for these individuals.
Benefits To provide a competitive and cost effective benefits package appropriate to the role and location	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. 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.	No change from 2018.
Annual bonus 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 Delivery in part in shares with a holding period increases alignment with shareholders. Deferred bonuses encourage longer term focus and retention	The maximum annual bonus opportunity is 80% of Total fixed pay. For these purposes Total fixed pay is Fixed Pay plus Pension. 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. 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. 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. A notional discount may be applied to deferred bonuses for the purposes of calculating the 2:1 cap to the extent permitted by regulations. 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.	Details of performance measures are set out on pages 120 to 121. Shares issued are subject to a holding period of one year after vesting. 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.

Directors' remuneration policy

Element and purpose	Operation	Implementation in 2019
Annual bonus continued	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. 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.	
Long Term Incentive Plan (LTIP) award To reward execution of Barclays' strategy over a multi-year period 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	The maximum annual LTIP award is 120% of Total fixed pay. For these purposes Total fixed pay is Fixed Pay plus Pension. 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. 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. 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. 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. A notional discount may be applied to LTIP awards for the purposes of calculating the 2:1 cap to the extent permitted by regulations. 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. 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.	Details of performance measures and targets for awards to be made in 2019 (in respect of 2018) are set out on page 119. 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. On vesting, the award is subject to a holding period of one year. 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.
Shareholding requirement To further enhance the alignment of shareholders' and executive Directors' interests in long-term value creation	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. Executive Directors must also continue to hold a shareholding of 100% of Total fixed pay (or pro rata thereof) for two years post-termination.	No change from 2018. (Equivalent to 457% of Salary for the Group Chief Executive under the previous DRP.)

Remuneration policy summary – non-executive Directors

Element and purpose	Operation	Implementation in 2019[a]
Fees 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 Fees are set at a level which reflects the role, responsibilities and time commitment which are expected from the Chairman and non-executive Directors	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. 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). £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. Some non-executive Directors may also receive fees as directors of subsidiary companies of Barclays PLC.	No change from 2018.
Benefits	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. Benefits which are minor in nature and do not exceed a cost of £500 may be provided to non-executive Directors in specific circumstances.	No change from 2018.
Expenses	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.

Note
a 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 four days a week to the role and it will be his principal working commitment. Nigel Higgins' notice period shall be six months from the Company and six 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 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
Chairman	
John McFarlane	1 January 2015 (non-executive Director), 24 April 2015 (Chairman)
Executive Directors	
Jes Staley	1 December 2015
Tushar Morzaria	15 October 2013
Non-executive Directors	
Mike Ashley	18 September 2013
Tim Breedon	1 November 2012
Sir Ian Cheshire	3 April 2017
Mary Anne Citrino	25 July 2018
Mary Francis	1 October 2016
Crawford Gillies	1 May 2014
Sir Gerry Grimstone	1 January 2016
Reuben Jeffery III	16 July 2009
Matthew Lester	1 September 2017
Dambisa Moyo	1 May 2010
Diane Schueneman	25 June 2015
Mike Turner	1 January 2018

Note
a 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.

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 (audited)

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 £000		Pension £000		Taxable benefits £000		Annual bonus £000		LTIP £000		Reduction of unvested deferred awards £000		Total £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)[d]	–	3,362	3,873
Tushar Morzaria	1,650	1,614	200	200	49	44	729	747	851[a]	982[b,c]	–	–	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 (211p) rather than the Q4 2017 average price.
d As previously announced, malus was applied to Jes Staley's 2016 variable compensation.

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

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 20%	Maximum 100%	2018 Actual	2018 Outcome
Profit before tax excluding material items[a] with CET1 ratio underpin	40%	£5.00bn	£6.50bn	£5.32bn	14.8%
Cost: income ratio excluding material items[a]	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.

Category and key outcomes	Measure	Performance	Outcome
Customer and Client: *Building trust with customers and clients so they are happy to recommend us* *Successfully innovating and developing products and services that meet their needs* *Offering suitable products and services in an accessible way, ensuring excellent customer and client experience*	Net Promoter Scores® (NPS)	▪ The NPS across our brands provide a view of how willing customers are to recommend our products and services to others. ▪ Barclays UK relationship NPS has increased to +17 (2017: +14). ▪ Barclaycard UK relationship NPS stayed flat over the year closing at +9 at year-end (2017: +9). ▪ The Relationship NPS of the US Consumer Bank increased further to +38 (2017: +36) supported by our customer centric culture and improvements in our products and digital experience.	5%
	Client rankings and market shares	▪ Our Markets franchise delivered strong performance as it increased market share[a] in each asset class, delivered five consecutive quarters of outperformance vs peers, and maintained its 4th place ranking in Global Fixed Income market share (Greenwich). Banking maintained its 6th rank by fee share in our UK and US home market and retained top 3 position in the UK (Dealogic). ▪ 95% of largest UK corporate clients considered service to be good, very good or excellent, up from 88% in 2017 (Charterhouse).	
	Complaints performance	▪ Total Barclays UK complaint volumes (including PPI) down 1% from 2017. Underlying UK complaint volumes reduced by 9% year-on-year excluding PPI. However, PPI complaints were up 2%.	
	Lending volumes provided to customers and clients	▪ We provided new lending of £2.8bn to SMEs in the UK, 3% more than last year, despite overall volumes 6% down as we continued to exert high levels of discipline in capital allocation to strengthen long-term sustainability. ▪ We also completed over 110,000 mortgage applications worth c£23bn (up 1.5% from 2017).	
	Digital engagement	▪ Over 10.8m customers and clients in the UK were using our digital services on a regular basis, 6% more than in 2017, with Barclays Mobile Banking user base up from 5.5m to nearly 6.2m. ▪ 69% of US Consumer Bank customers now digitally active, up from 66% in 2017. ▪ Barclays Mobile Banking is the most used mobile banking app in UK (eBenchmarkers). It was also the first core app from a major UK high street bank to enable account aggregation through Open Banking technology.	
	Conduct indicators	▪ Conduct Risk has been effectively managed using Key Indicators reported to the Board Reputation Committee as part of the Conduct Dashboard. Further information is provided in the Risk Review section.	
Colleague: *A diverse and inclusive workforce in which employees of all backgrounds are treated equally and have the opportunity to be successful and achieve their potential* *Engaged and enabled colleagues* *A positive conduct and values-based culture*	Diversity and Inclusion statistics	▪ In our *Your View* employee opinion survey, 91% of our employees agreed that we provide the right environment to bring their whole selves to work. ▪ We were also proud to be recognised through a number of external awards in 2018 including, The Times Top 50 Employers for Women, Stonewall Top Global Employer for LGBT employees, Working Families UK Best for Embedded flexibility for Dynamic Working, UK Top 10 employer for Working Families, Department of Work and Pensions Disability Confident Leader, Business in the Community Best Employer for Race. ▪ Our gender diversity, particularly at senior leadership levels within the organisation, remains a focus: the percentage of female Directors and Managing Directors has improved to 24% (23% in 2017), but there is still progress to be made. We increased our activities on the development of our senior female leadership population and expanded our Encore! Programme to attract more female returners.	5.5%
	Employee sustainable engagement survey scores	▪ Sustainable engagement scores increased to 79%, up 4 points from 2016 (last all colleague survey). ▪ Our scores around Energise and Engage were also up 5 and 4 points to 83% and 88% respectively, both above Financial Services Companies norms, and our Enable score was up 5% to 65%.	
	Conduct and Culture measures	▪ Encouragingly, our Values results have improved since Q4 2017. We saw a notable increase on the question, 'Is it safe to speak up at Barclays', which went from 77% to 86%. ▪ A similar increase is noted on the question 'Barclays is focused on achieving good customer and client outcomes' (92% favourable, 2016: 83%).	

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

Annual report on Directors' remuneration

Category and key outcomes	Measure	Performance	Outcome
Citizenship: *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* *Proactively managing the environmental and societal impacts of our business*	Delivery against our Shared Growth Ambition	▪ Target exceeded on our annual internal milestones for the focus area of 'Access to financing'. ▪ 'Access to digital and financial empowerment' also exceeded target. ▪ Target exceeded on our annual internal milestones for the focus area of 'Access to employment'. ▪ 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. ▪ We helped support around 260,000 people with access to financial and digital empowerment in 2018 (2017: 205,000). ▪ We helped improve the skills of over 2.4m people in 2018 (2017: 2.1m), driven by a range of employability partnerships around the world.	6%
	Proactively managing environmental and societal impacts	▪ We exceeded target on carbon emissions: reduced emissions by 38% against the 2015 baseline (target 30%). ▪ 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). ▪ On-time payment to our suppliers was 82%, falling short of our target of 85%. Performance was in part impacted by a change in systems during the year.	
	Colleague engagement in citizenship activities	▪ 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. ▪ 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.	
	External benchmarks and surveys	▪ 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. ▪ 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.	
			16.5% out of 20%

Further details on the Performance Measurement Framework can be found on pages 18 to 27.

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	▪ Financial goals delivered and on track to achieve external returns targets in 2019 and 2020. ▪ 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%.
Seek opportunities for further cost savings and optimise the capital allocation within the Group	▪ 2018 cost target of £13.9bn achieved. ▪ Capital allocation optimised and deployed to key strategic areas.
Complete the Structural Reform programme successfully, ensuring the UK ring-fenced bank is fully operational	▪ 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.
Finalise the implementation plan for an effective Brexit outcome	▪ 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.
Continue to drive strategic initiatives to enhance growth in shareholder value in the medium term	▪ 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. ▪ In 2018, based on strong capital position, the restoration of the dividend to 6.5p, and the redemption of the expensive preference shares dating from the financial crisis, saw us deploy around £1.8bn of capital. While this represents progress, we acknowledge that it is not yet sufficient.
Manage risk and control effectively and make continued progress in resolving outstanding conduct matters	▪ Significant improvements in the control environment resulting from the wide-ranging Barclays Improved Controls Enhancement Programme (BICEP) work. ▪ 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.

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	▪ Significant progress to strengthen controls in relation to cyber readiness, operations and financial reporting, including through the BICEP work. ▪ Cybersecurity 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. ▪ Both operational issues and risk events have reduced significantly during 2018.
Further improve customer and client satisfaction, with a particular focus on reducing the number of overall complaints	▪ Jes Staley has been instrumental in upgrading key talent that has led to strong performance in the Markets business which has increased market share[a] in each asset class and delivered five consecutive quarters of outperformance vs peers. Banking maintained its 6th rank in UK and US and remained top 3 in UK. ▪ Similarly, within customer satisfaction, Barclays UK NPS increased to +17 from +14 in 2017. ▪ 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%).
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	▪ 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. ▪ In 2018, key initiatives included the work of the Global Gender Task Force, 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. ▪ 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.

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 personal 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	▪ 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.
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	▪ The performance of the Finance function has continued to strengthen, with a diverse and experienced management team in place and good sustainable engagement scores.

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 personal 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 112	60%	14.8%
Strategic	See table on pages 113 to 114	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 112	60%	14.8%
Strategic	See table on pages 113 to 114	20%	16.5%
Personal objectives	Judgemental assessment	20%	18.0%
Total		**100%**	**49.3%**
Final outcome approved by the Remuneration Committee			**49.3%**

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

Annual report on Directors' remuneration

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[a]	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[a]	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 of 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 remeasurement 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%	▪ 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 Barclays to meet the systemic reference points in the test. Barclays passed the 2018 test. ▪ Group CET1% grew from 11.4% to 13.2% over the period, and remained comfortably above the regulatory minimum throughout. ▪ Our liquidity risk appetite measure and the Liquidity Coverage Ratio remained above targets.	4%
Controls	5%	▪ 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. ▪ These summary ratings improved over the period, notably following the completion of the 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.	3%

Category	Weighting	Performance	Outcome
Conduct	5%	▪ The Conduct category focuses on internal forward-looking tools: – 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 – 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.	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%	▪ 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. ▪ Similarly, Client Franchise Rank performance was at 5th and 6th over the period, below the plan target of top 3.	0%
Colleague	3%	▪ 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%. ▪ 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.	1%
Citizenship	3%	▪ The plan targets were exceeded on four measures (access to financing, financial and digital empowerment, access to employment and carbon emissions reduction). ▪ Barclays Way training was on-track. ▪ On-time payment to our suppliers exceeded targets for the first 2 years, but fell short in 2018 in part due to a change in systems which impacted performance during the year.	2%
Conduct	3%	▪ 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.	0%
Company	3%	▪ 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 time frame was ambitious and returns are not yet at that level. ▪ Cost:income ratio plan target of below 60%. This has improved but there is still further progress required to achieve a ratio below 60%. ▪ Significant strengthening in the CET1 ratio over the period, with the ratio now within our end-state target range of c.13% and exceeding 100-150 basis points above the regulatory minimum.	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.	

Annual report on Directors' remuneration

Performance measure	Weighting	Threshold	Maximum vesting
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 will not be limited to, the following: ▪ 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 ▪ Colleague: Diversity and Inclusion statistics (including women in senior leadership), Employee sustainable engagement survey scores and conduct and culture measures ▪ Citizenship: Delivery against our Shared Growth Ambition, Colleague engagement in Citizenship activities and external benchmarks and surveys.	

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 Total fixed pay	Number of shares	Face value at grant	Performance 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%	10% of award vests for RoTE of 7.75% (based on an assumed CET1 ratio of c.13%)	RoTE of 10.25%
		Vesting of this element will depend on CET1 levels during the performance period: ▪ if CET1 goes below the MDR hurdle (currently 11.7%) in any year of the period, no part of the RoTE element will vest ▪ 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.	
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%	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.	
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 will not be limited to, the following: ▪ 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 ▪ Colleague: Diversity and Inclusion statistics (including women in senior leadership), Employee sustainable engagement survey scores and conduct and culture measures ▪ Citizenship: Delivery against our Shared Growth Ambition, Colleague engagement in Citizenship activities and external benchmarks and surveys.	

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.

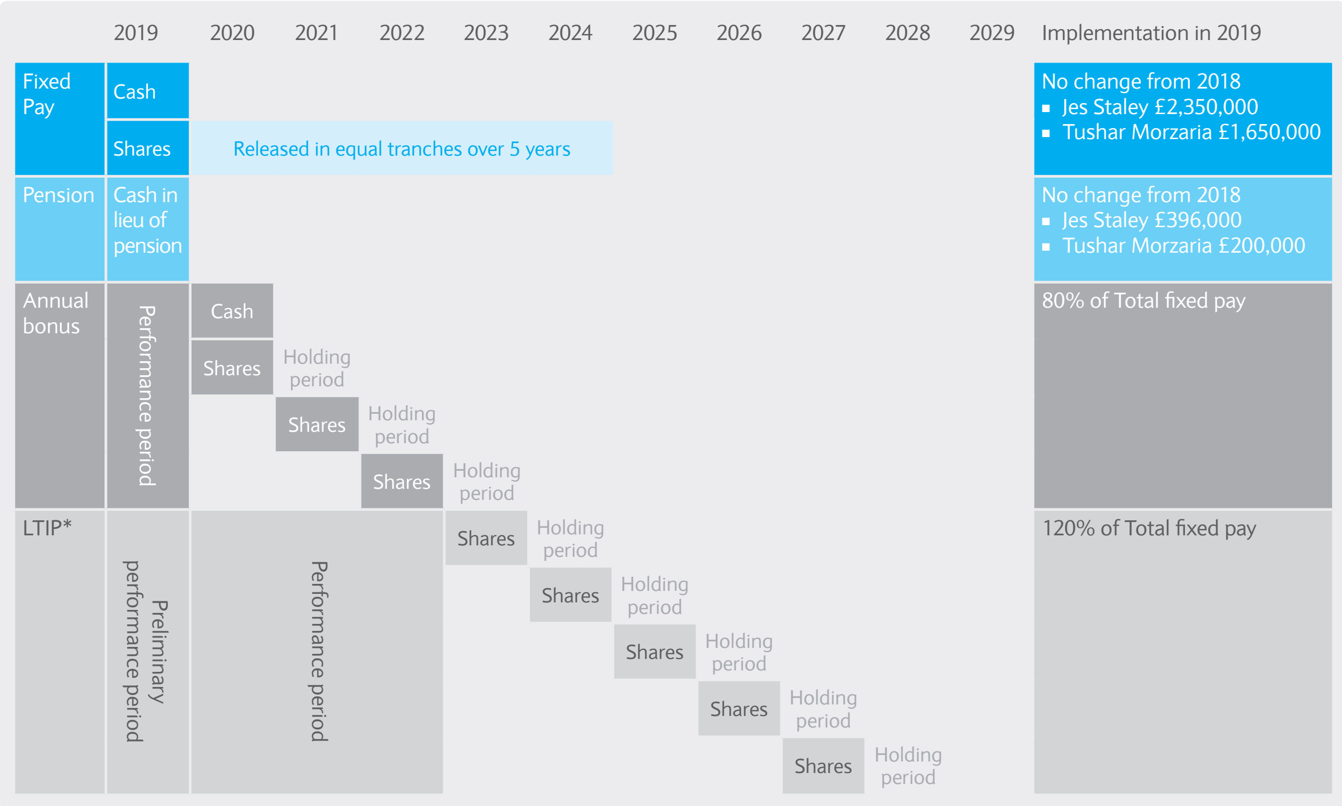
Performance measure	Weighting	Threshold	Maximum vesting
Average return on tangible equity (RoTE) ex litigation and conduct and other material items	50%	10% of award vests for RoTE of 8.5% (based on an assumed CET1 ratio of c.13%)	RoTE of 10.5%
		Vesting of this element will depend on CET1 levels during the performance period: ■ 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 ■ 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.	
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: ■ 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 ■ Colleague: Diversity and Inclusion statistics (including women in senior leadership), Employee sustainable engagement survey scores and conduct and culture measures ■ Citizenship: Delivery against our Shared Growth Ambition, Colleague engagement in Citizenship activities and external benchmarks and surveys.	

Matters for which the Committee has exercised discretion

As previously announced, malus was applied to Jes Staley's 2016 variable compensation, reducing the awarded value by £500,000.

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 (60% weighting) A performance target range has been set for each financial measure	▪ 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: – if CET1 goes below the MDR hurdle (currently 11.7%) during the performance year, no part of the PBT element will pay out – 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. ▪ Cost: income ratio excluding litigation and conduct and other material items (10% weighting).
Strategic non-financial (20% weighting)	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: ▪ 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 ▪ Colleague: Diversity and Inclusion statistics (including women in senior leadership), Employee sustainable engagement survey scores and conduct and culture measures ▪ Citizenship: Delivery against our Shared Growth Ambition, Colleague engagement in Citizenship activities and external benchmarks and surveys.

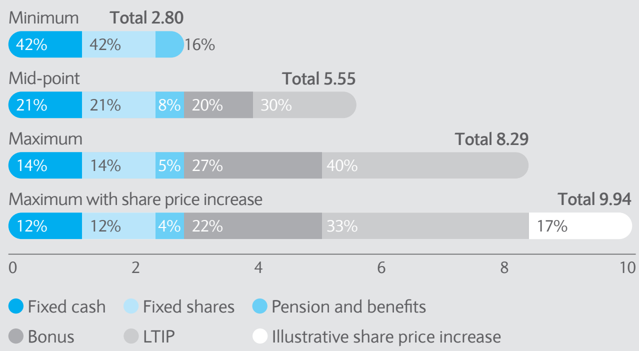
Personal (20% weighting)	The executive Directors have the following joint personal objectives for 2019: ▪ continue to deliver improving shareholder returns, whilst retaining the focus on delivering the 2019 and 2020 external targets and specifically profitability of the CIB. ▪ identify opportunities for further cost efficiencies, enabling reinvestment into strategic priorities ▪ 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 ▪ respond to emerging Brexit decisions, managing risks appropriately for the Group, while continuing to support our customers and clients in the UK. In addition, individual personal objectives for 2019 are as follows: **Jes Staley** ▪ oversee the effective management of the risk and controls agenda, including cyber risks ▪ further improve customer and client satisfaction, with continued focus on complaint reduction ▪ 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 ▪ effectively manage relationships with key external stakeholders and society more broadly. **Tushar Morzaria** ▪ demonstrate effective management of external relationships, particularly regulators and investors ▪ 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 ▪ continue to develop talent base, employee engagement and gender diversity in Group Finance, Tax and Treasury.

Illustrative scenarios for executive Directors' remuneration

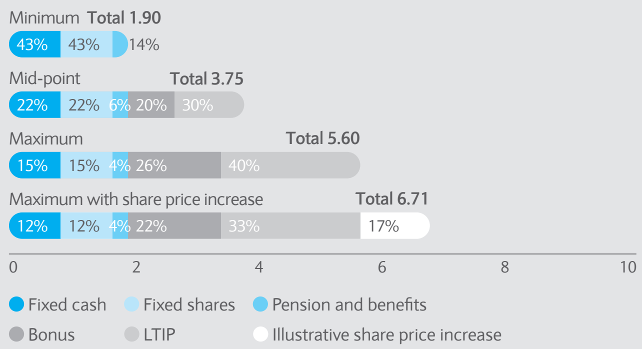
The charts below show the potential value of the current executive Directors' 2019 total remuneration in three main scenarios: 'Minimum' (i.e. Fixed Pay, Pension and benefits), 'Mid-point' (i.e. Fixed Pay, Pension, benefits and 50% of the maximum variable pay that may be awarded) and 'Maximum' (i.e. 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 provided an indication of the maximum remuneration receivable, assuming share price appreciation of 50% on the LTIP.

Total remuneration opportunity: Group Chief Executive (£m)



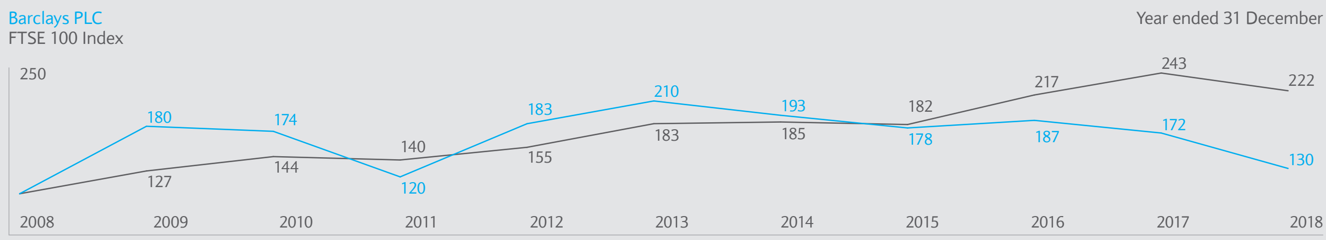
Total remuneration opportunity: Group Finance Director (£m)



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.

Total shareholder return – rebased to 100 in 2008



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 current 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 figure 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[a]		2013	2014	2015[a]			2016	2017	**2018**
Group Chief Executive	John Varley	John Varley	Bob Diamond	Bob Diamond[b]	Antony Jenkins[c]	Antony Jenkins	Antony Jenkins	Antony Jenkins[c]	John McFarlane[d]	Jes Staley[e]	Jes Staley	Jes Staley	**Jes Staley**
Single total remuneration figure CEO	2,050	4,567	11,070[f]	1,892	529	1,602	5,467[g]	3,399	305	277	4,233	3,873	3,362[i]
Annual bonus award as a % of max	0%	100%	80%	0%	0%	0%	57%	48%	N/A	N/A	60%	48.5%	48.3%
Long-term incentive plan vesting as a % of max	50%	16%	N/A[h]	0%	N/A[h]	N/A[h]	30%	39%	N/A[h]	N/A[h]	N/A[h]	N/A[h]	N/A[h]
UK employee LQ	106 x	232 x	552 x	118 x		77 x	254 x	183 x			195 x	173 x	141 x
UK employee median	75 x	165 x	391 x	84 x		54 x	175 x	126 x			137 x	119 x	96 x
UK employee UQ	40 x	87 x	206 x	44 x		28 x	92 x	66 x			70 x	61 x	51 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[a]	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

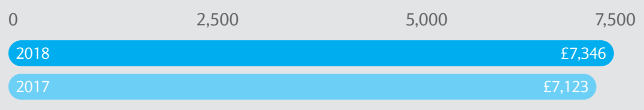
Remuneration band	Number of employees 2018	Number of employees 2017
£0 to £25,000	31,846	31,406
£25,001 to £50,000	25,770	24,280
£50,001 to £100,000	18,478	17,604
£100,001 to £250,000	10,804	9,818
£250,001 to £500,000	2,197	2,113
£500,001 to £1,000,000	916	811
£1,000,001 to £2,000,000	306	262
£2,000,001 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.

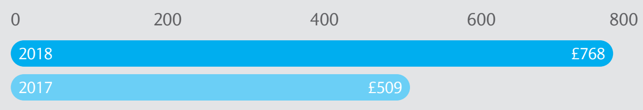
Relative importance of spend on pay

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

Group compensation costs (£m)



Dividends to shareholders (£m)



Total incentive awards granted – current year

	Barclays Group Year ended 31.12.18 £m	Barclays Group Year ended 31.12.17 £m	% Change
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, 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 (audited)

	Fees		Benefits		Total	
	2018 £000	2017 £000	**2018 £000**	2017 £000	**2018 £000**	2017 £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[a]	**480**	360	**–**	–	**480**	360
Mary Anne Citrino[b]	**39**	–	**–**	–	**39**	–
Mary Francis[c]	**154**	135	**–**	–	**154**	135
Crawford Gillies[d]	**222**	195	**–**	–	**222**	195
Sir Gerry Grimstone[e]	**498**	375	**–**	–	**498**	375
Reuben Jeffery III	**120**	120	**–**	–	**120**	120
Matthew Lester[f]	**135**	45	**–**	–	**135**	45
Dambisa Moyo	**135**	135	**–**	–	**135**	135
Diane Schueneman[g]	**337**	308	**–**	–	**337**	308
Mike Turner[h]	**105**	–	**–**	–	**105**	–
Diane de Saint Victor[i]	**–**	38	**–**	–	**–**	38
Steve Thieke[j]	**–**	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.

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 £000	1 January 2018 £000
Chairman[a]	800	800
Deputy Chairman[b]	250	250
Board member	80	80
Additional responsibilities		
Senior Independent Director[c]	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 DRP 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

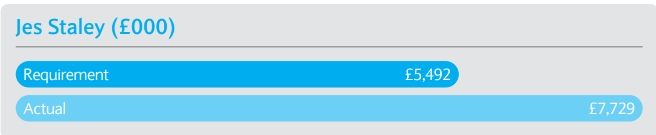
Former Group Finance Director: Chris Lucas

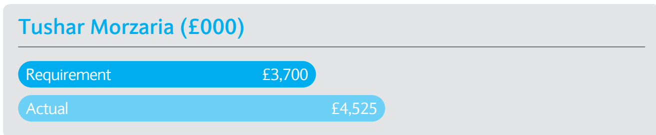
In 2018, Chris Lucas continued to be eligible to receive life assurance cover, private medical cover and payments under the Executive Income Protection Plan (EIPP). Full details of his eligibility under the EIPP were disclosed in the 2013 Directors' Remuneration report (page 115 of the 2013 Annual Report).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

Directors' shareholdings and share interests

Executive Directors' shareholdings and share interests (audited)

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 (audited)

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.

		Unvested			
	Owned outright	Subject to performance measures	Not subject to performance measures	Total as at 31 December 2018 (or date of retirement from the Board, if earlier)	Total as at 19 February 2019
Executive Directors					
Jes Staley[a]	4,860,720	3,539,846	555,540	8,956,106	8,956,106
Tushar Morzaria	2,845,752	3,593,456	502,392	6,941,600	6,941,600
Chairman					
John McFarlane	99,139	–	–	99,139	99,139
Non-executive Directors					
Mike Ashley	115,706	–	–	115,706	115,706
Tim Breedon	45,342	–	–	45,342	45,342
Sir Ian Cheshire	91,202	–	–	91,202	91,202
Mary Anne Citrino[b]	2,000	–	–	2,000	2,000
Mary Francis	22,030	–	–	22,030	22,030
Crawford Gillies	85,975	–	–	85,975	85,975
Sir Gerry Grimstone	119,311	–	–	119,311	119,311
Reuben Jeffery III	301,963	–	–	301,963	301,963
Matthew Lester	17,703	–	–	17,703	17,703
Dambisa Moyo	67,606	–	–	67,606	67,606
Diane Schueneman	39,462	–	–	39,462	39,462
Mike Turner[c]	65,334	–	–	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 overarching 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**

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[a]

Note

a 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. Full details of the Board Effectiveness Review can be found on page 71.

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 £85,500 (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 and remuneration packages. WTW were paid £65,000 (excluding VAT) in fees for their services. In addition to 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.

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[a]
January 2018	■ 2017 incentive funding proposals, including risk adjustments ■ 2017 bonus proposals for senior executives	■ Non-executive Directors' fees for subsidiary boards
February 2018	■ Approved final 2017 incentive funding, including risk adjustments ■ Approved proposals for executive Directors' and senior executives' 2017 bonuses and 2018-2020 LTIP awards for executive Directors ■ Group fixed pay budgets for 2018 ■ Approved executive Directors' and senior executives' 2018 Fixed Pay ■ Approved executive Directors' annual bonus performance measures for 2018	■ Approved 2017 Reward communications approach ■ Review of Committee effectiveness
July 2018	■ 2018 ex-ante risk adjustment methodology ■ 2018 incentive funding framework	■ Barclays Fair Pay Agenda ■ Update on the establishment of subsidiary Remuneration Committees
October 2018	■ 2018 incentive funding projections, including risk adjustments ■ Annual review of Group Chairman's remuneration ■ Update on Barclays UK remuneration approach	■ Barclays Fair Pay Agenda
December 2018	■ Initial consideration on executive Directors' and senior executives' 2018 bonuses and 2019 Fixed Pay ■ 2019 bonus approach for executive Directors ■ 2019-2021 LTIP performance measures ■ 2018 incentive funding proposals, including risk adjustments ■ Update on Barclays UK remuneration approach	■ Annual review of Committee activity, Terms of Reference and Control Framework ■ Non-executive Directors' fees for subsidiary boards
January 2019	■ 2018 incentive funding proposals, including risk adjustments ■ 2018 bonus proposals for senior executives	
February 2019	■ Approved final 2018 incentive funding, including risk adjustments ■ Approved proposals for executive Directors' and senior executives' 2018 bonuses and 2019-2021 LTIP awards for executive Directors ■ Group fixed pay budgets for 2019 ■ Approved 2019 executive Directors' annual bonus performance measures	■ Review of Board Remuneration Committee Effectiveness ■ Approved 2018 Reward communications approach

Note
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 the application of malus to Jes Staley's 2016 variable compensation. 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 % of votes cast Number	Against % of votes cast Number	Withheld Number
Advisory vote on the 2017 remuneration report	95.96% 12,059,206,433	4.04% 507,845,058	104,289,376
Binding vote on the Directors' remuneration policy	97.91% 12,062,616,141	2.09% 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.

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.

Barclays' risk disclosures are provided in the Annual Report and in the Barclays PLC Pillar 3 Report 2018.

Contents

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 (see table on page 29 of the Strategic Report) 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

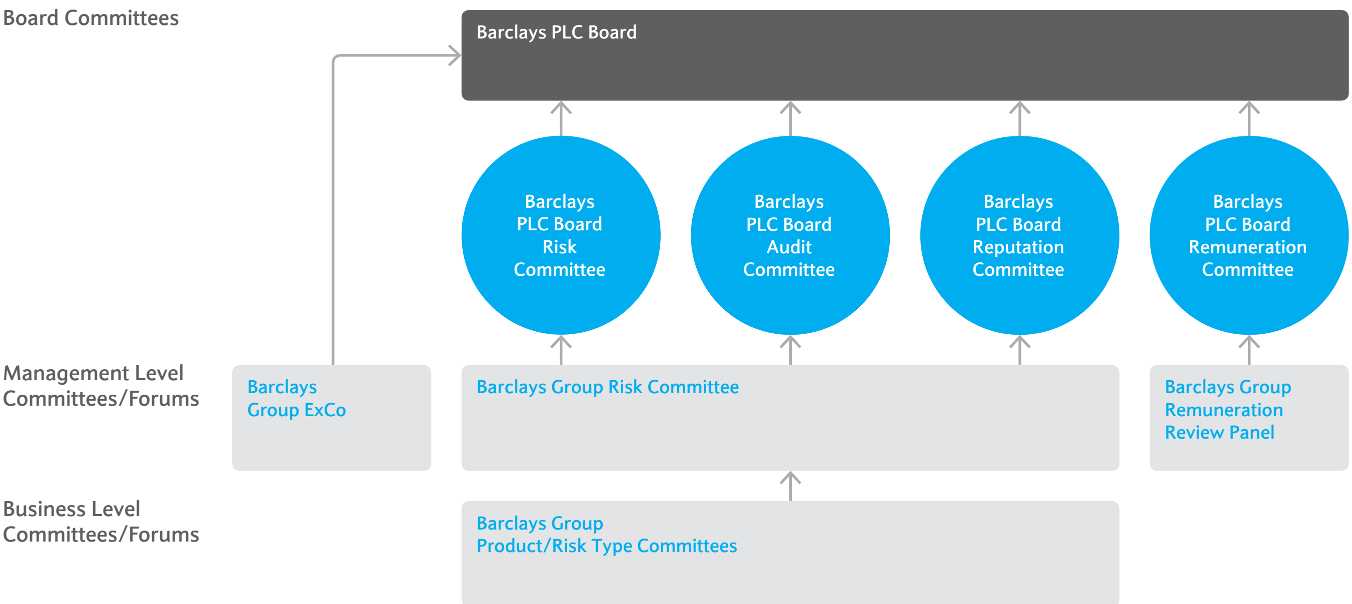
The Third Line of Defence comprises employees of Internal Audit. They provide independent assurance to the Barclays Board and Barclays Group Executive Management over the effectiveness of governance, risk management and control.

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 management

Barclays Group's risk management strategy

The Barclays PLC Board
One of the Board's responsibilities is the approval of risk appetite (refer to page 139 of the Barclays PLC Pillar 3 Report 2018 (unaudited)). 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 51 to 52.

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**.

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 73 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.

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

i) 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.

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 decompression, 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 pages181 to 207 and Supervision and regulation on pages 215 to 222 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 218.
- 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 264 to 267.

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.

Material existing and emerging risks

c) Environmental risk

Barclays Group is exposed to credit risks arising from energy and climate change. Indirect risks may be incurred as a result of environmental issues impacting the credit worthiness of the borrower resulting in higher impairment. For further details on Barclays Group's approach to energy and climate change, refer to page 26 of the TCFD section of the Strategic Report and page 151 of the Barclays PLC Pillar 3 Report (unaudited).

ii) Market risk

Market volatility

An uncertain outlook for the direction of monetary policy, the US-China trade conflict, slowing global growth and political concerns in the US and Europe (including Brexit) are some of the factors that could heighten market risks for Barclays Group's portfolios.

In addition, Barclays Group's trading business is generally exposed to a prolonged period of elevated asset price volatility, particularly if it negatively affects the depth of marketplace liquidity. Such a scenario could impact Barclays Group's ability to execute client trades and may also result in lower client flow-driven income and/or market-based losses on its existing portfolio of market risks. These can include having to absorb higher hedging costs from rebalancing risks that need to be managed dynamically as market levels and their associated volatilities change.

iii) Treasury and capital risk

Barclays Group may not be able to achieve its business plans due to: a) inability to maintain appropriate capital ratios; b) inability to meet its obligations as they fall due; c) rating agency downgrades; d) adverse changes in foreign exchange rates on capital ratios; e) adverse movements in the pension fund; and f) non-traded market risk/interest rate risk in the banking book.

a) Inability to maintain prudential ratios and other regulatory requirements

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

b) Inability to manage liquidity and funding risk effectively

This may result in Barclays Group either not having sufficient financial resources to meet its payment obligations as they fall due or, although solvent, only being able to meet these obligations at excessive cost. This could cause Barclays Group to fail to meet regulatory liquidity standards or be unable to support day-to-day banking activities.

The stability of Barclays Group's current funding profile, in particular that part which is based on accounts and deposits payable on demand or at short notice, could be affected by Barclays Group failing to preserve the current level of customer and investor confidence. Barclays Group also regularly accesses the capital markets to provide short-term and long-term funding to support its operations. Several factors, including adverse macroeconomic conditions, adverse outcomes in legal, regulatory or conduct matters and loss of confidence by investors, counterparties and/or customers in Barclays Group, can affect the ability of Barclays Group to access the capital markets and/or the cost and other terms upon which Barclays Group is able to obtain market funding.

c) Credit rating changes and the impact on funding costs

Any potential or actual credit rating agency downgrades could significantly increase Barclays Group's borrowing costs, credit spreads and materially adversely affect Barclays Group's interest margins and liquidity position. Consequently, this may result in reduced profitability for Barclays Group.

d) Adverse changes in FX rates impacting capital ratios

Barclays Group has capital resources, risk weighted assets and leverage exposures denominated in foreign currencies. Changes in foreign currency exchange rates may adversely impact the Sterling equivalent value of these items. As a result, Barclays Group's regulatory capital ratios are sensitive to foreign currency movements. Failure to appropriately manage Barclays Group's balance sheet to take account of foreign currency movements could result in an adverse impact on regulatory capital and leverage ratios.

e) Adverse movements in the pension fund

Adverse movements in pension assets and liabilities for defined benefit pension schemes could result in deficits on a funding and/or accounting basis. This could lead to Barclays Group making substantial additional contributions to its pension plans and/or a deterioration in its capital position. Under IAS 19 the liabilities discount rate is derived from the yields of high quality corporate bonds.

Therefore, the valuation of Barclays Group's defined benefits schemes would be adversely affected by a prolonged fall in the discount rate due to a persistent low rate and/or credit spread environment. Inflation is another significant risk driver to the pension fund as the liabilities are adversely impacted by an increase in long-term inflation expectations.

f) Non-traded market risk/interest rate risk in the banking book

A shortfall in the liquidity pool investment return could increase Barclays Group's cost of funds and impact the capital ratios. Barclays Group's structural hedge programmes for interest rate risk in the banking book rely on behavioural assumptions, as a result, the success of the hedging strategy is not guaranteed. A potential mismatch in the balance or duration of the hedge assumptions could lead to earnings deterioration.

iv) Operational risk

a) Cyber threat

The frequency of cyberattacks continues to grow and is a global threat which is inherent across all industries, including the financial sector and is a key area of focus for Barclays Group. The financial sector remains a primary target for cyber criminals. There is an increasing level of sophistication in both criminal and nation state hacking for the purpose of stealing money, stealing, destroying or manipulating data, including customer data, and/or disrupting operations, with threats arising from malicious emails, distributed denial of service (DDoS) attacks, payment system compromises, supply chain and vulnerability exploitation. Other events have a compounding impact on services and customers, e.g. data breaches in social networking sites, retail companies and payments networks.

Failure to adequately manage this threat could result in increased fraud losses, inability to perform critical economic functions, customer detriment, potential regulatory censure or penalties, legal liability, reduction in shareholder value and reputational damage.

b) Fraud

The level and nature of fraud threats continues to evolve, particularly with the increasing use of digital products and the greater functionality available online. Criminals continue to adapt their techniques and are increasingly focused on targeting customers and clients through ever more sophisticated methods of social engineering. External data breaches also provide criminals with the opportunity to exploit the growing levels of compromised data. These threats could lead to customer detriment, loss of business, regulatory censure, missed business opportunity and reputational damage.

Recent changes in the regulatory landscape will see increased levels of liability being taken by Barclays Group as part of a voluntary code in the UK to provide additional protection to customers and clients who are victims of Authorised Push Payment scams.

c) Operational resilience

The loss of or disruption to Barclays Group's business processing is a material inherent risk theme within Barclays Group and across the financial services industry, whether arising through impacts on technology systems, real estate services, personnel availability or the support of major suppliers.

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

d) Supplier exposure

Barclays Group depends on suppliers, including Barclays Services Limited, for the provision of many of its services and the development of technology. Even though

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 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 whistle-blowing 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 programme 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.

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

Barclays PLC Board Risk Committee

- Reviews and recommends Barclays Group's risk appetite for wholesale and retail credit risk to Barclays PLC Board
- Reviews Barclays Group's risk profile for wholesale and retail credit risk on behalf of the Barclays PLC Board
- Commissions, receives and considers reports on wholesale and retail credit risk issues

Barclays Group Risk Committee

- Reviews appetite for wholesale and retail credit risk and makes recommendations on the setting of limits to the Barclays PLC Board
- Monitors the risk profile for wholesale and retail credit risk
- Reviews and monitors the control environment for wholesale and retail credit risk

Business Risk Committees

- Oversee activities and manage information relating to business portfolios, and identify actions needed to mitigate current and arising credit risks
- Review and approve business mandate and scale limits and, where relevant, provide recommendations for limits managed by wholesale and retail risk committees
- Review relevant decisions made by, and material issues and topics raised by, other forums and committees

Wholesale and Retail Credit Risk Management Committees

- Monitor the wholesale and retail credit risk profile against plan and agree required actions
- Review key wholesale and retail credit risk issues
- Review credit risk policies and framework
- Monitor risk appetite consumption – key credit portfolio (mandate and scale) limits

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. For more information, refer to pages 160 to 162 in the Barclays PLC Pillar 3 Report 2018 (unaudited).

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.

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 Barclays 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.

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).

Management value at risk

- 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.

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.

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

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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

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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

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 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

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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

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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

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
■ 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.	■ Meet minimum regulatory requirements in all jurisdictions. ■ Maintain capital buffers over regulatory minimums. ■ Perform Barclays Group-wide internal and regulatory stress tests. ■ Develop contingency plans for severe and extreme stresses, which include stress management actions and recovery actions.
■ 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.	■ Maintain capital ratios aligned with rating agency expectations. ■ 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.

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 unhedged 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 LIBORand 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.

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

Barclays PLC Board Risk Committee
- Approves operational risk framework
- Oversees operational risk capital
- Recommends and monitors operational risk appetite and the residual risk position, supported by feedback from the Barclays PLC Board Audit Committee/Chief Controls Officer

Barclays PLC Board Audit Committee
- Oversees the operating effectiveness of the control environment
- Oversees remediation of control issues
- Gives feedback to the Barclays PLC Board Risk Committee where concerns exist over the impact on residual risk through either the design or operating effectiveness of the control environment

Barclays Group Risk Committee
- Reviews and recommends risk appetite and risk limit across operational risk to the Barclays PLC Board
- Monitors the Barclays Group risk profile and the utilisation of risk appetite
- Reviews appetite, limit usage and risk management within tolerance agreed to the Barclays PLC Board
- Reviews deep dives of specific risks as requested
- Reviews the impact of any material acquisitions and disposals on the risk profile
- Reviews remediation plans and actions taken, and agrees any further actions required
- Escalates to Barclays PLC Board level

Barclays Group Controls Committee
- Oversees effectiveness of the control environment
- Reviews and recommends the control framework
- Oversees control remediation activities
- Oversees the execution of the Operational Risk Management Framework consistently across Barclays Group
- Oversees risk and internal control matters including significant issues
- Escalates to Barclays PLC Board level

Business Risk Committees
- Manage and oversee risk at the business unit/function level
- Escalate to Barclays Group level

Business Controls Committees
- Manage and oversee the control environment at the business/function level
- Escalate to Barclays Group level

- **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.

For further information on Barclays Group's Operational Risk Framework, refer to the Operational Risk Framework section on pages 182 to 185 in the Barclays PLC Pillar 3 Report 2018 (unaudited).

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

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 Life cycle, 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

Barclays PLC Board Reputation Committee

- Reviews the effectiveness of the processes by which Barclays Group identifies and manages conduct risk, including annually reviewing the effectiveness of the Barclays Group Conduct Risk Management Framework;
- Seeks to ensure fair customer outcomes by carrying out periodic reviews of the Barclays Group's implementation of policies on customers, clients and counterparties, and by monitoring management reports on issues such as compliant levels, customer satisfaction indicators, net promoter scores and market share measures; and
- Reviews performance against conduct risk metrics.

Barclays Bank PLC and Barclays Bank UK PLC Board Risk Committee

- Review the effectiveness of the processes by which the trading entities identify and manage conduct risk, including annually reviewing the effectiveness of the Barclays Group Conduct Risk Management Framework as it applies to the trading entities;
- Seek to obtain fair customer outcomes by carrying out periodic reviews of the respective trading entities' implementation of policies on customers, clients and counterparties, and by monitoring management reports on issues such as compliant levels, customer satisfaction indicators, net promoter scores and market share measures; and
- Review performance against conduct risk metrics.

Barclays Group Controls Committee

- Provides oversight and challenge of the effectiveness of the Barclays Group control environment in relation to conduct risk and provides governance, oversight and supervision of all elements of the Barclays Group Conduct Risk Framework.

Barclays Group Risk Committee

- Reviews and monitors the effectiveness of conduct risk management.

Barclays International and Barclays UK Risk Committees

- Review and discuss the conduct risk profile of Barclays Bank Group and Barclays Bank UK Group, and the effectiveness of their risk management, control and escalation.

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 Barclays Group Risk Committee and Barclays PLC Board Reputation Committee.

Organisation and structure

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

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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 Framework for all material issues which may have the potential to incur reputation risk for Barclays Group

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Business Risk Committees

- Review and escalate reputation risks in accordance with Barclays Group's Reputation Risk Framework.

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's Legal Function in relation to contractual arrangements
- **litigation management** – litigation not being managed by or with the support of Barclays Group's 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's Legal Function or inappropriate interactions with competition/anti-trust authorities
- **use of law firms** – inappropriate instruction of external legal advisers
- **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's 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

Barclays PLC Board Risk Committee
- Approves risk tolerances
- Reviews risk profile and material risk issues
- Commissions, receives and considers reports on key risk issues

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Barclays Group Risk and Controls Committees
- Monitor risk profile with respect to non-financial risk tolerances
- Debate and agree actions on the non-financial risk profile and risk strategy across Barclays Group

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Legal Executive Committee
- Oversees, monitors and challenges legal risk across Barclays Group

Risk performance

Credit risk

Summary of contents

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 149 to 175) 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**.

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 137 to 138 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. Further detail on the Barclays Group's policies to each of these forms of credit enhancement is presented on pages 160 to 162 of the Barclays PLC Pillar 3 Report 2018 (unaudited).

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 166 to 169.

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)

As at 31 December 2018	Maximum exposure £m	Netting and set-off £m	Cash collateral £m	Non-cash collateral £m	Risk transfer £m	Net exposure £m
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.

Maximum exposure and effects of netting, collateral and risk transfer (audited)

As at 31 December 2017	Maximum exposure £m	Netting and set-off £m	Cash collateral £m	Non-cash collateral £m	Risk transfer £m	Net exposure £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				
As at 31 December 2018	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Net exposure £m
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[a]	309,989	22,126	684	332,799	99	150	22	271	332,528
Total[b]	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	
As at 31 December 2018	Stage 1 %	Stage 2 %	Stage 3 %	Total %	Loan impairment charge £m	Loan loss rate bps
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[a]	–	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 performance

Credit risk

Loans and advances at amortised cost by stage (audited)

As at 1 January 2018	Gross exposure Stage 1 £m	Gross exposure Stage 2 £m	Gross exposure Stage 3 £m	Gross exposure Total £m	Impairment allowance Stage 1 £m	Impairment allowance Stage 2 £m	Impairment allowance Stage 3 £m	Impairment allowance Total £m	Net exposure £m
Barclays UK	129,837	25,798	3,152	158,787	142	1,310	1,142	2,594	156,193
Barclays International	22,427	7,051	1,466	30,944	292	1,298	1,080	2,670	28,274
Head Office	6,498	1,596	952	9,046	8	62	294	364	8,682
Total Barclays Group retail	158,762	34,445	5,570	198,777	442	2,670	2,516	5,628	193,149
Barclays UK	22,835	3,880	1,092	27,807	25	88	114	227	27,580
Barclays International	75,331	11,128	2,345	88,804	139	349	694	1,182	87,622
Head Office	8,689	139	74	8,902	2	5	58	65	8,837
Total Barclays Group wholesale	106,855	15,147	3,511	125,513	166	442	866	1,474	124,039
Total loans and advances at amortised cost	265,617	49,592	9,081	324,290	608	3,112	3,382	7,102	317,188
Off-balance sheet loan commitments and financial guarantee contracts[a]	275,364	38,867	1,442	315,673	133	259	28	420	315,253
Total[b]	540,981	88,459	10,523	639,963	741	3,371	3,410	7,522	632,441

As at 1 January 2018	Coverage ratio Stage 1 %	Coverage ratio Stage 2 %	Coverage ratio Stage 3 %	Coverage ratio Total %
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
Total Barclays Group retail	0.3	7.8	45.2	2.8
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
Total Barclays Group wholesale	0.2	2.9	24.7	1.2
Total loans and advances at amortised cost	0.2	6.3	37.2	2.2
Off-balance sheet loan commitments and financial guarantee contracts[a]	–	0.7	1.9	0.1
Total	0.1	3.8	32.4	1.2

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)

		Stage 2					
As at 31 December 2018	**Stage 1**	**Not past due**	**<=30 days past due**	**>30 days past due**	**Total**	**Stage 3**	**Total**
Gross exposure	£m	£m	£m	£m	£m	£m	£m
Home loans	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.

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 273.

Gross exposure for loans and advances at amortised cost (audited)

	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £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[a]	281,226	43,447	8,503	333,176

Impairment allowance on loans and advances at amortised cost (audited)

	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £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[a]	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[b]				(125)
Impairment charge on other financial assets[a]				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 liquidity asset buffer in the UK Service Company of £2.3bn and £1.0bn 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 liqudity 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 commitment and financial guarantees (audited)

	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £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 £m	Stage 2 £m	Stage 3 £m	Total £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[a]

As at 31 December 2018	Net exposure £m	Impairment allowance £m
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 273.

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.

Management adjustments to models for impairment[a] (audited)

	2018		2017	
As at 31 December	Management adjustments to impairment allowances, including forbearance £m	Proportion of total impairment allowances %	Management adjustments to impairment allowances, including forbearance £m	Proportion of total impairment allowances %
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[a]	4.5	3.1	1.7	0.3	(4.1)
UK unemployment[b]	3.4	3.9	4.3	5.7	8.8
UK HPI[c]	46.4	32.6	3.2	(0.5)	(32.1)
US GDP[a]	4.8	3.7	2.1	0.4	(3.3)
US unemployment[b]	3.0	3.4	3.7	5.2	8.4
US HPI[c]	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 158.

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 performance

Credit risk

As at 31 December 2018	Weighted	Scenarios Upside 2	Upside 1	Baseline	Downside 1	Downside 2
Stage 1 Gross Exposure (£m)						
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
Stage 1 ECL (£m)						
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
Stage 1 Coverage (%)						
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
Stage 2 Gross Exposure (£m)						
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
Stage 2 ECL (£m)						
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
Stage 2 Coverage (%)						
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
Stage 3 Gross Exposure (£m)						
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[a]	1,165	n/a	n/a	1,165	n/a	n/a
Stage 3 ECL (£m)						
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[a]	333	n/a	n/a	323	n/a	n/a
Stage 3 Coverage (%)						
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[a]	28.6	n/a	n/a	27.7	n/a	n/a
Total ECL (£m)						
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[a]	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 155).

ECL sensitivity analysis

The tables on pages 162 and 163 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 158.

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.

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 with 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 with 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 %	Upside 1 %	Baseline %	Downside 1 %	Downside 2 %
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 %	Upside 1 %	Baseline %	Downside 1 %	Downside 2 %
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 Upward scenario	Δ US Downward scenario	Δ US Upward scenario	Δ US Downward scenario	Δ US Upward scenario	Δ US Downward scenario	Δ US Upward scenario	Δ US Downward 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.

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)

As at 31 December 2018	United Kingdom £m	Europe £m	Americas £m	Africa and Middle East £m	Asia £m	Total £m
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)

As at 31 December 2017	United Kingdom £m	Europe £m	Americas £m	Africa and Middle East £m	Asia £m	Total £m
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 £m	Other financial insti-tutions £m	Manu-facturing £m	Con-struction and property £m	Govern-ment and central bank £m	Energy and water £m	Wholesale and retail distri-bution and leisure £m	Business and other services £m	Home loans £m	Cards, unsecured loans and other personal lending £m	Other £m	Total £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

Credit risk concentrations by industry (audited)

As at 31 December 2017	Banks £m	Other financial institutions £m	Manufacturing £m	Construction and property £m	Government and central bank £m	Energy and water £m	Wholesale and retail distribution and leisure £m	Business and other services £m	Home loans £m	Cards, unsecured loans and other personal lending £m	Other £m	Total £m
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 Probability of default	Credit Quality 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.

These credit quality 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.

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 174 and 175 respectively.

Balance sheet credit quality (audited)

	PD range				PD range			
As at 31 December 2018	0.0 to <0.60% £m	0.60 to <11.35% £m	11.35 to 100% £m	Total £m	0.0 to <0.60% %	0.60 to <11.35% %	11.35 to 100% %	Total %
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 performance

Credit risk

Balance sheet credit quality (audited)

As at 31 December 2017	PD range 0.0 to <0.60% £m	PD range 0.60 to <11.35% £m	PD range 11.35 to 100% £m	Total £m	PD range 0.0 to <0.60% %	PD range 0.60 to <11.35% %	PD range 11.35 to 100% %	Total %
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[a]	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	73	20	7	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 Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Allowance for ECL Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Net exposure £m	ECL coverage %
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)[a]

Credit quality description	PD range %	Gross carrying amount Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Allowance for ECL Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Net exposure £m	ECL coverage %
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)[a]

Credit quality description	PD range %	Gross carrying amount Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Allowance for ECL Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Net exposure £m	ECL coverage %
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 273), 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 performance

Credit risk

Home loans principal portfolios – distribution of balances by LTV[a]

As at 31 December 2018	Distribution of balances %	Distribution of impairment allowance %	Coverage ratio %
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

As at 31 December	Barclays UK 2018	Barclays UK 2017
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

As at 31 December	Barclays UK 2018	Barclays UK 2017
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 £m	30-day arrears, excluding recovery book %	90-day arrears, excluding recovery book %	Annualised gross charge-off rate %
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.

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 Total £m	Balances on forbearance programmes % of gross retail loans and advances %	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 %
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	
As at 31 December	**2018 £m**	2017 £m	**2018 £m**	2017 £m	**2018 £m**	2017 £m	**2018 £m**	2017 £m
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[a]	–	–	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 coverage ratio
	Total balances £m	% of gross wholesale loans and advances %	£m	%
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

Wholesale forbearance reporting split by business unit

	Barclays UK £m	Barclays International £m	Total £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 167 to 168.

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

As at 31 December	2018 Fair value £m	2017 Fair value £m
United States	31,199	21,570
United Kingdom	19,555	19,475

Analysis of derivatives

The tables below set out the fair values of the derivative assets together with the value of those assets subject to enforceable counterparty netting arrangements for which the Barclays Group holds offsetting liabilities and eligible collateral.

Derivative assets (audited)

	2018			2017		
As at 31 December	Balance sheet assets £m	Counterparty netting £m	Net exposure £m	Balance sheet assets £m	Counterparty netting £m	Net exposure £m
Foreign exchange	64,188	50,189	13,999	54,943	42,117	12,826
Interest rate	125,272	95,572	29,700	153,043	117,559	35,484
Credit derivatives	10,755	8,450	2,305	12,549	9,952	2,597
Equity and stock index	20,882	16,653	4,229	14,698	12,702	1,996
Commodity derivatives	1,441	1,137	304	2,436	1,935	501
Total derivative assets	222,538	172,001	50,537	237,669	184,265	53,404
Cash collateral held			31,402			33,092
Net exposure less collateral			19,135			20,312

Derivative asset exposures would be £203bn (2017: £217bn) lower than reported under IFRS if netting were permitted for assets and liabilities with the same counterparty or for which the Group holds cash collateral. Similarly, derivative liabilities would be £202bn (2017: £217bn) lower reflecting counterparty netting and collateral placed. In addition, non-cash collateral of £6bn (2017: £6bn) was held in respect of derivative assets. The Group received collateral from clients in support of over the counter derivative transactions. These transactions are generally undertaken under International Swaps and Derivative Association (ISDA) agreements governed by either UK or New York law.

The table below sets out the fair value and notional amounts of OTC derivative instruments by type of collateral arrangement.

Derivatives by collateral arrangement

	2018			2017		
		Fair value			Fair value	
	Notional contract amount £m	Assets £m	Liabilities £m	Notional contract amount £m	Assets £m	Liabilities £m
Unilateral in favour of Barclays						
Foreign exchange	22,639	473	(369)	18,280	484	(345)
Interest rate	4,762	769	(25)	5,495	868	(26)
Credit derivatives	54	1	–	–	–	–
Equity and stock index	107	17	–	6	3	–
Commodity derivatives	–	–	–	243	–	(9)
Total unilateral in favour of Barclays	27,562	1,260	(394)	24,024	1,355	(380)
Unilateral in favour of counterparty						
Foreign exchange	14,221	530	(1,641)	21,052	720	(1,851)
Interest rate	64,504	2,925	(4,090)	74,412	8,458	(9,934)
Credit derivatives	78	1	(3)	283	6	(3)
Equity and stock index	714	242	(31)	1,030	432	(53)
Commodity derivatives	–	–	–	515	4	(6)
Total unilateral in favour of counterparty	79,517	3,698	(5,765)	97,292	9,620	(11,847)
Bilateral arrangement						
Foreign exchange	4,788,711	58,772	(56,392)	4,318,754	48,660	(46,403)
Interest rate	9,699,149	116,712	(114,091)	8,060,574	135,465	(131,334)
Credit derivatives	380,546	6,339	(5,002)	404,069	7,337	(5,903)
Equity and stock index	177,496	7,984	(8,494)	144,255	6,178	(9,099)
Commodity derivatives	9,635	492	(330)	11,801	630	(575)
Total bilateral arrangement	15,055,537	190,299	(184,309)	12,939,453	198,270	(193,314)
Uncollateralised derivatives						
Foreign exchange	371,158	4,243	(5,495)	380,823	4,442	(4,256)
Interest rate	205,050	3,454	(1,138)	202,053	4,215	(1,715)
Credit derivatives	5,830	234	(234)	6,808	252	(327)
Equity and stock index	12,179	1,468	(3,305)	16,448	884	(5,917)
Commodity derivatives	121	29	(78)	4,661	60	(266)
Total uncollateralised derivatives	594,338	9,428	(10,250)	610,793	9,853	(12,481)
Total OTC derivative assets/(liabilities)	15,756,954	204,685	(200,718)	13,671,562	219,098	(218,022)

Risk performance

Market risk

Summary of contents

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.

All disclosures in this section on pages 176 to 180 are unaudited unless otherwise stated.

Key metrics

Average management value at risk

+11%

in 2018 at £21m (2017: £19m) remained relatively stable.

This small increase was driven by a higher volatility environment compared to 2017.

Overview of market risk

This section contains key statistics describing the market risk profile of Barclays Group. A distinction is made between regulatory and management measures within the section. The market risk management section on pages 163 to 170 of the Barclays PLC Pillar 3 Report 2018 (unaudited) provides descriptions of these metrics:

- page 178 provides a view of market risk in the context of Barclays Group's balance sheet
- page 139 covers the management of market risk. Management measures are shown on page 179 and regulatory equivalent measures are shown on page 180.

Measures of market risk in Barclays Group and accounting measures

Traded market risk measures such as VaR and balance sheet exposure measures have fundamental differences:

- balance sheet measures show accruals-based balances or mark to market values as at the reporting date
- VaR measures also take account of current mark to market values, but in addition hedging effects between positions are considered
- market risk measures are expressed in terms of changes in value or volatilities as opposed to static values.

For these reasons, it is not possible to present direct reconciliations of traded market risk and accounting measures. The table 'Balance sheet split by trading and banking books', on page 178, helps the reader understand the main categories of assets and liabilities subject to regulatory market risk measures.

Summary of performance in the period

Overall, Barclays Group has maintained a steady risk profile:

- Measures of traded market risk have been relatively stable over 2018.

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. The reconciliation between the accounting and regulatory scope of consolidation is shown in table 1 of the Barclays PLC Pillar 3 Report 2018 (unaudited).

Balance sheet split by trading and banking books

As at 31 December 2018	Banking book[a] £m	Trading book £m	Total £m
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 15) of the financial statements.

Included within the trading book are assets and liabilities which are included in the market risk regulatory measures. For more information on these measures (VaR, SVaR, IRC and CRM) see the risk management section on page 166 of the Barclays PLC Pillar 3 Report 2018 (unaudited).

Traded market risk review

Review of management measures

The following disclosures provide details on management measures of market risk. Refer to the market risk management section on pages 164 to 166 of the Barclays PLC Pillar 3 Report 2018 (unaudited) for more detail on management measures and the differences when compared to regulatory measures.

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

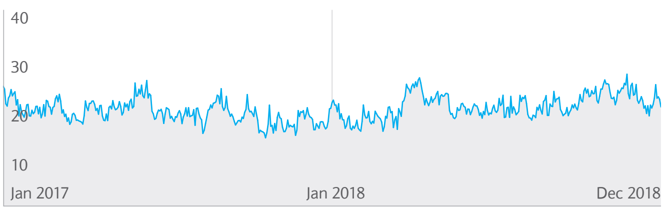
Management VaR (95%, one day) (audited)

For the year ended 31 December[a]	2018 Average £m	2018 High[b] £m	2018 Low[b] £m	2017 Average £m	2017 High[b] £m	2017 Low[b] £m
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[b]	(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[a] (£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.

Strategic report
Governance
Risk review
Financial review
Financial statements
Shareholder information

Review of regulatory measures

The following disclosures provide details on regulatory measures of market risk. Refer to pages 166 and 167 of the Barclays PLC Pillar 3 Report 2018 (unaudited) for more detail on regulatory measures and the differences when compared to management measures.

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. Refer to Table 80 Market risk own fund requirements', on page 119 of the Barclays PLC Pillar 3 Report 2018 (unaudited) for a breakdown of capital requirements by approach.

Analysis of Regulatory VaR, SVaR, IRC and Comprehensive Risk Measure[a]

	Year-end £m	Avg £m	Max £m	Min £m
As at 31 December 2018				
Regulatory VaR (1-day)	24	27	41	19
Regulatory VaR (10-day)[b]	76	87	129	61
SVaR (1-day)	83	67	112	41
SVaR (10-day)[b]	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)[b]	90	85	123	60
SVaR (1-day)	59	63	105	41
SVaR (10-day)[b]	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 a change in the date range selected for the one-year stressed period
- 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[a]

	Macro £m	Equities £m	Credit £m	Barclays International Treasury £m	Banking £m	Barclays Group Treasury £m	Financial Resource Management[b] £m	Investing and Lending[b] £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.

Risk performance

Treasury and capital risk

Summary of contents

Risk performance

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.

All disclosures in this section (pages 183 to 196) 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.

For further detail on liquidity risk governance and framework refer to page 176 to 178 of the Barclays PLC Pillar 3 Report 2018 (unaudited).

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 one 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).

Risk performance

Treasury and capital risk

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	▪ Zero rollover of maturing wholesale unsecured funding ▪ Loss of repo capacity on non-extremely liquid repos at contractual maturity date ▪ Roll of repo for extremely liquid repo at wider haircut at contractual maturity date ▪ Withdrawal of contractual buy-back obligations, excess client futures margin, Prime Brokerage (PB) client cash and overlifts ▪ Haircuts applied to the market value of marketable assets held in the liquidity buffer
Retail and Corporate Funding Risk	▪ Retail and Corporate deposit outflows as counterparties seek to diversify their deposit balances
Intraday Liquidity Risk	▪ Liquidity held against intraday requirements for the settlement of cash and securities under a stress
Intra-Group Liquidity Risk	▪ Liquidity support for material subsidiaries. Surplus liquidity held within certain subsidiaries is not taken as a benefit to the wider Group
Cross-Currency Liquidity Risk	▪ Currency liquidity cash flows at contractual maturity for physically settled FX forwards and cross currency swaps
Off-Balance Sheet Liquidity Risk	▪ Drawdown on committed facilities based on facility and counterparty type ▪ Collateral outflows due to a two-notch credit rating downgrade ▪ Increase in the Barclays Group's initial margin requirement across all major exchanges ▪ Variation margin outflows from collateralised risk positions ▪ Outflow of collateral owing but not called ▪ Loss of internal sources of funding within the PB synthetics business
Franchise-Viability Risk	▪ 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 buy-backs)
Funding Concentration Risk	▪ Liquidity held against largest wholesale funding counterparty refusing to roll

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.

Liquidity coverage ratio

The external LCR requirement is prescribed by the regulator taking into account the relative stability of different sources of funding and potential incremental funding requirements in a stress.

As at 31 December	2018 £bn	2017 £bn
Eligible liquidity buffer	219	215
Net stress outflows	(129)	(140)
Surplus	90	75
Liquidity coverage ratio	169%	154%

As part of the LRA, Barclays also establishes the minimum LCR limit. The Barclays Group plans to maintain its surplus to the internal and regulatory stress requirements at an efficient level, while considering risks to market funding conditions and its liquidity position. The continuous reassessment of these risks may lead to management actions to resize the liquidity pool.

Liquidity pool

The Group liquidity pool as at 31 December 2018 was £227bn (2017: £220bn). During 2018, the month-end liquidity pool ranged from £207bn to £243bn (2017: £165bn to £232bn), and the month-end average balance was £225bn (2017: £202bn). The liquidity pool is held unencumbered and is not used to support payment or clearing requirements. Such requirements are treated as part of our regular business funding. The liquidity pool is intended to offset stress outflows, and comprises the following cash and unencumbered assets.

Composition of the Group liquidity pool as at 31 December 2018

		Liquidity pool of which CRD IV LCR eligible[c]			2017
	Liquidity pool £bn	Cash £bn	Level 1 £bn	Level 2A £bn	Liquidity pool £bn
Cash and deposits with central banks[a]	181	176	–	–	173
Government bonds[b]					
AAA to AA-	27	–	23	–	31
BBB+ to BBB-	4	–	4	–	2
Other LCR Ineligible Government bonds	1	–	–	–	1
Total government bonds	32	–	27	–	34
Other					
Government Guaranteed Issuers, PSEs and GSEs	6	–	5	1	6
International Organisations and MDBs	5	–	5	–	4
Covered bonds	3	–	3	–	2
Other	–	–	–	–	1
Total other	14	–	13	1	13
Total as at 31 December 2018	227	176	40	1	
Total as at 31 December 2017	220	169	43	2	

Notes

a Includes cash held at central banks and surplus cash at central banks related to payment schemes. Of which over 99% (2017: over 99%) was placed with the Bank of England, US Federal Reserve, European Central Bank, Bank of Japan and Swiss National Bank.

b Of which over 71% (2017: over 84%) comprised of UK, US, French, German, Swiss and Dutch securities.

c The LCR eligible liquidity pool is adjusted for trapped liquidity and other regulatory deductions. It also incorporates other CRD IV qualifying assets that are not eligible under Barclays' internal risk appetite.

The Group liquidity pool is well diversified by major currency and the Barclays Group monitors LRA stress scenarios for major currencies.

Liquidity pool by currency

	USD £bn	EUR £bn	GBP £bn	Other £bn	Total £bn
Liquidity pool as at 31 December 2018	57	64	76	30	227
Liquidity pool as at 31 December 2017	70	55	71	24	220

Management of the liquidity pool

The composition of the liquidity pool is subject to limits set by the Board and the independent liquidity risk, credit risk and market risk functions. In addition, the investment of the liquidity pool is monitored for concentration risk by issuer, currency and asset type. Given the incremental returns generated by these highly liquid assets, the risk and reward profile is continuously managed.

As at 31 December 2018, 90% (2017: 93%) of the liquidity pool was located in Barclays Bank PLC and Barclays Bank UK PLC. The residual portion of the liquidity pool is held outside of these entities, predominantly in the US subsidiaries, to meet entity-specific stress outflows and regulatory requirements. To the extent the use of this portion of the liquidity pool is restricted due to regulatory requirements, it is assumed to be unavailable to the rest of the Barclays Group in calculating the LCR.

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 188 to 190.

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 £bn	2017[b] £bn	Liabilities	2018 £bn	2017[b] £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[a]	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)

Funding of loans and advances As at 31 December 2018	2018 Loans and advances at amortised cost £bn	2018 Deposits at amortised cost £bn	2018 Loan: deposit ratio[a] %	2017 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[a,b]

	<1 month £bn	1-3 months £bn	3-6 months £bn	6-12 months £bn	<1 year £bn	1-2 years £bn	2-3 years £bn	3-4 years £bn	4-5 years £bn	>5 years £bn	Total £bn
Barclays PLC (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 (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)[c]	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 (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.

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 banks 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 As at 31 December 2018	Assets £bn	Assets encumbered as a result of transactions with counterparties other than central banks: As a result of covered bonds £bn	As a result of securi-tisations £bn	Other £bn	Total £bn	Other assets (comprising assets encumbered at the central bank and unencumbered assets): Assets positioned at the central banks[a] £bn	Assets not positioned at the central bank: Readily available assets £bn	Available as collateral £bn	Not available as collateral £bn	Derivatives and Reverse repos £bn	Total £bn
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 £bn	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 342.

Asset encumbrance

On-balance sheet As at 31 December 2017	Assets £bn	Assets encumbered as a result of transactions with counterparties other than central banks As a result of covered bonds £bn	As a result of securi-tisations £bn	Other £bn	Total £bn	Other assets (comprising assets encumbered at the central bank and unencumbered assets) Assets positioned at the central banks[a] £bn	Assets not positioned at the central bank Readily available assets £bn	Available as collateral £bn	Not available as collateral £bn	Derivatives and Reverse repos £bn	Total £bn
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 received £bn	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	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 342.

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[a,b]

Net match-book repurchase agreements/(Reverse repurchase agreements)	Less than one month £bn	One month to three months £bn	Over three months £bn
As at 31 December 2018			
Extremely liquid fixed income[c]	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
Total	19.7	(9.9)	(2.3)
As at 31 December 2017			
Extremely liquid fixed income[c]	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
Total	25.9	(13.3)	(3.7)

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[a,b,d]

	Less than one month £bn	One month to three months £bn	Over three months £bn	Total £bn
As at 31 December 2018				
Extremely liquid fixed income[c]	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
Total	70.5	25.1	30.2	125.8
As at 31 December 2017				
Extremely liquid fixed income[c]	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
Total	60.8	35.1	32.2	128.1

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.

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.

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)

As at 31 December 2018	On demand £m	Not more than three months £m	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
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[a]											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

Contractual maturity of financial assets and liabilities (audited)

As at 31 December 2017	On demand £m	Not more than three months £m	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
Assets											
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
Total financial assets	561,466	186,801	21,890	10,263	9,503	44,167	30,354	55,819	65,999	128,229	1,114,491
Other assets[a]											18,757
Total assets											1,133,248
Liabilities											
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
Total financial liabilities	632,715	249,664	32,374	16,992	9,962	22,567	13,856	38,657	22,169	19,800	1,058,756
Other liabilities											8,476
Total liabilities											1,067,232
Cumulative liquidity gap	(71,249)	(134,112)	(144,596)	(151,325)	(151,784)	(130,184)	(113,686)	(96,524)	(52,694)	55,735	66,016

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.

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 £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than one year £m	Over one year 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 2018									
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
Total financial liabilities	**619,883**	**261,452**	**20,224**	**32,695**	**53,409**	**26,390**	**31,466**	**33,163**	**1,078,682**
As at 31 December 2017									
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
Total financial liabilities	632,715	250,729	33,622	28,059	42,045	41,801	25,225	28,279	1,082,475

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 £m	Not more than three months £m	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 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 £m	Not more than three months £m	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 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 197 to 204) 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.

More details on monitoring and managing capital risk may be found in the risk management sections on pages 175 to 181 of the Barclays PLC Pillar 3 Report 2018.

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%).

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[a,b,c]

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)

As at 31 December	2018 £bn	2017 £bn
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 £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**

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
As at 31 December 2018	Std £bn	IRB £bn	Std £bn	IRB £bn	Settlement Risk £bn	CVA £bn	Std £bn	IMA £bn	£bn	£bn
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 £bn	Counterparty credit risk[a] £bn	Market risk £bn	Operational risk £bn	Total RWAs £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[a]	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.

Leverage ratios and exposures

From 1 January 2018, following the end of the transitional period Barclays is required to disclose an average UK leverage ratio which is based on capital on the last day of each month in the quarter and an exposure measure for each day in the quarter. During the transitional period, the exposure measure was based on the last day of each month in the quarter. Barclays is also required to disclose a UK leverage ratio based on capital and exposure on the last day of the quarter. Both approaches exclude qualifying claims on central banks from the leverage exposures.

Leverage ratios[a,b]

As at 31 December	2018 £bn	2017 £bn
UK leverage ratio	**5.1%**	5.1%
CET1 capital	**41.1**	41.6
AT1 capital	**9.5**	8.8
T1 capital[c]	**50.6**	50.4
UK leverage exposure	**999**	985
Average UK leverage ratio	**4.5%**	4.9%
Average T1 capital[c]	**50.5**	51.2
Average UK leverage exposure[d]	**1,110**	1,045

UK leverage exposure

As at 31 December	2018 £bn	2017 £bn
Accounting assets		
Derivative financial instruments	**223**	238
Derivative cash collateral	**48**	53
Securities financing transactions (SFTs)	**121**	113
Loans and advances and other assets	**741**	729
Total IFRS assets	**1,133**	1,133
Regulatory consolidation adjustments	**(2)**	8
Derivatives adjustments		
Derivatives netting	**(202)**	(217)
Adjustments to cash collateral	**(42)**	(42)
Net written credit protection	**19**	14
Potential Future Exposure (PFE) on derivatives	**123**	120
Total derivatives adjustments	**(102)**	(125)
SFTs adjustments	**17**	19
Regulatory deductions and other adjustments	**(11)**	(13)
Weighted off-balance sheet commitments	**108**	103
Qualifying central bank claims	**(144)**	(140)
UK leverage exposure[b]	**999**	985

Notes
a The fully loaded UK leverage ratio was 4.9%, with £49.3bn of T1 capital and £997bn of leverage exposure calculated without applying the transitional arrangements of the CRR.
b Capital and leverage measures are calculated applying the transitional arrangements of the CRR.
c The T1 capital is calculated in line with the PRA Handbook, which excludes grandfathered AT1 instruments allowed under the CRR.
d The average UK leverage exposure as at 31 December 2017 was calculated based on the last day of each month in the quarter.

The UK leverage ratio remained flat at 5.1% (December 2017: 5.1%). The leverage exposure increased marginally to £999bn (December 2017: £985bn). The leverage exposure movements included:

- loans and advances and other assets increased £12bn to £741bn primarily driven by growth in the UK mortgage portfolio
- SFTs increased £8bn to £121bn primarily driven by the CIB utilising leverage balance sheet more efficiently within high returning financing business
- regulatory consolidation adjustments decreased £10bn primarily driven by the regulatory deconsolidation of BAGL.

The average UK leverage ratio decreased to 4.5% (December 2017: 4.9%) partially driven by the change to the daily exposure measure. Average UK leverage exposures increased due to higher trading activity in SFTs and trading portfolio assets, as well as a decrease in average Tier 1 capital.

The difference between the average UK leverage ratio and the UK leverage ratio was primarily driven by lower trading portfolio assets, settlement exposures and SFT exposures at quarter end.

Barclays is required to disclose a CRR leverage ratio. This is included in the additional Barclays regulatory disclosures, prepared in accordance with European Banking Authority (EBA) guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013 (see the Barclays PLC Pillar 3 Report 2018 (unaudited)), due to be published by 21 February 2019, available at **home.barclays/results**.

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 currency net investments £m	Borrowings which hedge the net investments £m	Derivatives which hedge the net investments £m	Structural currency exposures pre-economic hedges £m	Economic hedges £m	Remaining structural currency exposures £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 £11.8bn (2017: £10.3bn). Foreign currency net investments increased by £0.7bn to £34.0bn (2017: £33.3bn) driven predominantly by a £1.0bn 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 £0.6bn to £15.3bn (2017: £14.7bn).

Pension risk review

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.

Refer to page 179 of the Barclays PLC Pillar 3 Report 2018 (unaudited) for more information on how pension risk is managed.

Assets

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).

Liabilities

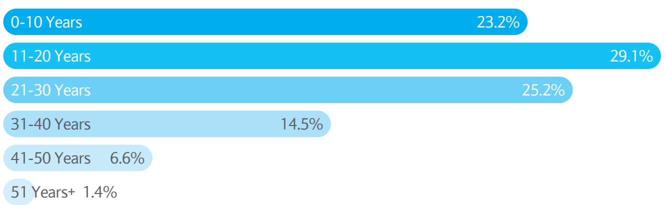
The UKRF retirement benefit obligations are a series of future cash flows with relatively long duration. On an IAS 19 basis these cash flows are sensitive to changes in the expected long-term price inflation rate (RPI) and the discount rate (AA corporate bond yield):

- 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.

Proportion of liability cash flows



IAS 19 pension position in 2018

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.

Risk measurement

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 on 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. More detail on minimum regulatory requirements can be found on page 198.

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[a].

MREL position and ratios

MREL ratios	2018	2017
CET1 capital[b]	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	28.1%	25.0%
Qualifying AT1 capital (including minority interests) issued by subsidiaries[c]	0.7%	1.1%
Qualifying T2 capital (including minority interests) issued by subsidiaries[c]	1.6%	2.2%
Total MREL ratio, including eligible Barclays Bank PLC instruments	30.5%	28.2%

MREL position	£bn	£bn
CET1 capital[b]	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	87.7	78.2
Qualifying AT1 capital (including minority interests) issued by subsidiaries[c]	2.3	3.4
Qualifying T2 capital (including minority interests) issued by subsidiaries[c]	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 205 to 207) 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.

For further detail on interest rate risk in the banking book governance and framework refer to page 180 of the Barclays PLC Pillar 3 Report 2018 (unaudited).

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 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 as described on page 180 of the Barclays PLC Pillar 3 Report 2018 (unaudited). 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[a,b,c] (audited)

	Barclays UK £m	Barclays International £m	Total £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 described on page 180 of the Barclays PLC Pillar 3 Report 2018 (unaudited). 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[a]

	2018		2017	
As at 31 December	+25 basis points £m	-25 basis points £m	+25 basis points £m	-25 basis points £m
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 one basis point in the yield curve.

Analysis of equity sensitivity (audited)

	2018		2017	
As at 31 December	+25 basis points £m	-25 basis points £m	+25 basis points £m	-25 basis points £m
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%)	6.49%
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 206, the increase in impact of a 25bps movement in rates as a result of maturity of hedging.

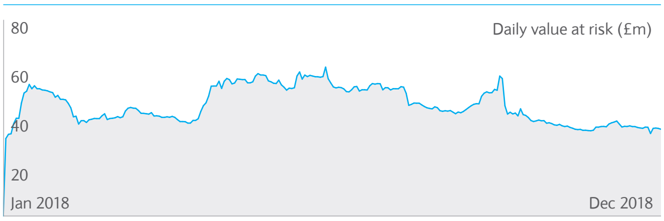
Movements in the FVOCI reserve would impact CET1 capital, however the movement in the cash flow hedge reserve would not impact CET1 capital.

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.

Non-traded value at risk (£m)



Analysis of volatility of the FVOCI portfolio in the liquidity pool

	2018			2017		
For the year ended 31 December	**Average £m**	**High £m**	**Low £m**	Average £m	High £m	Low £m
Non-traded market value at risk (daily, 95%)	45	61	32	36	50	27

The volatility in the FVOCI portfolio was primarily driven by changes in interest rate risk exposure taken in the liquid asset buffer.

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 pages 143 and 144. 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.

For information on conduct risk events, see page 212.

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 cybersecurity 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.

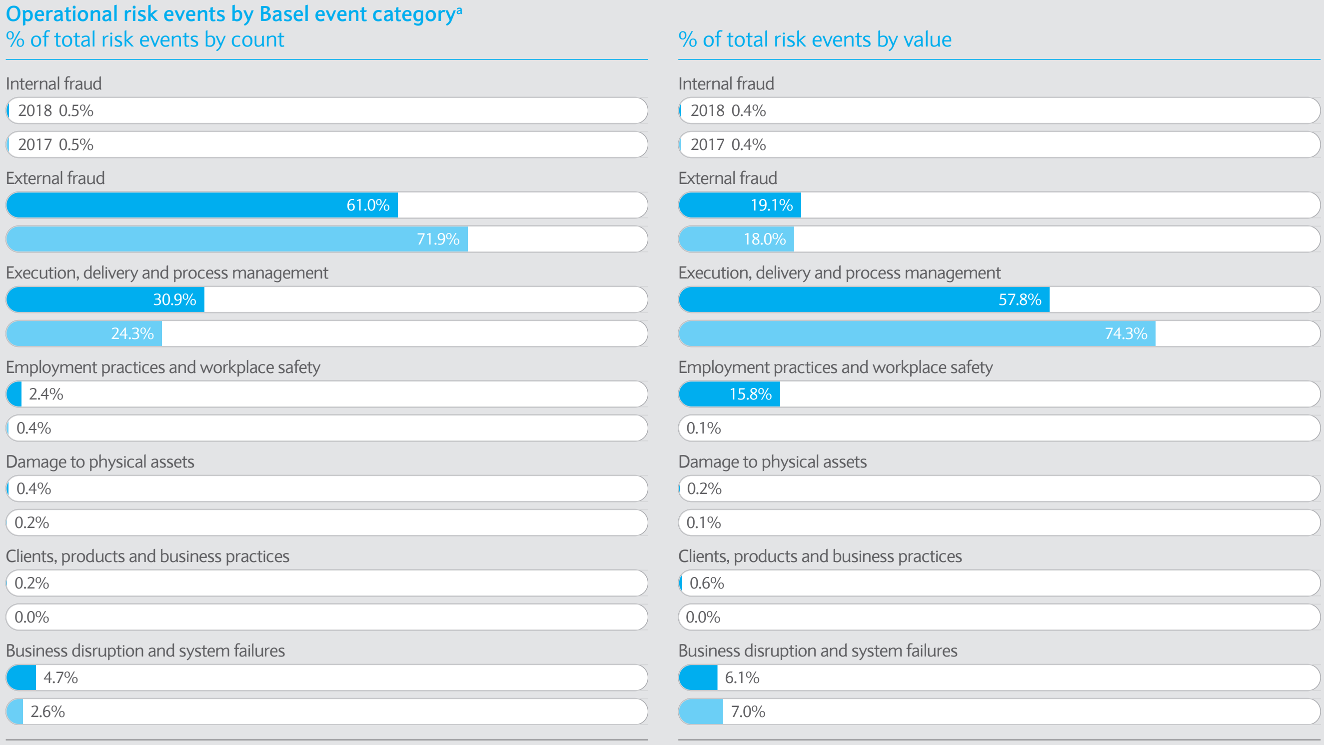
Cyber threats, which are evolving and increasing in sophistication and frequency, continue to be a threat across multiple industries globally. Barclays Group recognises the potential impact of cybersecurity threats on all areas of its business. This extends to third-party suppliers and service providers which also presents a potential source of cybersecurity threats, leading to the need for increased scrutiny of Barclays Group's relationships with third parties. The potential impact of cybersecurity 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 cybersecurity 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 cybersecurity 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. Cyberattacks 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 cybersecurity 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 (pages 143 to 144).

Risk performance

Operational risk

Operational risk events by Basel event category[a]



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 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 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.

For further details on the non-financial performance measures, refer to page 19 of the Strategic Report.

Risk performance

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.

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 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 148. 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.

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 132.

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.

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 132.

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 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 depositary 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; and (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 coordination 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

Supervision and regulation

higher of: (i) two times the sum of its Pillar 1 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, record keeping 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 record keeping 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.

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.

Cybersecurity and operational resilience

Regulators in Europe and the US have been increasingly focused on cybersecurity 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 cybersecurity 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 programmes 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.

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.

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 241 to 245 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	
Common Equity Tier 1 (CET1) ratio 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. CET1 ratio is a measure of capital that is predominantly common equity as defined by the CRR.	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. 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 and £1.0bn from the redemption of capital instruments. Barclays Group target: CET1 ratio of c.13%.	**CET1 ratio** 13.2% 2017: 13.3% 2016: 12.4%
Average UK leverage ratio 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.	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. 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). 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. Barclays Group target: maintaining the UK leverage ratio above the expected end point minimum requirement.	**Average UK leverage ratio** 4.5% 2017: 4.9% 2016: 4.5%

Definition	Why is it important and how the Group performed	
Return on average tangible shareholders' equity 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.	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. 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%. 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. 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%.	**Barclays Group RoTE excluding litigation and conduct** 8.5% 2017: (1.2%) 2016: 6.2% **Barclays Group RoTE** 3.6% 2017: (3.6%) 2016: 3.6%
Operating expenses Operating expenses excluding litigation and conduct.	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. 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). Barclays Group target: operating expenses, excluding litigation and conduct, of £13.6 to 13.9bn in 2019.	**Operating expenses[a]** £13.9bn 2017: £14.2bn 2016: £15.0bn
Cost: income ratio Total operating expenses divided by total income.	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. 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. 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. Barclays Group target: a cost: income ratio of below 60% over time.	**Cost: income ratio** 77% 2017: 73% 2016: 76% **Cost: income ratio excluding litigation and conduct** 66% 2017: 68% 2016: 70%

Note
a Group operating expenses, excluding litigation and conduct, and a GMP charge of £140m.

Consolidated summary income statement

For the year ended 31 December	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m
Continuing operations					
Net interest income	**9,062**	9,845	10,537	10,608	10,086
Net fee, commission and other income	**12,074**	11,231	10,914	11,432	11,677
Total income	**21,136**	21,076	21,451	22,040	21,763
Credit impairment charges and other provisions	**(1,468)**	(2,336)	(2,373)	(1,762)	(1,821)
Operating costs	**(13,627)**	(13,884)	(14,565)	(13,723)	(14,959)
UK bank levy	**(269)**	(365)	(410)	(426)	(418)
Operating expenses	**(13,896)**	(14,249)	(14,975)	(14,149)	(15,377)
GMP charge	**(140)**	–	–	–	–
Litigation and conduct	**(2,207)**	(1,207)	(1,363)	(4,387)	(2,807)
Total operating expenses	**(16,243)**	(15,456)	(16,338)	(18,536)	(18,184)
Other net income/(expenses)	**69**	257	490	(596)	(445)
Profit before tax	**3,494**	3,541	3,230	1,146	1,313
Tax charge	**(1,122)**	(2,240)	(993)	(1,149)	(1,121)
Profit/(loss) after tax in respect of continuing operations	**2,372**	1,301	2,237	(3)	192
(Loss)/profit after tax in respect of discontinued operation	**–**	(2,195)	591	626	653
Non-controlling interests in respect of continuing operations	**(226)**	(249)	(346)	(348)	(449)
Non-controlling interests in respect of discontinued operation	**–**	(140)	(402)	(324)	(320)
Other equity instrument holders[a]	**(752)**	(639)	(457)	(345)	(250)
Attributable profit/(loss)	**1,394**	(1,922)	1,623	(394)	(174)
Selected financial statistics					
Basic earnings/(loss) per share[a]	**9.4p**	(10.3p)	10.4p	(1.9p)	(0.7p)
Diluted earnings/(loss) per share[a]	**9.2p**	(10.1p)	10.3p	(1.9p)	(0.7p)
Return on average tangible shareholders' equity[a]	**3.6%**	(3.6%)	3.6%	(0.7%)	(0.3%)
Cost: income ratio	**77%**	73%	76%	84%	84%
Performance measures excluding litigation and conduct[b]					
Profit before tax	**5,701**	4,748	4,593	5,533	4,120
Attributable profit/(loss)	**3,530**	(772)	2,908	3,570	2,326
Return on average tangible shareholders' equity	**8.5%**	(1.2%)	6.2%	7.6%	4.9%
Cost: income ratio	**66%**	68%	70%	64%	71%

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 241 to 245 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.

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 remeasurement 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 per cents, 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 remeasurement of US DTAs.

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.

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.

Consolidated summary balance sheet

As at 31 December	2018 £m	2017[a] £m	2016[a] £m	2015[a] £m	2014[a] £m
Assets					
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
Total assets	**1,133,283**	1,133,248	1,213,126	1,120,012	1,357,906
Liabilities					
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[b]	**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
Total liabilities	**1,069,504**	1,067,232	1,141,761	1,054,148	1,291,948
Equity					
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
Total equity excluding non-controlling interests	**62,556**	63,905	64,873	59,810	59,567
Non-controlling interests	**1,223**	2,111	6,492	6,054	6,391
Total equity	**63,779**	66,016	71,365	65,864	65,958
Total liabilities and equity	**1,133,283**	1,133,248	1,213,126	1,120,012	1,357,906
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 264 to 267, Note 42 on pages 347 to 354 and the Credit risk disclosures on pages 149 to 175.
b Debt securities in issue include covered bonds of £8.5bn (2017: £12.4bn).

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.

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.

Strategic report
Governance
Risk review
Financial review
Financial statements
Shareholder information

Analysis of results by business

Barclays UK

	2018 £m	2017 £m	2016 £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
Period end allocated tangible equity	**£10.2bn**	£9.6bn	£8.5bn
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)[a]	**22,600**	22,800	36,000
Performance measures			
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)[b]	**43**	42	52
Net interest margin	**3.23%**	3.49%	3.62%
Performance measures excluding litigation and conduct[c]			
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 241 to 245 for further information and calculations of performance measures excluding litigation and conduct.

Analysis of Barclays UK

	2018 £m	2017 £m	2016 £m
Analysis of total income			
Personal Banking[a]	4,006	4,214	4,334
Barclaycard Consumer UK	2,104	1,977	2,022
Business Banking[a]	1,273	1,192	1,161
Total income	7,383	7,383	7,517
Analysis of credit impairment charges and other provisions			
Personal Banking[a]	(173)	(221)	(200)
Barclaycard Consumer UK	(590)	(541)	(683)
Business Banking[a]	(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[a]	£146.0bn	£141.3bn	£138.5bn
Barclaycard Consumer UK	£15.3bn	£16.4bn	£16.5bn
Business Banking[a]	£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[a]	£154.0bn	£153.1bn	£156.3bn
Barclaycard Consumer UK	–	–	–
Business Banking[a]	£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.

Analysis of results by business

2018 compared to 2017

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 £m	2017 £m	2016 £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
Period end allocated tangible equity	**£29.9bn**	£27.5bn	£25.6bn
Key facts			
Number of employees (full time equivalent)[a]	**12,400**	11,500	36,900
Performance measures			
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)[b]	**50**	75	63
Net interest margin	**4.11%**	4.16%	3.98%
Performance measures excluding litigation and conduct[c]			
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 241 to 245 for further information and calculations of performance measures excluding litigation and conduct.

Analysis of results by business

Analysis of Barclays International

Corporate and Investment Bank	2018 £m	2017 £m	2016 £m
Income statement information			
FICC[a]	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 tangible equity	6.9%	1.1%	6.1%
Average allocated tangible equity	£26.0bn	£24.0bn	£21.9bn
Performance measures excluding litigation and conduct[b]			
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 tangible equity	16.5%	16.7%	31.4%
Average allocated tangible equity	£5.0bn	£4.2bn	£3.6bn
Performance measures excluding litigation and conduct[b]			
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 241 to 245 for more information and calculations of performance measures excluding litigation and conduct.

2018 compared to 2017

Profit before tax increased 10% to £3,902m achieving a RoTE of 8.7% (2017: 4.4%), reflecting improved returns in both CIB of 7.1% (2017: 2.2%) and Consumer, Cards and Payments of 17.3% (2017: 16.8%) excluding litigation and conduct.

The 3% depreciation of average USD against GBP adversely impacted profits and income, and positively impacted credit impairment charges and operating expenses.

Total income was £14,026m (2017: £14,382m).

CIB income of £9,765m decreased 1% as Markets income increased 9% to £4,900m, reflecting gains in market share, offset by a decrease in Banking income of 6% to £5,036m.

FICC income was stable at £2,863m (2017: £2,875m) with significant share gains[a] despite a challenging environment. Equities income increased 25% to £2,037m becoming one of the highest growing Equities franchises relative to peers, substantially improving our global ranking. This was driven by strength in derivatives and continued growth in the equity financing franchise through increased client balances, together with technology investment, which resulted in higher electronic revenues.

Banking fee income decreased 3% to £2,531m as Barclays maintained its highest rank and global fee share in four years, including a record year in Advisory, which was more than offset by debt and equity underwriting fees being down across the industry. Corporate lending income reduced 20% to £878m reflecting the strategy of redeploying RWAs within the CIB towards higher returning business and the transfer of clients between Barclays UK and Barclays International as part of structural reform. Transaction banking income was stable at £1,627m (2017: £1,629m) as strong and targeted growth in deposits was offset by the transfer of clients between Barclays UK and Barclays International as part of structural reform.

Consumer, Cards and Payments income decreased 5% to £4,261m. Excluding material one-off items in both 2017 and 2018, related to US Cards portfolio sales and revaluation of Barclays preference shares in Visa Inc, underlying income increased due to growth in US Cards.

Credit impairment charges decreased 56% to £658m. CIB credit impairment charges decreased to a release of £150m (2017: charge of £213m) primarily due to single name recoveries, improved consensus-based macroeconomic forecasts during the year, the non-recurrence of single name charges in 2017 and the prudent management of credit risk, partially offset by a Q4 2018 £50m specific charge for the anticipated economic uncertainty in the UK. Consumer, Cards and Payments credit impairment charges decreased 38% to £808m reflecting the non-recurrence of a £168m charge in Q3 2017 relating to deferred consideration from the Q1 2017 asset sale in US Cards, improved consensus-based macroeconomic forecasts in the US and the impact of repositioning the US Cards portfolio towards a lower risk mix.

Total operating expenses decreased 2% to £9,661m as continued investments in business growth, talent and technology were offset by lower restructuring and structural reform costs, and a reduced impact from the change in compensation awards introduced in Q4 2016.

Other net income decreased to £68m (2017: £254m) due to the non-recurrence of 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 in Q2 2017.

Attributable profit increased to £2,441m (2017: £847m) as 2017 was impacted by the one-off tax charge due to the remeasurement of US DTAs.

Loans and advances at amortised cost remained broadly flat at £127.2bn (December 2017: £126.8bn).

Derivative financial instrument assets and liabilities decreased £14.1bn to £222.1bn and £18.2bn to £219.6bn respectively, due to a decrease in interest rate derivatives, driven by an increase in major interest rate forward curves, and the adoption of daily settlement under the London Clearing House (LCH) rules, partially offset by increased foreign exchange and equity derivative volumes.

Financial assets at fair value through the income statement increased £40.6bn to £144.7bn primarily due to the impact of the transition to IFRS 9 and increased reverse repurchase agreements activity.

Total assets increased £6.0bn to £862.1bn including the transfer of treasury assets from Head Office.

Deposits at amortised cost increased £9.9bn to £197.2bn, due to the integration of treasury liabilities from Head Office and a strong and targeted increase in deposits.

RWAs are in line at £210.7bn (December 2017: £210.3bn) as reductions in CIB were offset by increased lending in Consumer, Cards & Payments.

2017 compared to 2016

Profit before tax decreased 22% to £3,275m driven by a 4% decrease in total income, an 11% increase in credit impairment charges and a 4% increase in operating expenses.

Total income decreased 4% to £14,382m, including the 5% appreciation of average USD and the 7% appreciation of average EUR against GBP, as CIB income decreased 6% to £9,878m, partially offset by a 1% increase in Consumer, Cards and Payments income to £4,504m.

Markets income decreased 15% to £4,504m. Macro income decreased driven by lower market volatility in rates, the exit of the energy-related commodities business and the integration of Non-Core assets on 1 July 2017. Credit income increased due to improved performance in municipals. Equities income decreased 9% to £1,629m driven by US equity derivatives as a result of lower market volatility, partially offset by improved performance in equity financing.

Banking income increased 2% to £5,334m. Banking fee income increased 9% to £2,612m due to higher debt and equity underwriting fees, with fee share gains in banking overall and debt underwriting. Corporate lending declined 9% to £1,093m driven by lower lending balances due to the realignment of certain clients between Barclays UK and Barclays International in preparation for structural reform and the reallocation of RWAs within CIB, as well as the non-recurrence of prior year treasury gains and lower work-out gains. Transaction banking declined 2% to £1,629m driven by lower trade balances and the non-recurrence of prior year treasury gains, partially offset by higher average deposit balances.

Consumer, Cards and Payments income increased 1% to £4,504m driven by continued business growth, a gain of £192m relating to the Q1 2017 asset sale in US Cards and a valuation gain on Barclays' preference shares in Visa Inc. of £74m, partially offset by the non-recurrence of the £464m gain on the disposal of Barclays' share of Visa Europe Limited in 2016.

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

Analysis of results by business

Credit impairment charges increased 11% to £1,506m, including the appreciation of average USD and EUR against GBP. CIB credit impairment charges decreased 18% to £213m primarily due to the non-recurrence of oil and gas single name charges in 2016, offset by a single name charge in 2017. Consumer, Cards and Payments credit impairment charges increased 18% to £1,293m primarily due to a £168m charge in Q3 2017 relating to deferred consideration from the Q1 2017 asset sale in US Cards, an increase in underlying delinquency trends and business growth in US Cards. This was partially offset by the non-recurrence of a £120m charge in 2016 following the management review of the cards portfolio impairment modelling. The 30 and 90 day arrears rates within US Cards were stable at 2.6% (December 2016: 2.6%) and 1.3% (December 2016: 1.3%) respectively, including a benefit from the Q1 2017 asset sale in US Cards.

Operating expenses increased 4% to £9,855m, including the appreciation of average USD and EUR against GBP. CIB operating expenses increased 2% to £7,742m reflecting a provision of £240m in respect of foreign exchange matters recognised in Q4 2017, continued investment in technology, partially offset by lower restructuring charges and the reduced impact of the change in compensation awards introduced in Q4 2016. Consumer, Cards and Payments increased 15% to £2,113m including continued growth and investment, primarily within the US Cards and merchant acquiring businesses.

Other net income increased to £254m (2016: £32m) due to 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.

Attributable profit reduced to £847m (2016: £2,412m) including the net tax charge due to the remeasurement of US DTAs in Q4 2017.

Loans and advances at amortised cost decreased £26.9bn to £126.8bn with CIB decreasing £25.8bn to £88.2bn due to a reduction in lending. Consumer, Cards and Payments decreased £1.1bn to £38.6bn due to the depreciation of period end USD against GBP, partially offset by the realignment of certain clients from Barclays UK to Barclays International in preparation for structural reform.

Trading portfolio assets increased £39.8bn to £113.0bn due to increased activity.

Derivative financial instrument assets and liabilities increased £80.0bn to £236.2bn and £77.2bn to £237.8bn respectively, reflecting the integration of balances from Non-Core on 1 July 2017, partially offset by adoption of daily settlements under the CME, an increase in major interest rate forward curves and the depreciation of period end USD against GBP.

Financial assets at fair value through income statement increased £41.8bn to £104.1bn primarily due to increased reverse repurchase agreements activity.

Deposits at amortised cost increased £2.6bn to £187.3bn, with Consumer, Cards and Payments increasing £8.6bn to £59.3bn driven by the realignment of certain clients from Barclays UK to Barclays International in preparation for structural reform. CIB decreased £6bn from a reduction in deposits within the Investment Bank.

RWAs decreased £2.4bn to £210.3bn due to the net impact of the remeasurement of US DTAs and the depreciation of period end USD against GBP, partially offset by increased trading portfolio and securities financing transaction volumes.

Head Office

	2018 £m	2017 £m	2016 £m
Income statement information			
Net interest income	(781)	(435)	(183)
Net fee, commission and other income	508	276	286
Total income	(273)	(159)	103
Credit impairment charges and other provisions	16	(17)	–
Net operating (expenses)/income	(257)	(176)	103
Operating costs	(228)	(277)	(135)
UK bank levy	(13)	(41)	(2)
GMP charge	(140)	–	–
Litigation and conduct	(1,597)	(151)	(27)
Total operating expenses	(1,978)	(469)	(164)
Other net (expenses)/income	(2)	(189)	128
(Loss)/profit before tax	(2,237)	(834)	67
Attributable (loss)/profit	(2,205)	(868)	110
Balance sheet information			
Total assets	£21.5bn	£39.7bn	£75.2bn
Risk weighted assets	£26.0bn	£31.8bn	£53.3bn
Period end allocated tangible equity	£4.9bn	£10.0bn	£9.7bn
Key facts			
Number of employees (full time equivalent)[a]	48,500	45,600	100
Performance measures			
Average allocated tangible equity	£3.1bn	£9.3bn	£6.5bn
Performance measures excluding litigation and conduct[b]			
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 241 to 245 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.

Analysis of results by business

Barclays Non-Core

	2018 £m	2017[a] £m	2016 £m
Income statement information			
Net interest income	–	(112)	160
Net trading income	–	(488)	(1,703)
Net fee, commission and other income	–	70	379
Total income	–	(530)	(1,164)
Credit impairment charges and other provisions	–	(30)	(122)
Net operating expenses	–	(560)	(1,286)
Operating costs	–	(256)	(1,509)
UK bank levy	–	–	(76)
Litigation and conduct	–	(28)	(246)
Total operating expenses	–	(284)	(1,831)
Other net income	–	197	331
Loss before tax	–	(647)	(2,786)
Attributable loss	–	(419)	(1,916)
Balance sheet information			
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
Key facts			
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

	2018 £m	2017[a] £m	2016 £m
Income statement information			
Net interest income	–	1,024	2,169
Net fee, commission and other income	–	762	1,577
Total income	–	1,786	3,746
Credit impairment charges and other provisions	–	(177)	(445)
Net operating income	–	1,609	3,301
Operating expenses excluding UK bank levy and impairment of Barclays' holding in BAGL	–	(1,130)	(2,345)
UK bank levy	–	–	(65)
Other net income excluding loss on sale of BAGL	–	5	6
Profit before tax excluding impairment of Barclays' holding in BAGL and loss on sale of BAGL	–	484	897
Impairment of Barclays' holding in BAGL	–	(1,090)	–
Loss on sale of BAGL	–	(1,435)	–
(Loss)/profit before tax	–	(2,041)	897
Tax charge	–	(154)	(306)
(Loss)/profit after tax	–	(2,195)	591
Attributable (loss)/profit	–	(2,335)	189
Balance sheet information			
Total assets	–	–	£65.1bn
Risk weighted assets	–	–	£42.3bn
Key facts			
Number of employees (full time equivalent)	–	–	40,800

Note
a The Africa Banking income statement represents five months of results as a discontinued operation to 31 May 2017.

Following the reduction of the Barclays Group's interest in BAGL in 2017, Barclays' remaining holding of 14.9%, for the year ended 31 December 2017 is reported as a financial asset at fair value through other comprehensive income in the Head Office segment, with Barclays' share of Absa Group Limited's dividend recognised in the Head Office income statement.

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.

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		
For the year ended 31 December	Net interest income £m	Average customer assets £m	Net interest margin %	Net interest income £m	Average customer assets £m	Net interest margin %
Barclays UK	6,028	186,881	3.23	6,086	174,484	3.49
Barclays International[a]	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[b]	(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.

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 186.
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 pag 242.
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 242.
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 page153.
Net interest margin	Net interest income divided by the sum of average customer assets. The components of the calculation have been included on page 240.
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 245.
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 243 to 245.

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 profit/(loss) £m	Tax credit in respect of interest payments on other equity instruments £m	Profit/(loss) attributable to ordinary equity holders of the parent £m	Average tangible equity £bn	Return on average tangible equity %
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[a]	(868)	4	(864)	9.3	n/m
Barclays Non-Core	(419)	10	(409)	2.4	n/m
Africa Banking discontinued operation[a]	(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[a]	110	(1)	109	6.5	n/m
Barclays Non-Core	(1,916)	17	(1,899)	7.8	n/m
Africa Banking discontinued operation[a]	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					
Cost: income ratio	Barclays UK £m	Corporate and Investment Bank £m	Consumer, Cards and Payments £m	Barclays International £m	Head Office £m	Barclays Group £m
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

Non-IFRS performance measures

	For the year ended 31 December 2017					
Cost: income ratio	Barclays UK £m	Corporate and Investment Bank £m	Consumer, Cards and Payments £m	Barclays International £m	Head Office[a] £m	Barclays Group[b] £m
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
Operating expenses	(4,089)	(7,475)	(2,111)	(9,586)	(318)	(14,249)
Total income	7,383	9,878	4,504	14,382	(159)	21,076
Cost: income ratio excluding litigation and conduct	55%	76%	47%	67%	n/m	68%
Profit before tax						
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
Profit/(loss) before tax excluding litigation and conduct	2,506	2,323	1,221	3,544	(683)	4,748
Profit attributable to ordinary equity holders of the parent						
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
Profit/(loss) attributable to ordinary equity holders of the parent excluding litigation and conduct	1,626	528	699	1,227	(727)	(598)
Return on average tangible shareholders' equity						
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)
Average tangible shareholders' equity	£9.1bn	£24.0bn	£4.2bn	£28.1bn	£9.3bn	£48.9bn
Return on average tangible shareholders' equity excluding litigation and conduct	17.8%	2.2%	16.8%	4.4%	n/m	(1.2%)
Basic earnings per ordinary share						
Basic weighted average number of shares						16,996m
Basic loss per ordinary share excluding litigation and conduct						(3.5p)

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.

Cost: income ratio	Barclays UK £m	Corporate and Investment Bank £m	Consumer, Cards and Payments £m	Barclays International £m	Head Office[a] £m	Barclays Group[b] £m
	For the year ended 31 December 2016					
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
Operating expenses	(3,840)	(7,579)	(1,834)	(9,413)	(137)	(14,975)
Total income	7,517	10,533	4,462	14,995	103	21,451
Cost: income ratio excluding litigation and conduct	51%	72%	41%	63%	n/m	70%
Profit before tax						
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
Profit before tax excluding litigation and conduct	2,780	2,695	1,564	4,259	94	4,593
Profit attributable to ordinary equity holders of the parent						
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
Attributable profit excluding litigation and conduct	1,862	1,314	1,143	2,457	133	2,908
Tax credit in respect of interest payments on other equity instruments	29	72	11	83	(1)	128
Profit attributable to ordinary equity holders of the parent excluding litigation and conduct	1,891	1,386	1,154	2,540	132	3,036
Return on average tangible shareholders' equity						
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)
Average tangible shareholders' equity	£8.9bn	£21.9bn	£3.6bn	£25.5bn	£6.5bn	£48.7bn
Return on average tangible shareholders' equity excluding litigation and conduct	21.3%	6.3%	31.5%	9.9%	n/m	6.2%
Basic earnings per ordinary share						
Basic weighted average number of shares						16,860m
Basic earnings per ordinary share excluding litigation and conduct						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 £m	2017 £m	2016 £m
Total equity excluding non-controlling interests	**62,556**	63,905	64,873
Other equity instruments	**(9,632)**	(8,941)	(6,449)
Goodwill and intangibles[a]	**(7,973)**	(7,849)	(9,245)
Tangible shareholders' equity attributable to ordinary shareholders of the parent	**44,951**	47,115	49,179
Shares in issue	**17,133m**	17,060m	16,963m
Tangible net asset value per share	**262p**	276p	290p

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 task forces 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 256 to 261 along with the accounts of Barclays PLC itself on pages 262 to 263) have been prepared in accordance with the IFRSs as adopted by the European Union. The accounting policies on pages 264 to 267 and the notes commencing on page 268 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**

Detailed analysis of our statutory accounts, independently audited and providing in-depth disclosure on the financial performance of the Barclays Group.

Consolidated financial statements

Notes to the financial statements

Independent Auditor's report to the members of Barclays PLC

1 Our opinion is unmodified

We have audited the financial statements of Barclays PLC ('the Company') for the year ended 31 December 2018 which comprise the consolidated and parent Company balance sheets as at 31 December 2018 and the consolidated income statement, consolidated and parent Company statements of comprehensive income, cash flow statements and statements of changes in equity for the year then ended, and the related notes, including the significant accounting policies in Note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2018 and of the Group's profit for the year then ended
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Board Audit Committee.

We were first appointed as auditor by the Directors on 31 March 2017. The period of total uninterrupted engagement is for the two financial years ended 31 December 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

2 Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
The impact of uncertainties due to the UK exiting the European Union on our audit *Refer to page 43 (Viability Statement) and page 131 (Risk review)* **Unprecedented levels of uncertainty** All audits assess and challenge the reasonableness of estimates, in particular as described in impairment of loans and advances to customers below, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements (see below). All of these depend on assessments of the future economic environment and the group's future prospects and performance. In addition, we are required to consider the other information presented in the Annual Report including the principal risks disclosure and the viability statement and to consider the Directors' statement that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Parent's position and performance, business model and strategy. Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: ▪ **Our Brexit knowledge:** We considered the Directors' assessment of Brexit-related sources of risk for the Group and Parent's business and financial resources compared with our own understanding of the risks. We considered the Directors' plans to take action to mitigate the risks. ▪ **Sensitivity analysis:** When addressing impairment of loans and advances to customers and other areas that depend on forecasts, we compared the Directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted at a rate other than the original effective interest rate, considered adjustments to discount rates for the level of remaining uncertainty. ▪ **Assessing transparency:** As well as assessing individual disclosures as part of our procedures on impairment of loans and advances to customers we considered all of the Brexit-related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks. **Our results:** As reported under impairment of loans and advances to customers, we found the resulting estimates and related disclosures of impairment of loans and advances to customers and disclosures in relation to going concern to be acceptable. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Key audit matter	How our audit addressed the key audit matter
Impairment allowances on loans and advances at amortised cost, including off-balance sheet elements of the allowance *Refer to page 61 (Board Audit Committee Report), page 273 (accounting policy on accounting for the impairment of financial assets under IFRS 9), page 149 (credit risk disclosures), and page 273 (financial disclosure note 7 Credit Impairment charges and other provisions)* **Subjective estimate** IFRS 9 was implemented by the Group on 1 January 2018. This new and complex standard requires the Group to recognise expected credit losses ('ECL') on financial instruments, which involves significant judgement and estimates and resulted in an increase in credit loss provisions. During the year credit loss provisions increased from £4.7bn as at 31 December 2017 to £6.8bn as at 31 December 2018. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Group's implementation of IFRS 9 are: ▪ **Economic scenarios** – IFRS 9 requires the Group to measure ECLs on a forward-looking basis reflecting a range of future economic conditions. Significant management judgement is applied to determining the economic scenarios used and the probability weightings applied to them especially for the credit card, mortgages, consumer lending and corporate portfolios. ▪ **Significant Increase in Credit Risk ('SICR')** – For the credit cards, consumer loans and corporate portfolios the criteria selected to identify a significant increase in credit risk is a key area of judgement within the Group's ECL calculation as these criteria determine whether a 12 month or lifetime provision is recorded. ▪ **Model estimations** – Inherently judgemental modelling is used to estimate ECLs which involves determining Probabilities of Default ('PD'), Loss Given Default ('LGD'), and Exposures at Default ('EAD'). The PD models used in the credit card, consumer loans and corporate portfolios are the key drivers of the Group's ECL results and are therefore most significant judgemental aspect of the Group's ECL modelling approach. ▪ **Qualitative adjustments** – Adjustments to the model-driven ECL results are raised by management to address known impairment model limitations or emerging trends. They represent approximately 6% net of the ECL. Such adjustments are inherently uncertain and significant management judgement is involved in estimating these amounts especially in relation to the credit card, consumer loan, business banking and corporate portfolios. The effect of these matters is that, as part of our risk assessment, we determined that the impairment of loans and advances to customers has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The credit risk sections of the financial statements disclose the sensitivities estimated by the Group. **Disclosure quality** The disclosures regarding the Group's application of IFRS 9 are key to understanding the change from IAS 39 as well as explaining the key judgements and material inputs to the IFRS 9 ECL results.	Our procedures included: ▪ **Controls testing:** We performed end to end process walk-throughs to identify the key systems, applications and controls used in the ECL processes. We tested the relevant general IT and applications controls over key systems used in the ECL process. Key aspects of our controls testing involved the following: – for the relevant portfolios, testing the design and operating effectiveness of the key controls over the completeness and accuracy of the key inputs and assumptions into the IFRS 9 impairment models – testing the design and operating effectiveness of the key controls over the authorisation and application of the SICR criteria – evaluating controls over model monitoring and validation – evaluating controls over authorisation and calculation of post model adjustments and management overlays, and – testing key controls relating to selection and implementation of material macroeconomic variables and the controls over the scenario selection and probabilities. ▪ **Our financial risk modelling expertise:** For the credit card, consumer loans and corporate portfolios we involved our own financial risk modelling specialists in evaluating the appropriateness of the Group's IFRS 9 impairment methodologies (including the SICR criteria used). We used our experience to independently assess probability of default, loss given default and exposure at default assumptions. For a sample of models we assessed the reasonableness of the model predictions by comparing them against actual results. ▪ **Our economic scenario expertise:** We involved our own economic specialists to assist us in assessing the appropriateness of the Group's methodology for determining the economic scenarios used and the probability weightings applied to them. We also assessed key economic variables used which included agreeing samples of economic variables to external sources as well as the overall reasonableness of the economic forecasts by comparing the Group's forecasts to our own modelled forecasts with a focus on the credit cards, mortgages, consumer lending and corporate portfolios. As part of this work we assessed the reasonableness of the Group's considerations of the ECL impact of economic uncertainty, including Brexit. **Test of details:** Key aspects of our testing involved: – sample testing over key inputs and assumptions impacting ECL calculations to assess the reasonableness of economic forecasts, weights, and PD assumptions applied – Re-performing key aspects of the Group's SICR determinations – assessing model predictions against actual results, and – selecting a sample of post model adjustments, considering the size and complexity of management overlays, in order to assess the reasonableness of the adjustments by challenging key assumptions, inspecting the calculation methodology and tracing a sample back to source data. ▪ **Assessing transparency:** We assessed whether the disclosures appropriately disclose and address the uncertainty which exists when determining the expected credit losses. As a part of this, we assessed the sensitivity analysis that is disclosed. In addition, we assessed whether the disclosure of the key judgements and assumptions made was sufficiently clear. **Our results:** The results of our testing were satisfactory and we considered the ECL charge, provision recognised and the related disclosures to be acceptable.

Independent Auditor's report to the members of Barclays PLC

Key audit matter	How our audit addressed the key audit matter
Conduct redress costs (PPI) *Refer to page 61 (Board Audit Committee Report), page 313 (accounting policy on accounting for provisions), and page 313 (financial disclosure note 25 Provisions)* **Subjective estimate** The calculation of the provision for PPI redress costs for the Group requires the Directors to determine a number of key inputs. The determination of these is judgemental and requires the Directors to consider a range of information. The most significant input into the PPI provision calculation is the future complaint flow and that is where we have focused our procedures. The Directors have developed a model which calculates the expected future complaint flow and associated redress cost. A key factor impacting the period over which the model forecasts complaint flows was the introduction of a Financial Conduct Authority ('FCA') time-bar for processing new complaints. The effective date of the time-bar is August 2019, and prior to that the FCA is running a consumer communications campaign to give potential complainants notice of the time-bar. The Directors have assessed the appropriateness of the provision with reference to the expected impact of this time-bar and also in the context of the historical observation across the industry in recent years that the complaint flow has always been greater than expected. The effect of these matters is that, as part of our risk assessment, we determined that PPI provision costs have significant estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. **Disclosure quality** The related PPI disclosures provide the key assumptions underpinning the calculation of the future complaint flow and sensitivity of the provision to the flow and are therefore key to understanding the judgement which has been applied.	Our procedures included: ▪ **Historic comparison:** We evaluated the assumptions used, particularly those in relation to future complaint flow which led to an adjustment to provision estimates in 2018. ▪ **Enquiry of regulators:** We inspected correspondence with the FCA and PRA to identify any regulatory observations on the future complaint flow. We also made enquiries of the FCA discussing the nature of the matters contained in regulatory correspondence that could materially affect the level of provisions held. ▪ **Controls testing:** We tested the design and operating effectiveness of the key controls over capturing of historic complaints data and estimating the future complaint flow volumes. ▪ **Sensitivity analysis:** We considered the sensitivity of the model to variations in the future complaint flow. We also considered the appropriateness of the scenarios used to model the potential range of future complaint flows, with particular focus on the way the impact of the time-bar and FCA communication campaign have been determined. We also considered the sensitivity of the model to variations in the future complaint flow by inspecting the calculation methodology and challenging the key assumptions using our industry knowledge. ▪ **Independent reperformance:** We built our own model to allow us to determine a range of potential future complaint flows under multiple independently selected scenarios and compared these to the Group's own range. We also used our independently determined range to assess the appropriateness of the Group's point estimate. We developed a number of these scenarios using regression analysis of Barclays' historical complaint data. Where there were differences in the inputs and ranges we challenged the Group's rationale for these and assessed whether they were reasonable. We also used our model to understand the effect of these ranges on the potential future redress cost. ▪ **Assessing transparency:** We assessed whether the disclosures appropriately disclose and address the significant uncertainty which exists when estimating the future complaint flow. As a part of this, we reperformed the sensitivity analysis that is disclosed. **Our results:** The results of our testing were satisfactory and we considered the liability recognised, and sensitivity disclosures made, to be acceptable (2017 result: acceptable).

Key audit matter	How our audit addressed the key audit matter

Valuation of financial instruments held at fair value

Refer to page 62 (Board Audit Committee Report), page 291 (accounting policy on accounting for financial assets and liabilities), and page 291 (financial disclosure note 17 Fair value of financial instruments).

Subjective valuation

The fair value of the Group's financial instruments is determined through the application of valuation techniques which often involve the exercise of judgement by management and the use of assumptions, estimates and valuation models.

Where significant pricing inputs are unobservable, management has no reliable, relevant market data available in determining the fair value and hence estimation uncertainty can be high. These financial instruments are classified as Level 3, with management having controls in place over the boundary between Level 2 and 3 positions.

Our significant audit risk is therefore over significant Level 3 portfolios.

We performed risk assessment procedures over the entire Level 3 balance within the Group's financial statements. As part of these risk assessment procedures we identified which portfolios have a risk of material misstatement including those arising from significant judgements over valuation either due to unobservable inputs or complex models.

At 31 December 2018, Level 3 instruments (£18.6bn) represented 3.5% of the Group's financial instrument assets carried at fair value and 1.1% (£5bn) of the Group's financial instrument liabilities carried at fair value.

Within this Level 3 population the fair value instrument portfolios in the Group with the most significant judgements include:

- Education, Social Housing and Local Authority ('ESHLA') loan portfolio – as at 31 December 2018 the Group has outstanding ESHLA loans which require significant judgement in the valuation due to the long dated nature of the portfolio, the lack of a secondary market in the relevant loans and unobservable loan spreads.
- Longer-dated derivative portfolios – we identified three portfolios (two derivative portfolios and a bond package) each with a significant risk attached to the valuation methodology due to the lack of observable pricing inputs. The bond package also includes a long-standing valuation disparity with the counterparty.

The effect of these matters is that, as part of our risk assessment, we determined that the subjective estimates in fair value measurement of the above portfolios have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.

Disclosure quality

The IFRS 13 fair value measurement disclosures are key to explaining the valuation techniques, key judgements, assumptions and material inputs.

The financial statements, Note 17, includes disclosure of sensitivity of valuation inputs to fair value measurement by the Group.

Our procedures included:

- **Control testing:** We tested the design and operating effectiveness of key controls relating specifically to the ESHLA and the three longer-dated portfolios. These included:
  - controls over price verification ('IPV'), performed by a control function, of key inputs, including completeness of positions and valuation inputs subject to IPV
  - for ESHLA we tested controls over the gilt asset swap curve and credit spreads. For the long dated portfolios we tested material risk parameters used in valuation models
  - controls over fair value adjustments (FVA). For ESHLA these related to pre-payments. For the longer-dated portfolios these related to exit adjustments (to mark the portfolio to bid or offer prices) and model shortcoming reserves to address model limitations. In addition we tested funding and credit adjustments for all significant risk portfolios
  - controls over the validation, completeness, implementation and usage of valuation models. This included controls over assessment of model limitations and assumptions, and
  - controls over the levelling classification applied to trades within these portfolios in line with IFRS 13 disclosure requirements.
- **Independent reperformance:** With the assistance of our own valuation specialists we independently re-priced a selection of trades from the ESHLA and three longer-dated portfolios and challenged management on the valuations where they were outside our expected tolerance.
- **Methodology choice:** In the context of observed industry practice, our own valuation specialists assisted us in challenging the appropriateness of significant models and methodologies used in calculating fair values, risk exposures, appropriateness of risk factors, and in calculating FVAs.
- **Comparing valuations:** For a selection of material collateral disputes within the longer-dated portfolios we challenged management's valuation methodology where significant fair value differences were observable with the market participant on the other side of the trade.
- **Historical comparison:** We inspected significant gains and losses on trade exits or restructurings and challenged whether these data points indicate elements of fair value not incorporated in the current valuation methodologies.

We inspected movements in unobservable inputs throughout the period to challenge whether any gain or loss generated was appropriate.

Our results:

The results of our testing were satisfactory and we considered the fair value of Level 3 financial instrument assets and liabilities recognised to be acceptable (2017 result: acceptable).

Independent Auditor's report to the members of Barclays PLC

Key audit matter	How our audit addressed the key audit matter
Legal, competition and regulatory matters *Refer to page 62 (Board Audit Committee Report), page 313 (accounting policy on accounting for provisions), page 315 (accounting policy on contingent liabilities and commitments), page 313 (financial disclosures note 27 Provisions), and page 315 (financial disclosures note 29 Legal, competition and regulatory matters)* **Exposure completeness** The Group and Parent operates in a highly litigious and regulated environment and faces legal, competition and regulatory challenges which can lead to potential claims and exposures (together 'litigation and regulatory matters'). In certain litigation and regulatory matters significant judgement is required by the Directors to determine if there is a present obligation under relevant accounting standards. **Subjective estimate** If there is a present obligation the amounts involved can be potentially significant, and the application of accounting standards to estimate the expected outflow, if any, of any liability to be recognised is inherently subjective. The effect of these matters is that, as part of our risk assessment, we determined that the litigation liability has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. **Disclosure quality** When a liability is not recognised for possible significant outflows but there is more than a remote likelihood of an adverse outcome, the related disclosure is key to understanding the risks and potential effect on the Group and Parent.	Our procedures included: ▪ **Inspection of Board of Directors meeting minutes:** We inspected the Board of Directors meeting minutes to obtain an understanding of the status of all significant litigation and regulatory matters. ▪ **Inspection of regulatory correspondence:** We inspected correspondence with the relevant regulatory authorities to identify actual or possible non-compliance with laws and regulations that may have a material effect on the financial statements. ▪ **Enquiry of lawyers:** For significant litigation and regulatory matters we enquired of the Group and Parent's internal legal counsel and inspected internal notes and reports. We also received formal confirmations from external counsel. For the most significant litigation and regulatory matters we also had discussions with external counsel. Based on these procedures we challenged the timing of the recognition of provisions where there is potential exposure but it is not clear whether a present obligation exists or where the Directors have determined a reliable estimate is not possible. ▪ **Test of details:** For the significant provisions we independently assessed the estimated value of the provision, based on our enquiries of lawyers and information obtained from our other procedures. ▪ **Assessing transparency:** Assessed whether the disclosures detailing significant litigation and regulatory matters adequately disclose the potential liabilities and the significant uncertainties that exist. **Our results:** The results of our testing were satisfactory and we considered the provisions recognised, and the disclosures made, to be acceptable (2017 result: acceptable).
User Access Management ('UAM') **Control Performance** The Group's accounting and reporting processes are dependent on automated controls enabled by IT systems. User access management controls are an important component of the General IT Control environment assuring that unauthorised access to systems do not impact the effective operation of the automated controls in the financial reporting processes. In prior years key user access management controls were reported as not consistently implemented and effectively operated across the Group. Ineffective controls included developer access to production, logging/monitoring of user activities and segregation of duties. A series of remediation programmes was completed to address previously identified control deficiencies. The Group has also implemented further compensating controls to address the issues raised in the current year, most of them relating to user access management. If the above controls for user access management are deficient and not remediated or adequately mitigated the pervasive nature of these controls may undermine our ability to place some reliance on automated and IT dependent controls in our audit.	Our procedures included: ▪ **Control testing:** We tested the design and operating effectiveness of key controls over user access management, including controls over: – authorising access for new joiners – removal of user access rights on a timely basis – inappropriate privileged and developer access to production systems, the procedures to assess potential use, and the removal of these access rights – segregation of duties including access to multiple systems that could circumvent segregation controls, and – re-certification of user access rights. ▪ **Control reperformance:** To assess whether additional detective compensating controls adequately address the risk of unauthorised access, we reperformed on a sample basis management's assessment of potential unauthorised access by privileged accounts and users, whose access rights were not recertified. **Our results:** Our testing did not identify unauthorised user activities in the systems relevant to financial reporting which would have required us to expand the extent of our planned detailed testing. (2017: Our testing did not identify developers who had access and used the access without authorisation that would have required us to expand the extent of our planned detailed testing.)
Recoverability of Parent company's investment in subsidiaries The carrying amount of the Parent company's investments in subsidiaries represents 61% (2017: 57%) of the Company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall Parent company audit.	Our procedures included: ▪ **Tests of detail:** Comparing the carrying amount of the highest value investments, representing 99% of the total investment balance with the relevant subsidiaries' draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making. Where we found net assets to be lower than the cost of investment, we have assessed recoverability through projection of future cash flows to ascertain if an impairment is required. ▪ **Assessing subsidiary audits:** Assessing the work performed by the subsidiary audit teams on that sample of those subsidiaries and considering the results of that work, on those subsidiaries' profits and net assets. **Our results:** We found the group's assessment of the recoverability of the investment in subsidiaries to be acceptable (2017: acceptable).

3 Our application of materiality and an overview of the scope of our audit

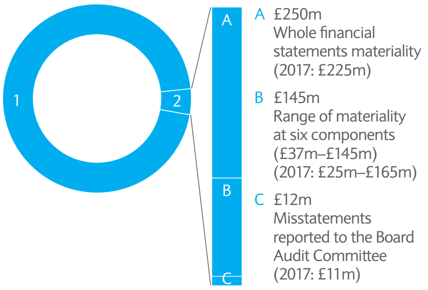
Materiality

Materiality for the Group financial statements as a whole was set at £250 million, determined with reference to a benchmark of group profit before tax from continuing operations, normalised to exclude charges related to litigation and conduct as disclosed in the consolidated income statement, of £5,701 million, of which it represents 4.4%.

Materiality for the Parent company financial statements as a whole was set at £235 million, determined with reference to a benchmark of net assets, of which it represents 0.4%.

We agreed to report to the Board Audit Committee any corrected or uncorrected identified misstatements exceeding £12 million, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Group materiality



	2018	2017
1 Profit before tax from continuing operations*	£5,701m	£4,748m
2 Group materiality	£250m	£225m

*normalised to exclude charges related to litigation and conduct

Scope – general

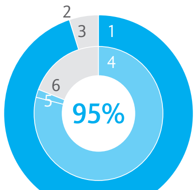
We subjected five (2017: six) of the group's eporting components, to full scope audits for group purposes and one (2017: four) to specified risk-focused audit procedures which focused on the financial assets designated at fair value financial statement caption. The last component was not individually financially significant enough to require a full scope audit for group purposes, but did present specific individual risks that needed to be addressed.

The remaining 7% (2017: 19%) of total Group income and 2% (2017: 10%) of total Group assets is represented by a number of other reporting components, none of which were individually significant. For these residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The work on all components was performed by component auditors and the remaining work, including the audit of the Parent company, was performed by the Group team. For those items excluded from normalised group profit before tax, the component teams performed procedures on items relating to their components. The group team performed procedures on the remaining excluded items.

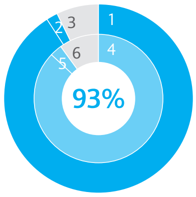
The components within the scope of our work accounted for the percentages illustrated below.

Group total income
(2017: 81%)



1 Full scope for group audit purposes 2018	95%
2 Specified risk-focused audit procedures 2018	0%
3 Residual components 2018	5%
4 Full scope for group audit purposes 2017	79%
5 Specified risk-focused audit procedures 2017	2%
6 Residual components 2017	19%

Group total assets
(2017: 90%)



1 Full scope for group audit purposes 2018	91%
2 Specified risk-focused audit procedures 2018	2%
3 Residual components 2018	7%
4 Full scope for group audit purposes 2017	87%
5 Specified risk-focused audit procedures 2017	3%
6 Residual components 2017	10%

Team structure

The Group team led a global planning conference to discuss key audit risks and to obtain input from component and other participating locations. The Group team instructed component auditors as to the significant areas to be covered, including the relevant key audit matters detailed above and the information to be reported back. The Group team approved the component materiality for each component, which ranged from £36.6 million to £145 million, having regard to the mix of size and risk profile across the components.

The Group team visited all of the components in scope for group reporting purposes to assess the audit risk and strategy. Conference meetings and calls were also held with these component auditors throughout the conduct of the audit. At these visits and meetings, we reviewed the components' key working papers, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

The Group has centralised certain group-wide processes in India, the outputs of which are included in the financial information of the reporting components it services and therefore it is not a separate reporting component. These group wide processes are subject to specified audit procedures, predominantly the testing of transaction processing, reconciliations and review controls. Additional procedures are performed at certain reporting components to address the audit risks not covered by the work performed over these group-wide processes in India. The Group team and certain component teams visited the locations in India where these group-wide processes reside and performed consistent procedures as described above for component site visits.

4 We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ('the going concern period').

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period were:

- availability of funding and liquidity in the event of a market wide stress scenario including the impact of Brexit, and
- impact on regulatory capital requirements in the event of an economic slowdown or recession.

As these were risks that could potentially cast significant doubt on the Group's and the Company's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise.

Independent Auditor's report to the members of Barclays PLC

Based on this work, we are required to report to you if:

- we have anything material to add or draw attention to in relation to the Directors' statement Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least 12 months from the date of approval of the financial statements, or
- the related statement under the Listing Rules is materially inconsistent with our audit knowledge.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5 We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and Directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the Directors' report
- in our opinion the information given in those reports for the financial year is consistent with the financial statements, and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the Viability statement (page 42) that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity
- the material existing and emerging risks disclosures describing these risks within the Viability statement (page 42) and explaining how they are being managed and mitigated, and
- the Directors' explanation in the Viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the Viability statement. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the Directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, or
- the section of the Annual Report describing the work of the Board Audit Committee does not appropriately address matters communicated by us to the Board Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their going concern and Directors' responsibilities statements set out on page 92, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; 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; assessing the Group and Parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at **frc.org.uk/auditorsresponsibilities.**

Irregularities – ability to detect
We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the Directors and other management (as required by auditing standards) and from inspection of the Group's regulatory correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to component audit teams of relevant laws and regulations identified at the group level.

The potential effect of these laws and regulations on the financial statements varies considerably. Firstly, the group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the group's license to operate. We identified the following areas as those most likely to have such an effect: specific areas of regulatory capital and liquidity, conduct including PPI mis-selling, money laundering, sanctions list and financial crime, market abuse regulations and certain aspects of company legislation recognising the financial and regulated nature of the group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8 The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Michelle Hinchliffe
(Senior Statutory Auditor)
for and on behalf of KPMG LLP,
Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

20 February 2019

Consolidated income statement

For the year ended 31 December	Notes	2018 £m	2017 £m	2016 £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[a]	8	**(2,457)**	(2,740)	(2,554)
Provisions for litigation and conduct[a]	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 statement of comprehensive income

For the year ended 31 December	2018 £m	2017 £m	2016 £m
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[a]	834	(1,337)	3,024
Available for sale reserve[b]			
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[b]			
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 balance sheet

As at 31 December	Notes	2018 £m	2017[a] £m	2016[a] £m
Assets				
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
Total assets		**1,133,283**	1,133,248	1,213,126
Liabilities				
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
Total liabilities		**1,069,504**	1,067,232	1,141,761
Equity				
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
Total equity		**63,779**	66,016	71,365
Total liabilities and equity		**1,133,283**	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 264 to 267, Note 42 on pages 347 to 354 and the Credit risk disclosures on pages 149 to 175.

The Board of Directors approved the financial statements on pages 256 to 358 on 20 February 2019.

John McFarlane
Group Chairman

James E Staley
Group Chief Executive

Tushar Morzaria
Group Finance Director

Consolidated statement of changes in equity

	Called up share capital and share premium[a] £m	Other equity instru-ments[a] £m	Available for sale reserve[b] £m	Fair value through other compre-hensive income reserve[b] £m	Cash flow hedging reserve[b] £m	Currency translation reserve[b] £m	Own credit reserve[b] £m	Other reserves and treasury shares[b] £m	Retained earnings £m	Total equity excluding non-controlling interests £m	Non-controlling interests £m	Total equity £m
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
Effects of changes in accounting policies[c]	–	–	(364)	228	–	–	–	–	(2,014)	(2,150)	–	(2,150)
Balance as at 1 January 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 movements	–	–	–	–	–	834	–	–	–	834	–	834
Fair value through other comprehensive income reserve	–	–	–	(486)	–	–	–	–	–	(486)	–	(486)
Cash flow hedges	–	–	–	–	(501)	–	–	–	–	(501)	–	(501)
Retirement benefit remeasurements	–	–	–	–	–	–	–	–	313	313	–	313
Own credit reserve	–	–	–	–	–	–	58	–	–	58	–	58
Other	–	–	–	–	–	–	–	–	30	30	–	30
Total comprehensive income for the year	–	752	–	(486)	(501)	834	58	–	1,737	2,394	226	2,620
Issue of new ordinary shares	88	–	–	–	–	–	–	–	–	88	–	88
Issue of shares under employee share schemes	51	–	–	–	–	–	–	–	449	500	–	500
Capital reorganisation	(17,873)	–	–	–	–	–	–	–	17,873	–	–	–
Issue and exchange of other equity instruments	–	692	–	–	–	–	–	–	(308)	384	–	384
Other equity instruments coupons paid	–	(752)	–	–	–	–	–	–	203	(549)	–	(549)
Redemption of preference shares	–	–	–	–	–	–	–	–	(732)	(732)	(1,309)	(2,041)
Debt to equity reclassification[d]	–	–	–	–	–	–	–	–	–	–	419	419
Increase in treasury shares	–	–	–	–	–	–	–	(267)	–	(267)	–	(267)
Vesting of shares under employee share schemes	–	–	–	–	–	–	–	268	(499)	(231)	–	(231)
Dividends paid	–	–	–	–	–	–	–	–	(768)	(768)	(226)	(994)
Other reserve movements	–	(1)	–	–	–	–	–	–	(17)	(18)	2	(16)
Balance as at 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.

Consolidated statement of changes in equity

	Called up share capital and share premium[a] £m	Other equity instru-ments[a] £m	Available for sale reserve[b] £m	Cash flow hedging reserve[b] £m	Currency translation reserve[b] £m	Own credit reserve[b] £m	Other reserves and treasury shares[b] £m	Retained earnings £m	Total equity excluding non-controlling interests £m	Non-controlling interests £m	Total equity £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[c]	–	–	–	–	–	(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 cash flow statement

For the year ended 31 December	Notes	2018 £m	2017 £m	2016 £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 £26,254m (2017: £21,784m; 2016: £22,099m) and interest paid was £16,124m (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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Parent company accounts

Statement of comprehensive income

For the year ended 31 December	Notes	2018 £m	2017 £m	2016 £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 £m	2017 £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 262 to 263 and the accompanying note on page 354 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

Statement of changes in equity

	Notes	Called up share capital and share premium £m	Other equity instruments £m	Capital redemption reserve £m	Available for sale reserve[a] £m	Retained earnings £m	Total equity £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

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

For the year ended 31 December	2018 £m	2017 £m	2016 £m
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.

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, and a complete list of all subsidiaries is presented in Note 44.

(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.

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.

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.

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.
- 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 273
- Tax on page 278
- Fair value of financial instruments on page 291
- Pensions and post-retirement benefits – obligations on page 331
- Provisions including conduct and legal, competition and regulatory matters on page 313.

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 137 to 138 and 149 to 175
- Market risk on pages 139 and 176 to 180
- Treasury and capital risk – liquidity on pages 140 and 183 to 196
- Treasury and capital risk – capital on pages 141 and 197 to 207.

These disclosures are covered by the Audit opinion (included on pages 248 to 255) where referenced as audited.

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 227.

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 £m	Barclays International £m	Head Office £m	Group results £m
For the year ended 31 December 2018				
Total income[a]	7,383	14,026	(273)	21,136
Credit impairment charges and other provisions	(826)	(658)	16	(1,468)
Net operating income/(expenses)	**6,557**	**13,368**	**(257)**	**19,668**
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)
Total operating expenses	**(4,604)**	**(9,661)**	**(1,978)**	**(16,243)**
Other net income/(expenses)	3	68	(2)	69
Profit/(loss) before tax	**1,956**	**3,775**	**(2,237)**	**3,494**
Total assets (£bn)	**249.7**	**862.1**	**21.5**	**1,133.3**
Number of employees (full time equivalent)[b]	**22,600**	**12,400**	**48,500**	**83,500**

	Barclays UK £m	Barclays International £m	Head Office[c] £m	Barclays Non-Core[d] £m	Group results £m
For the year ended 31 December 2017					
Total income	7,383	14,382	(159)	(530)	21,076
Credit impairment charges and other provisions	(783)	(1,506)	(17)	(30)	(2,336)
Net operating income/(expenses)	6,600	12,876	(176)	(560)	18,740
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)
Total operating expenses	(4,848)	(9,855)	(469)	(284)	(15,456)
Other net (expenses)/income[e]	(5)	254	(189)	197	257
Profit/(loss) before tax	1,747	3,275	(834)	(647)	3,541
Total assets (£bn)	237.4	856.1	39.7	–	1,133.2
Number of employees (full time equivalent)[b]	22,800	11,500	45,600	–	79,900

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.

2 Segmental reporting continued

Analysis of results by business

	Barclays UK £m	Barclays International £m	Head Office £m	Barclays Non-Core £m	Group results £m
For the year ended 31 December 2016					
Total income	7,517	14,995	103	(1,164)	21,451
Credit impairment charges and other provisions	(896)	(1,355)	–	(122)	(2,373)
Net operating income/(expenses)	6,621	13,640	103	(1,286)	19,078
Operating costs	(3,792)	(9,129)	(135)	(1,509)	(14,565)
UK bank levy	(48)	(284)	(2)	(76)	(410)
Litigation and conduct	(1,042)	(48)	(27)	(246)	(1,363)
Total operating expenses	(4,882)	(9,461)	(164)	(1,831)	(16,338)
Other net (expenses)/income[a]	(1)	32	128	331	490
Profit/(loss) before tax from continuing operations	1,738	4,211	67	(2,786)	3,230
Total assets (£bn)[b]	209.6	648.5	75.2	279.7	1,213.0
Number of employees (full time equivalent)[c]	36,000	36,900	100	5,500	119,300

Notes
a 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.
b Africa Banking assets held for sale were reported in Head Office for 2016.
c Number of employees included 40,800 in relation to Africa Banking for 2016.

Income by geographic region

For the year ended 31 December	2018 £m	2017 £m	2016 £m
Continuing operations			
United Kingdom	**11,050**	11,190	11,096
Europe	**1,649**	1,663	2,087
Americas	**7,615**	7,443	7,278
Africa and Middle East	**253**	251	419
Asia	**569**	529	571
Total	**21,136**	21,076	21,451

Income from individual countries which represent more than 5% of total income[a]

For the year ended 31 December	2018 £m	2017 £m	2016 £m
Continuing operations			
United Kingdom	**11,050**	11,190	11,096
United States	**7,291**	6,871	6,876

Note
a Total income is based on counterparty location. Income from each single external customer does not amount to 10% or greater of the Barclays Group total income.

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 £m	2017 £m	2016 £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 £m	Barclays International £m	Head Office £m	Total £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

4 Net fee and commission income continued

	2017[a] £m	2016[a] £m
Fee and commission income		
Banking, investment management and credit related fees and commissions	8,622	8,452
Foreign exchange commission	129	118
Fee and commission income	8,751	8,570
Fee and commission expense	(1,937)	(1,802)
Net fee and commission income	6,814	6,768

Note
a The Barclays Group elected the cumulative effect transition method on adoption of IFRS 15 for 1 January 2018, and recognised in retained earnings without restating comparative periods. The comparative figures are reported under IAS 18.

Fee types

Transactional
Transactional fees are service charges on deposit accounts, cash management services and transactional processing fees including interchange and merchant fee income generated from credit and bank card usage. Transaction and processing fees are recognised at the point in time the transaction occurs or service is performed. They include banking services such as Automated Teller Machine (ATM) fees, wire transfer fees, balance transfer fees, overdraft or late fees and foreign exchange fees, among others. Interchange and merchant fees are recognised upon settlement of the card transaction payment.

Barclays incurs certain card related costs including those related to cardholder reward programmes and various payments made to co-brand partners. To the extent cardholder reward programmes costs are attributed to customers that settle their outstanding balance each period (transactors) they are expensed when incurred and presented in fee and commission expense while costs related to customers who continuously carry an outstanding balance (revolvers) are included in the effective interest rate of the receivable (refer to Note 3). Payments to partners for new cardholder account originations for transactor accounts are deferred as costs to obtain a contract under IFRS 15 while those costs related to revolver accounts are included in the effective interest rate of the receivable (refer to Note 3). Those costs deferred under IFRS 15 are capitalised and amortised over the estimated cardholder relationship. Payments to co-brand partners based on revenue sharing are presented as a reduction of fee and commission income while payments based on profitability are presented in fee and commission expense.

Advisory
Advisory fees are generated from wealth management services and investment banking advisory services related to mergers, acquisitions and financial restructurings. Wealth management advisory fees primarily consists of asset-based fees for advisory accounts of wealth management clients and are based on the market value of client assets. They are earned over the period the services are provided and are generally recognised quarterly when the market value of client assets is determined. Investment banking advisory fees are recognised at the point in time when the services related to the transaction have been completed under the terms of the engagement. Investment banking advisory costs are recognised as incurred in fee and commission expense if direct and incremental to the advisory services or otherwise recognised in operating expenses.

Brokerage and execution
Brokerage and execution fees are earned for executing client transactions with various exchanges and over-the-counter markets and assisting clients in clearing transactions. Brokerage and execution fees are recognised at the point in time the associated service has been completed which is generally the trade date of the transaction.

Underwriting and syndication
Underwriting and syndication fees are earned for the distribution of client equity or debt securities and the arrangement and administration of a loan syndication. This includes commitment fees to provide loan financing. Underwriting fees are generally recognised on trade date if there is no remaining contingency, such as the transaction being conditional on closing of an acquisition or other transaction. Underwriting costs are deferred and recognised in fee and commission expense when the associated underwriting fees are recorded. Syndication fees are earned for arranging and administering a loan syndication; however, the associated fee may be subject to variability until the loan has been syndicated to other syndicate members or until other contingencies (such as a successful M&A closing) have been resolved and therefore the fee revenue is deferred until the uncertainty is resolved.

Underwriting and syndication fees were previously reported on a net basis in the income statement. Following the adoption of IFRS 15, expenses associated with underwriting and syndication of £38m are now reported in fee and commission expense.

Including in the underwriting and syndication, commitment fees to provide loan financing includes fees which are not presented as part of the effective interest rate of a loan in accordance with IFRS 9. Loan commitment fees included as IFRS 15 revenues are fees for loan commitments that are not expected to fund, fees received as compensation for unfunded commitments and the applicable portion of fees received for a revolving loan facility, which for that period, are undrawn. Such commitment fees are recognised over time through to the contractual maturity of the commitment.

Contract assets and contract liabilities
The Barclays Group had no material contract assets or contract liabilities as at 31 December 2018.

Impairment on fee receivables and contract assets
During 2018, there have been no material impairments recognised in relation to fees receivable and contract assets. Fees in relation to transactional business can be added to outstanding customer balances. These amounts may be subsequently impaired as part of the overall loans and advances balance.

Remaining performance obligations
The Barclays Group applies the practical expedient of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less or because the Barclays Group has a right to consideration that corresponds directly with the value of the service provided to the client or customer.

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 £m	2017 £m	2016 £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[a]	**–**	–	(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 £m	2017 £m	2016 £m
Net gains from disposal of available for sale investments[a]	**–**	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[b]	**–**	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 maxiumum 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 a 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.

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 eight 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.

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 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 153.

	2018			2017[a]			2016[a]		
	Impairment charges £m	Recoveries[b] £m	Total £m	Impairment charges £m	Recoveries[b] £m	Total £m	Impairment charges £m	Recoveries[b] £m	Total £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
Loans impairment	**1,660**	**(195)**	**1,465**	2,667	(334)	2,333	2,717	(365)	2,352
Cash collateral and settlement balances	**(1)**	**–**	**(1)**	–	–	–	–	–	–
Financial investments	**–**	**–**	**–**	3	–	3	21	–	21
Financial instruments at fair value through other comprehensive income	**4**	**–**	**4**	–	–	–	–	–	–
Credit impairment charges and other provisions	**1,663**	**(195)**	**1,468**	2,670	(334)	2,336	2,738	(365)	2,373

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 153. The prior year comparative table for movement in allowance under IAS 39 is presented below.

Movements in allowance for impairment by asset class

	At beginning of year £m	Acquisitions and disposals £m	Unwind of discount £m	Exchange and other adjustments £m	Amounts written off £m	Recoveries £m	Amounts charged to income statement £m	Balance at 31 December £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 £m	2017 £m	2016 £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[a]	**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[a]	**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[a]	**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.

Strategic report
Governance
Risk review
Financial review
Financial statements
Shareholder information

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 £m	2017 £m	2016 £m
Current tax charge/(credit)			
Current year	**900**	768	896
Adjustments in respect of prior years	**(214)**	55	(361)
	686	823	535
Deferred tax charge/(credit)			
Current year	**442**	1,507	393
Adjustments in respect of prior years	**(6)**	(90)	65
	436	1,417	458
Tax charge	**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 £m	2018 %	2017 £m	2017 %	2016 £m	2016 %
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 257 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.

9 Tax continued

Current tax assets and liabilities

Movements on current tax assets and liabilities were as follows:

	2018 £m	2017 £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 £m	2017 £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.

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 timing differences £m	Fair value through other compre-hensive income £m	Cash flow hedges £m	Retirement benefit obligations £m	Loan impairment allowance £m	Other provisions £m	Tax losses carried forward £m	Share-based payments and deferred compensation £m	Other £m	Total £m
Assets[a]	1,266	200	1	52	735	157	596	384	1,362	4,753
Liabilities	(28)	(161)	(76)	(218)	–	–	–	–	(230)	(713)
At 1 January 2018[a]	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 10 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).

10 Earnings per share

	2018 £m	2017 £m	2016 £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 million	2017 million	2016 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 p	2017 p	2016 p	2018 p	2017 p	2016 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.

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 176.

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 £m	2017 £m	2018 £m	2017 £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 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £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 31 December		Changes in fair value during the year ended		Cumulative changes in fair value from inception	
	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £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)

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 contract amount £m	Fair value Assets £m	Fair value Liabilities £m	Notional contract amount £m	Fair value Assets £m	Fair value Liabilities £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 139.

The Barclays Group's exposure to credit risk arising from derivative contracts are outlined in the Credit risk section on page 149 to 175.

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 Notional contract amount £m	2018 Fair value Assets £m	2018 Fair value Liabilities £m	2017 Notional contract amount £m	2017 Fair value Assets £m	2017 Fair value Liabilities £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)

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 £m	Fair value Assets £m	Fair value Liabilities £m	Notional contract amount £m	Fair value Assets £m	Fair value Liabilities £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 £m	Up to one year £m	One to two years £m	Two to three years £m	Three to four years £m	Four to five years £m	More than five years £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).

Amounts recognised in net interest income	2018 £m	2017 £m
(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.

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 Derivative assets £m	Carrying value Derivative liabilities £m	Carrying value Loan liabilities £m	Nominal amount £m	Change in fair value used as a basis to determine ineffectiveness £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 £m	2020 £m	2021 £m	2022 £m	2023 £m	2024 and later £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% across the relationships.

Hedged items in fair value hedge accounting relationships

Hedged item statement of financial position classification and risk category	Carrying amount £m	Accumulated fair value adjustment included in carrying amount: Total £m	Of which: Accumulated fair value adjustment on items no longer in a hedge relationship £m	Change in fair value used as a basis to determine ineffectiveness £m	Hedge ineffectiveness recognised in the income statement £m	Line item in the income statement used to recognise ineffectiveness
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.

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 £m	Balance in cash flow hedge reserve for continuing hedges £m	Balance in foreign currency reserve for continuing hedges £m	Balances remaining in cash flow hedge reserve for which hedge accounting is no longer applied £m	Balances remaining in foreign currency translation reserve for which hedge accounting is no longer applied £m	Hedging gains or losses recognised in other comprehensive income £m	Hedge ineffectiveness recognised in the income statement £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)	–	
SGD foreign operations	1	–	–	–	78	1	(1)	Net interest income
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:

	2018	
Description of hedge relationship and hedged risk	Amount recycled from other comprehensive income due to hedged item affecting income statement £m	Amount recycled from other comprehensive income during the period due to sale or disposal of investment £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 £m	Currency translation reserve £m
Balance on 1 January 2018	1,161	3,054
Currency translation movements[a]	(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).

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 £m	2017 £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 £m	Contractual amount due on maturity £m	Fair value £m	Contractual amount due on maturity £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 300.

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.

Assets and liabilities held at fair value

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 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
As at 31 December								
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[a]	–	–	–	–	–	–	29	29
Total assets	86,524	424,100	18,574	529,198	94,899	411,165	15,598	521,662
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)
Total liabilities	(26,882)	(442,451)	(5,026)	(474,359)	(24,536)	(419,197)	(5,681)	(449,414)

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 Valuation technique using			Liabilities Valuation technique using		
	Level 1 £m	Level 2 £m	Level 3 £m	Level 1 £m	Level 2 £m	Level 3 £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[a]	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[b]	56,322	7,690	502	(7,826)	(388)	–
Private equity investments	8	1	817	–	–	(16)
Assets and liabilities held for sale	–	–	29	–	–	–
Other[a,b]	–	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.

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.

Complex derivative instruments

Valuation estimates made by counterparties with respect to complex derivative instruments, for the purpose of determining the amount of collateral to be posted, often differ, sometimes significantly, from Barclays' own estimates. In almost all cases, Barclays has been able to successfully resolve such differences or otherwise reach an accommodation with respect to collateral posting levels, including in certain cases by entering into compromise collateral arrangements. Due to the ongoing nature of collateral calls, Barclays will often be engaged in discussion with one or more counterparties in respect of such differences at any given time. Valuation estimates made by counterparties for collateral purposes are considered, like any other third party valuation, when determining Barclays' fair value estimates.

Government and government sponsored debt

Description: Government bonds, supra sovereign bonds and agency bonds.

Valuation: Liquid bonds that are actively traded through an exchange or clearing house are marked to the levels observed in these markets. Other actively traded bonds are valued using observable market prices sourced from broker quotes, inter-dealer prices or other reliable pricing sources.

Observability: Prices for actively traded bonds are considered observable. Unobservable bonds prices are generally determined by reference to bond yields for actively traded bonds from the same (or a similar) issuer.

Level 3 sensitivity: Sensitivity is generally determined by using a range of observable alternative prices.

Corporate debt

Description: Primarily corporate bonds.

Valuation: Corporate bonds are valued using observable market prices sourced from broker quotes, inter-dealer prices or other reliable pricing sources.

Observability: Prices for actively traded bonds are considered observable. Unobservable bonds prices are generally determined by reference to bond yields or CDS spreads for actively traded instruments issued by or referencing the same (or a similar) issuer.

Level 3 sensitivity: Sensitivity is generally determined by applying a shift to bond yields using the average ranges of external levels observed in the market for similar bonds.

Certificates of deposit, commercial paper and other money market instruments

Description: Certificates of deposit, commercial paper and other money market instruments.

Valuation: Instruments are valued using observable market prices sourced from broker quotes, inter-dealer prices or other reliable pricing services.

Observability: Prices for actively traded instruments are considered observable. Unobservable instrument prices are generally determined by reference to bond yields or CDS spreads for actively traded instruments issued by or referencing the same (or a similar) issuer.

Level 3 sensitivity: Sensitivity is generally calculated by using a range of observable alternative prices.

Margin Lending

Description: Includes Prime Brokerage Margin Lending, and other similar secured lending agreements. The agreements are primarily short-term in nature.

Valuation: Prime Brokerage Margin Lending transactions are generally valued by discounting the expected future cash flows using industry standard models that incorporate market interest rates and repurchase rates, based on the specific details of the transaction.

Observability: Inputs are deemed observable up to liquid maturities, and are determined based on the specific features of the transaction. Unobservable inputs are generally 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, or historic trade data. In general, the sensitivity of unobservable inputs is not significant to the overall valuation given the predominantly short-term nature of the agreements.

Reverse repurchase and repurchase agreements

Description: Includes securities purchased under resale agreements, securities sold under repurchase agreements, and other similar secured lending agreements. The agreements are primarily short-term in nature.

Valuation: Repurchase and reverse repurchase agreements are generally valued by discounting the expected future cash flows using industry standard models that incorporate market interest rates and repurchase rates, based on the specific details of the transaction.

Observability: Inputs are deemed observable up to liquid maturities, and are determined based on the specific features of the transaction. Unobservable inputs are generally 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, stress scenarios or historic data. In general, the sensitivity of unobservable inputs is not significant to the overall valuation given the predominantly short-term nature of the agreements.

Non-asset backed loans

Description: Largely made up of fixed rate loans.

Valuation: Fixed rate loans are valued using models that discount expected future cash flows based on interest rates and loan spreads.

Observability: Within this loan population, the loan spread is generally unobservable. Unobservable loan spreads are determined by incorporating funding costs, the level of comparable assets such as gilts, issuer credit quality and other factors.

Level 3 sensitivity: The sensitivity of fixed rate loans is calculated by applying a shift to loan spreads.

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.

17 Fair value of financial instruments continued

Other

Description: Other includes commercial real estate loans, funds and fund-linked products, asset backed loans, physical commodities and investment property.

Assets and liabilities reclassified between Level 1 and Level 2

During the period, there were no material transfers between Level 1 and Level 2 (period ended December 2017: £3,807m government bonds assets and £1,023m/£(950)m of commodity derivative assets and liabilities transferred from Level 1 to Level 2).

Level 3 movement analysis

The following table summarises the movements in the Level 3 balances during the period. Transfers have been reflected as if they had taken place at the beginning of the year.

Assets and liabilities included in disposal groups classified as held for sale and measured at fair value less cost to sell are not included as these are measured at fair value on a non-recurring basis.

Asset and liability transfers between Level 2 and Level 3 are primarily due to 1) an increase or decrease in observable market activity related to an input or 2) a change in the significance of the unobservable input, with assets and liabilities classified as Level 3 if an unobservable input is deemed significant.

17 Fair value of financial instruments continued

Analysis of movements in Level 3 assets and liabilities

	As at 1 January 2018[a] £m	Purchases £m	Sales £m	Issues £m	Settlements £m	Total gains and losses in the period recognised in the income statement: Trading income £m	Total gains and losses in the period recognised in the income statement: Other income £m	Total gains or losses recognised in OCI £m	Transfers: In £m	Transfers: Out £m	As at 31 December 2018 £m
Government and government 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 through the income 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 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, commercial paper and other money market instruments	(250)	–	–	–	5	–	(3)	–	–	238	(10)
Issued debt	(214)	–	–	(4)	9	33	–	–	(225)	150	(251)
Other	(16)	–	–	–	4	–	(7)	–	–	–	(19)
Financial liabilities 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 instruments[b]	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

						Total gains and losses in the period recognised in the income statement		Total gains or losses recog-nised	Transfers		
	As at 1 January 2017 £m	Purchases £m	Sales £m	Issues £m	Settle-ments £m	Trading income £m	Other income £m	in OCI £m	In £m	Out £m	As at 31 December 2017 £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[a]	185	–	–	–	(1)	(7)	205	–	16	–	398
Other[a]	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
a Preference shares of £390m were reclassified from others to equity cash products.

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				Income statement			
	Trading income £m	Other income £m	Other compre-hensive income £m	Total £m	Trading income £m	Other income £m	Other compre-hensive income £m	Total[a] £m
As at 31 December								
Trading portfolio assets	(60)	–	–	(60)	(34)	–	–	(34)
Financial assets at fair value through the income statement	68	206	–	274	147	200	–	347
Available for sale investments	–	–	–	–	–	(4)	29	25
Fair value through other comprehensive 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 statement £m	Equity £m	Income statement £m	Equity £m	Income statement £m	Equity £m	Income statement £m	Equity £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[a]	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:

	Valuation technique(s)[c]	Significant unobservable inputs	2018 Range Min	2018 Range Max	2017 Range Min	2017 Range Max	Units[a]
Derivative financial instruments[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	bps vol
		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
Non-derivative financial instruments							
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 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[d]	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.

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 £m	2017 £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.

17 Fair value of financial instruments continued

Discounting approaches for derivative instruments

Collateralised

In line with market practice, the methodology for discounting collateralised derivatives takes into account the nature and currency of the collateral that can be posted within the relevant credit support annex (CSA). The CSA aware discounting approach recognises the 'cheapest to deliver' option that reflects the ability of the party posting collateral to change the currency of the collateral.

Uncollateralised

A fair value adjustment of £47m is applied to account for the impact of incorporating the cost of funding into the valuation of uncollateralised and partially collateralised derivative portfolios and collateralised derivatives where the terms of the agreement do not allow the rehypothecation of collateral received. This adjustment is referred to as the Funding Fair Value Adjustment (FFVA). FFVA has increased by £2m to £47m mainly as a result of change in Barclays funding spreads and trading activity.

FFVA is determined by calculating the net expected exposure at a counterparty level and applying a funding rate to the exposure that reflects the market cost of funding. Barclays' internal Treasury rates are used as an input to the calculation. The approach takes into account the probability of default of each counterparty, as well as any mandatory break clauses.

FFVA incorporates a scaling factor which is an estimate of the extent to which the cost of funding is incorporated into observed traded levels. On calibrating the scaling factor, it is with the assumption that Credit Valuation Adjustments (CVA) and Debit Valuation Adjustments (DVA) are retained as valuation components incorporated into such levels. The effect of incorporating this scaling factor at 31 December 2018 was to reduce FFVA by £141m (2017: £138m).

The approach outlined above has been in use since 2012 with no significant changes.

Barclays continues to monitor market practices and activity to ensure the approach to uncollateralised derivative valuation remains appropriate.

Derivative credit and debit valuation adjustments

CVA and DVA are incorporated into derivative valuations to reflect the impact on fair value of counterparty credit risk and Barclays' own credit quality respectively. These adjustments are calculated for uncollateralised and partially collateralised derivatives across all asset classes. CVA and DVA are calculated using estimates of exposure at default, probability of default and recovery rates, at a counterparty level. Counterparties include (but are not limited to) corporates, sovereigns and sovereign agencies and supranationals.

Exposure at default is generally estimated through the simulation of underlying risk factors through approximating with a more vanilla structure, or by using current or scenario-based mark to market as an estimate of future exposure.

Probability of default and recovery rate information is generally sourced from the CDS markets. Where this information is not available, or considered unreliable, alternative approaches are taken based on mapping internal counterparty ratings onto historical or market-based default and recovery information. In particular, this applies to sovereign related names where the effect of using the recovery assumptions implied in CDS levels would imply a £50m (2017: £50m) increase in CVA.

Correlation between counterparty credit and underlying derivative risk factors, termed 'wrong-way,' or 'right-way' risk, is not systematically incorporated into the CVA calculation but is adjusted where the underlying exposure is directly related to the counterparty.

CVA increased by £22m to £125m, primarily due to widening of counterparty credit spreads, changes in non-credit factors impacting CVA and trading activity. DVA increased by £106m to £237m, primarily as a result of Barclays' credit spreads widening.

Portfolio exemptions

The Barclays Group uses the portfolio exemption in IFRS 13 *Fair Value Measurement* to measure the fair value of groups of financial assets and liabilities. Instruments are measured using the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the balance sheet date under current market conditions. Accordingly, the Barclays Group measures the fair value of the group of financial assets and liabilities consistently with how market participants would price the net risk exposure at the measurement date.

Unrecognised gains as a result of the use of valuation models using unobservable inputs

The amount that has yet to be recognised in income that relates to the difference between the transaction price (the fair value at initial recognition) and the amount that would have arisen had valuation models using unobservable inputs been used on initial recognition, less amounts subsequently recognised, is £141m (2017: £109m) for financial instruments measured at fair value and £262m (2017: £253m) for financial instruments carried at amortised cost. There are additions of £65m (2017: £34m), and amortisation and releases of £33m (2017: £104m) for financial instruments measured at fair value and additions of £29m (2017: £119m) and amortisation and releases of £20m (2017: £22m) for financial instruments measured at amortised cost.

Third party credit enhancements

Structured and brokered certificates of deposit issued by Barclays are insured up to $250,000 per depositor by the Federal Deposit Insurance Corporation (FDIC) in the US. The FDIC is funded by premiums that Barclays and other banks pay for deposit insurance coverage. The carrying value of these issued certificates of deposit that are designated under the IFRS 9 fair value option includes this third party credit enhancement. The on-balance sheet value of these brokered certificates of deposit amounted to £4,797m (2017: £4,070m).

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 £m	Fair value £m	Level 1 £m	Level 2 £m	Level 3 £m	Carrying amount £m	Fair value £m	Level 1 £m	Level 2 £m	Level 3 £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[a]	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[b]	–	–	–	–	–	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							
	Effects of offsetting on-balance sheet			Related amounts not offset			Amounts not subject to enforceable netting arrange-ments[c]	
	Gross amounts £m	Amounts offset[a] £m	Net amounts reported on the balance sheet £m	Financial instruments £m	Financial collateral[b] £m	Net amount £m	£m	Balance sheet total[d] £m
As at 31 December 2018								
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[e]	354,409	(235,772)	118,637	–	(118,195)	442	2,712	121,349
Total assets	593,589	(254,459)	339,130	(172,001)	(155,099)	12,030	4,757	343,887
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[e]	(375,976)	235,772	(140,204)	–	140,165	(39)	(16,858)	(157,062)
Total liabilities	(609,519)	254,001	(355,518)	172,001	173,124	(10,393)	(21,187)	(376,705)
As at 31 December 2017								
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
Total assets	583,221	(245,133)	338,088	(184,265)	(141,642)	12,181	12,167	350,255
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[e]	(374,616)	223,495	(151,121)	–	151,073	(48)	(15,908)	(167,029)
Total liabilities	(627,646)	244,560	(383,086)	184,265	187,517	(11,304)	(22,288)	(405,374)

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 overcollateralisation.

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 138.

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 181 to 204.

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		
As at 31 December	Loans to banks £m	Loans to customers £m	Total £m	Loans to banks £m	Loans to customers £m	Total £m
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		
As at 31 December	Deposits from banks £m	Deposits from customers £m	Total £m	Deposits from banks £m	Deposits from customers £m	Total £m
Deposits at amortised cost	14,166	380,672	394,838	12,153	386,548	398,701

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 £m	Future finance income £m	Present value of minimum lease payments receivable £m	Un-guaranteed residual values £m	Gross investment in finance lease receivables £m	Future finance income £m	Present value of minimum lease payments receivable £m	Un-guaranteed residual values £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).

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 property £m	Property £m	Equipment £m	Leased assets £m	Total £m
Cost					
As at 1 January 2018	**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**
As at 31 December 2018	**9**	**3,684**	**2,956**	**9**	**6,658**
Accumulated depreciation and impairment					
As at 1 January 2018	**–**	**(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)**
As at 31 December 2018	**–**	**(1,792)**	**(2,322)**	**(9)**	**(4,123)**
Net book value	**9**	**1,892**	**634**	**–**	**2,535**
Cost					
As at 1 January 2017	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)
As at 31 December 2017	116	3,493	2,748	9	6,366
Accumulated depreciation and impairment					–
As at 1 January 2017	–	(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
As at 31 December 2017	–	(1,668)	(2,117)	(9)	(3,794)
Net book value	116	1,825	631	–	2,572

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[a]	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 £m	Internally generated software £m	Other software £m	Customer lists £m	Licences and other £m	Total £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 £m	2017 £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.

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%) 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 £m	Equipment £m	Property £m	Equipment £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).

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 £m	2017 £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.

				Customer redress				
	Onerous contracts £m	Redundancy and restructuring £m	Undrawn contractually committed facilities and guarantees[a] £m	Payment Protection Insurance £m	Other customer redress £m	Legal, competition and regulatory matters £m	Sundry provisions £m	Total £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.

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[a] 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 actual to 31.12.18	Future expected	Sensitivity analysis increase/ decrease in provision
Customer initiated claims received and processed (thousands)[a]	2,400	290	50k=£117m
Average uphold rate per claim (%)[b]	89	91	1%=£6m
Average redress per valid claim (£)[c]	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 £m	2017 £m
Guarantees and letters of credit pledged as collateral security	**15,805**	14,275
Performance guarantees, acceptances and endorsements	**4,498**	4,737
Total contingent liabilities	**20,303**	19,012
Of which: Financial guarantees carried at fair value	***4***	
Documentary credits and other short-term trade related transactions	**1,741**	812
Standby facilities, credit lines and other commitments[a]	**322,482**	314,761
Total commitments	**324,223**	315,573
Of which: Loan commitments carried at fair value	***11,723***	

Provisions held against contingent liabilities and commitments equal £271m. Post IFRS 9, loan commitments carried at fair value amounted to £18.9bn as 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 judgements 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.

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 whistleblowing 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 whistleblow, 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 whistleblowing.

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 whistleblowing 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 whistleblowing programme as well as certain remediation and reporting obligations related to its whistleblowing 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

USD LIBOR Cases in the Multidistrict Litigation Court

The majority of the USD LIBOR cases, which have been filed in various US jurisdictions, have been consolidated for pre-trial purposes before a single judge in the US District Court in the Southern District of New York (SDNY).

The complaints are substantially similar and allege, amongst other things, that Barclays PLC, Barclays Bank PLC, BCI and other financial institutions individually and collectively violated provisions of the US Sherman Antitrust Act (Antitrust Act), the US Commodity Exchange Act (CEA), the US Racketeer Influenced and Corrupt Organizations Act (RICO), the Securities Exchange Act of 1934 and various state laws by manipulating USD LIBOR rates.

Certain of the proposed class actions have been settled. Barclays has settled claims purportedly brought on behalf of plaintiffs that (i) engaged in USD LIBOR-linked over-the-counter transactions (OTC Class); (ii) purchased USD LIBOR-linked financial instruments on an exchange; (iii) purchased USD LIBOR-linked debt securities; or (iv) issued loans linked to USD LIBOR (Lender Class) and paid $120m, $20m, $7.1m and $4m respectively. The settlements with the OTC Class and the Lender Class have received final court approval. The other settlements remain subject to final court approval and/or the right of class members to opt out of the settlement and to seek to file their own claims.

The remaining putative class actions and individual actions seek unspecified damages with the exception of five lawsuits, in which the plaintiffs are seeking a combined total in excess of $1.25bn in actual damages against all defendants, including Barclays Bank PLC, plus punitive damages. Some of the lawsuits also seek trebling of damages under the Antitrust Act and RICO.

EURIBOR Case in the SDNY

In 2015, $94m was paid in settlement of a EURIBOR-related class action. The court granted final approval of Barclays' settlement in May 2018.

Additional USD LIBOR Cases in the SDNY

In 2015, an individual action against Barclays Bank PLC and other panel bank defendants was dismissed by the SDNY. The plaintiff alleged that the panel bank defendants conspired to increase USD LIBOR, which caused the value of bonds pledged as collateral for a loan to decrease, ultimately resulting in the sale of the bonds at a low point in the market. In March 2018, the court denied the plaintiff's motion for leave to amend its complaint and dismissed the case. The plaintiff's appeal of the court's order is pending.

In January 2019, two putative class actions were filed in the SDNY against Barclays PLC, Barclays Bank PLC, BCI, other financial institution defendants and Intercontinental Exchange Inc. (ICE) and certain of its affiliates, asserting antitrust and unjust enrichment claims on allegations that, beginning in 2014, defendants manipulated USD LIBOR through defendants' submissions to ICE, which took over rate-setting duties for LIBOR from the British Bankers' Association in 2014. These two actions were consolidated in February 2019.

Sterling LIBOR Case in SDNY

In 2015, a putative class action was filed in the SDNY against Barclays Bank PLC and other Sterling LIBOR panel banks by a plaintiff involved in exchange-traded and over-the-counter derivatives that were linked to Sterling LIBOR. The complaint alleges, among other things, that the defendants manipulated the Sterling LIBOR rate between 2005 and 2010 and, in so doing, committed CEA, Antitrust Act, and RICO violations. In 2016, this class action was consolidated with an additional putative class action making similar allegations against Barclays Bank PLC and BCI and other Sterling LIBOR panel banks. The defendants' motion to dismiss was granted in December 2018. The plaintiff has asked the court to reconsider this decision.

Japanese Yen LIBOR Cases in SDNY

In 2012, a putative class action was filed in the SDNY against Barclays Bank PLC and other Japanese Yen LIBOR panel banks by a plaintiff involved in exchange-traded derivatives. The complaint also names members of the Japanese Bankers Association's Euroyen Tokyo Interbank Offered Rate (Euroyen TIBOR) panel, of which Barclays Bank PLC is not a member. The complaint alleges, amongst other things, manipulation of the Euroyen TIBOR and Yen LIBOR rates and breaches of the CEA and Antitrust Act between 2006 and 2010. In 2014, the court dismissed the plaintiff's antitrust claims in full, but the plaintiff's CEA claims remain pending. Discovery is ongoing.

In 2017, a second putative class action concerning Yen LIBOR which was filed in the SDNY against Barclays PLC, Barclays Bank PLC and BCI was dismissed in full. The complaint makes similar allegations to the 2012 class action. The plaintiffs have appealed the dismissal.

SIBOR/SOR Case in the SDNY

In 2016, a putative class action was filed in the SDNY against Barclays PLC, Barclays Bank PLC, BCI and other defendants, alleging manipulation of the Singapore Interbank Offered Rate (SIBOR) and Singapore Swap Offer Rate (SOR). The plaintiffs amended their complaint in 2017 following dismissal by the court of the claims against Barclays for failure to state a claim. In October 2018, the court dismissed all claims against Barclays PLC, Barclays Bank PLC and BCI, a decision that the plaintiffs are challenging.

Non-US Benchmarks Cases

In addition to the US actions described above, legal proceedings have been brought or threatened against Barclays in connection with alleged manipulation of LIBOR and EURIBOR and other benchmarks in the UK, including the matter referred to below in 'Local authority civil actions concerning LIBOR' that is also related to Barclays Bank UK PLC, as well as in a number of other jurisdictions in Europe, Israel and Argentina. Additional proceedings in other jurisdictions may be brought in the future.

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.

Accruals, provisions, contingent liabilities and legal proceedings

27 Legal, competition and regulatory matters continued

Foreign Exchange Investigations

Various regulatory and enforcement authorities across multiple jurisdictions have been investigating a range of issues associated with Foreign Exchange sales and trading, including electronic trading.

In 2015 Barclays reached settlements with the CFTC, the DoJ, the NYDFS, the Board of Governors of the Federal Reserve System (Federal Reserve) and the FCA (together, the 2015 Resolving Authorities) in relation to investigations into certain sales and trading practices in the Foreign Exchange market. In connection with these settlements, Barclays paid total penalties of approximately $2.38bn and agreed to undertake certain remedial actions.

Under the plea agreement with the DoJ, in addition to a criminal fine, Barclays PLC agreed to a term of probation of three years during which Barclays PLC, including its subsidiaries, must, amongst 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, (iii) report credible evidence of criminal violations of US antitrust or fraud laws to the relevant US authority, and (iv) strengthen its compliance and internal controls as required by relevant regulatory or enforcement agencies. In January 2017, the US District Court for the District of Connecticut accepted the plea agreement and in accordance with the agreement sentenced Barclays PLC to pay $650m as a fine and $60m for violating the NPA (which amounts are part of the $2.38bn referred to above) and to serve three years of probation from the date of the sentencing order. Barclays also continues to provide relevant information to certain of the 2015 Resolving Authorities.

The European Commission is one of a number of authorities still conducting an investigation into certain trading practices in the Foreign Exchange market.

The DoJ has also conducted an investigation into conduct relating to certain trading activities in connection with certain transactions during 2011 and 2012. Barclays has been providing information to the DoJ and other relevant authorities reviewing this conduct. In February 2018, the DoJ issued a letter closing its investigation of Barclays in exchange for, among other things, Barclays' agreement to pay $12.9m in disgorgement and restitution, which can be offset by any settlement amount paid as civil restitution. Barclays resolved a related civil dispute. The amount paid was not material to Barclays.

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 on Barclays' operating results, cash flows or financial position in any particular period.

Civil actions in respect of Foreign Exchange

Following settlement of certain investigations referred to above in 'Foreign Exchange Investigations' a number of individuals and corporates in a range of jurisdictions have threatened or brought civil actions against Barclays and other banks in relation to Foreign Exchange or may do so in the future. Certain of these 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).

Consolidated FX Action

In 2014, a number of civil actions filed in the SDNY on behalf of proposed classes of plaintiffs alleging manipulation of Foreign Exchange markets under the Antitrust Act and New York state law and naming several international banks as defendants, including Barclays Bank PLC, were combined into a single consolidated action (Consolidated FX Action). In 2015, Barclays Bank PLC and BCI settled the Consolidated FX Action and paid $384m. The settlement received final court approval in August 2018.

FX Opt Out Action

In November 2018, a group of 16 plaintiffs (and several of their affiliates) who opted out of the Consolidated FX Action settlement filed a complaint in the SDNY against the Consolidated FX Action defendants, including Barclays Bank PLC and BCI.

ERISA FX Action

Since 2015, several civil actions have been filed in the SDNY on behalf of proposed classes of plaintiffs purporting to allege different legal theories of injury (other than those alleged in the Consolidated FX Action) related to alleged manipulation of Foreign Exchange rates, including claims under the US Employee Retirement Income Security Act (ERISA) statute (ERISA Claims), and naming several international banks as defendants, including Barclays PLC, Barclays Bank PLC and BCI. The Court dismissed the ERISA Claims. This dismissal was affirmed on appeal in 2018 and is not subject to further appeal.

Retail Basis Action

A putative action was filed in the Northern District of California (and subsequently transferred to the SDNY) against several international banks, including Barclays PLC and BCI, on behalf of a putative class of individuals that exchanged currencies on a retail basis at bank branches (Retail Basis Claims). The Court has ruled that the Retail Basis Claims are not covered by the settlement agreement in the Consolidated FX Action. The Court subsequently dismissed all Retail Basis Claims against Barclays and all other defendants. The plaintiffs amended their complaint and sought to expand the action to include credit card, debit card and wire transactions, which expansion the Court denied.

State Law FX Action

In 2016, a putative class action was filed in the SDNY under federal, New York and California law on behalf of proposed classes of stockholders of Exchange Traded Funds and others who supposedly were indirect investors in FX Instruments. The plaintiffs' counsel subsequently amended the complaint to bring claims on behalf of a proposed class of investors under federal and various state laws who traded FX Instruments through FX dealers or brokers not alleged to have manipulated Foreign Exchange Rates. A different group of plaintiffs subsequently filed another action and asserted substantively similar claims. These two actions were consolidated and a consolidated complaint was filed in 2017. The consolidated action was dismissed, but the plaintiffs were permitted to file an amended complaint, except as to their federal claims, in November 2018.

Non-US FX Actions

In addition to the actions described above, legal proceedings have been brought or are threatened against Barclays in connection with manipulation of Foreign Exchange in the UK, a number of other jurisdictions in Europe and Israel, and additional proceedings may be brought in the future.

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.

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 Depository 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.

27 Legal, competition and regulatory matters continued

BDC Finance L.L.C.

In 2008, BDC Finance L.L.C. (BDC) filed a complaint in the NY Supreme Court alleging that Barclays Bank PLC had breached a contract in connection with a portfolio of total return swaps governed by an ISDA Master Agreement (collectively, the Agreement) when it failed to transfer approximately $40m of alleged excess collateral in response to BDC's 2008 demand (Demand).

BDC asserts that under the Agreement Barclays Bank PLC was not entitled to dispute the Demand before transferring the alleged excess collateral and that even if the Agreement entitled Barclays Bank PLC to dispute the Demand before making the transfer, Barclays Bank PLC failed to dispute the Demand. BDC demands damages totalling $298m plus attorneys' fees, expenses, and pre-judgement interest. Following a trial on certain liability issues, the court ruled in December 2018 that Barclays Bank PLC was not a defaulting party. In January 2019, BDC filed a notice of appeal of that decision.

In 2011, BDC's investment advisor, BDCM Fund Adviser, L.L.C. and its parent company, Black Diamond Capital Holdings, L.L.C. also sued Barclays Bank PLC and BCI in Connecticut State Court for unspecified damages allegedly resulting from Barclays Bank PLC's conduct relating to the Agreement, asserting claims for violation of the Connecticut Unfair Trade Practices Act and tortious interference with business and prospective business relations. The Connecticut case is currently stayed.

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. BDC has made claims against Barclays totalling $298m plus attorneys' fees, expenses, and pre-judgement interest. This amount does not necessarily reflect Barclays' potential financial exposure if a ruling were to be made against it.

Civil actions in respect of the US Anti-Terrorism Act

Civil complaints against Barclays Bank PLC and other banks allege engagement in a conspiracy and violation of the US Anti-Terrorism Act (ATA). These include various civil complaints filed in the US Federal Courts in the EDNY and SDNY by separate groups of plaintiffs (aggregating over 4,000) alleging that Barclays Bank PLC and a number of other banks engaged in a conspiracy and violated the ATA by facilitating US dollar denominated transactions for the Government of Iran and various Iranian banks, which in turn funded acts of terrorism that injured or killed the plaintiffs' family members. The plaintiffs seek to recover for pain, suffering and mental anguish pursuant to the provisions of the ATA, which allows for the tripling of any proven damages and attorneys' fees. In respect of a motion by defendants to dismiss one of the complaints, in July 2018, a magistrate judge (to whom the court referred the motion) issued a recommendation that the motion be denied; the defendants objected to that recommendation; and the motion is pending before the court.

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.

Interest rate swap and credit default swap US civil actions

Barclays PLC, Barclays Bank PLC, and BCI, together with other financial institutions that act as market makers for interest rate swaps (IRS), Trade Web, and ICAP, are named as defendants in several antitrust class actions which were consolidated in the SDNY in 2016. The complaints allege the defendants conspired to prevent the development of exchanges for IRS and demand unspecified money damages, treble damages and legal fees. Plaintiffs include certain swap execution facilities, as well as buy-side investors. The buy-side investors claim to represent a class that transacted in fixed-for-floating IRS with defendants in the US from 2008 to the present, including, for example, US retirement and pension funds, municipalities, university endowments, corporations, insurance companies and investment funds. The case is in discovery.

In 2017, a separate suit was filed in the US District Court in the SDNY against the same financial institution defendants in the IRS cases, including Barclays PLC, Barclays Bank PLC, and BCI, claiming that certain conduct alleged in the IRS cases also caused plaintiff to suffer harm with respect to the Credit Default Swaps market. The defendants have moved to dismiss this action. Separately, in June 2018, trueEX LLC filed an antitrust class action in the SDNY against 11 financial institutions that act as dealers in the IRS market, including Barclays Bank PLC and BCI, alleging that the defendants unlawfully conspired to block trueEX from successfully entering the market with its IRS trading platform. trueEX LLC also alleges that the defendants more generally boycotted other anonymous, all-to-all IRS trading platforms. In November 2018, the court dismissed certain claims for unjust enrichment and tortious interference, but denied a motion to dismiss the federal and state antitrust claims which remain pending.

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.

Portuguese Competition Authority investigation

The Portuguese Competition Authority is investigating whether competition law was infringed by the exchange of information about retail credit products amongst 15 banks in Portugal, including Barclays, over a period of 11 years with particular reference to mortgages, consumer lending and lending to small and medium enterprises. Barclays is cooperating with the investigation.

Claimed amounts/Financial impact

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

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 CCUK Finance Limited and CIAC Corporation issued in the English High Court alleging breach of a contractual indemnity, fraudulent misrepresentation and breach of warranty arising out of the sale of a portfolio of credit cards in 2007. 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.

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 141.

28 Subordinated liabilities

Accounting for subordinated liabilities
Subordinated liabilities are measured at amortised cost using the effective interest method under IFRS 9.

	2018 £m	2017 £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 £m	2017 £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 £m	2017 £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[a]	2020	–	182
6.125% Undated Subordinated Notes[a]	2027	–	43
Junior Undated Floating Rate Notes (USD 38m)	Any interest payment date	30	28
Undated Floating Rate Primary Capital Notes Series 3[a]	Any interest payment date	–	21
Bonds			
9.25% Perpetual Subordinated Bonds (ex-Woolwich Plc)[a]	2021	–	87
9% Permanent Interest Bearing Capital Bonds[a]	At any time	–	45
Loans			
5.03% Reverse Dual Currency Undated Subordinated Loan (JPY 8,000m)[a]	2028	–	51
5% Reverse Dual Currency Undated Subordinated Loan (JPY 12,000m)[a]	2028	–	73
Total undated subordinated liabilities		**3,522**	**4,191**

Note
a 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 RCIs 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.

28 Subordinated liabilities continued

Dated subordinated liabilities

	Initial call date	Maturity date	2018 £m	2017 £m
Barclays PLC issued				
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
Barclays Bank PLC issued				
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
External issuances by other subsidiaries		2019–2023	**384**	59
Total dated subordinated liabilities			**17,037**	19,635

Dated subordinated liabilities

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:

Subordination

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

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.

Repayment

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.

Other

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%.

Capital instruments, equity and reserves

29 Ordinary shares, share premium, and other equity

Called up share capital, allotted and fully paid

	Number of shares m	Ordinary share capital £m	Ordinary share premium £m	Total share capital and share premium £m	Other equity instruments £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 $2bn.

AT1 equity instruments

	Initial call date	2018 £m	2017 £m
AT1 equity instruments – Barclays PLC			
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%.

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 £m	2017 £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

Strategic report Governance Risk review Financial review Financial statements Shareholder information

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 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £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 £m	2017 £m
Preference Shares:		
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
Total Barclays Bank PLC Preference Shares	**529**	1,838
Total	**529**	1,838
Upper Tier 2 Instruments:		
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**	–
Total Upper Tier 2 Instruments	**691**	272

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.

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 £m	2017 £m	2016 £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.

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 £	Weighted average share price at exercise/ release during year £	Weighted average remaining contractual life years	Number of options/ awards outstanding (000s)	Weighted average fair value per award granted in year £	Weighted average share price at exercise/ release during year £	Weighted average remaining contractual life years	Number of options/ awards outstanding (000s)
SVP[a,b]	1.90	2.11	<1	67,898	2.30	2.29	1	191,610
DSVP[a,b]	1.94	2.10	1	206,571	2.26	2.06	1	125,399
Others[a]	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[a,b]		DSVP[a,b]		Others[a,c]			
	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 11.4 million (2017: 9.9 million). 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.

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 £m	2017 £m	2016 £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 £m	Of which relates to UKRF £m	Total £m	Of which relates to UKRF £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 % p.a.	2017 % 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 (Decrease)/ Increase in UKRF defined benefit obligation £bn	2017 (Decrease)/ Increase in UKRF defined benefit obligation £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)

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 £m	% of total fair value of scheme assets %	Value £m	% of total fair value of scheme assets %
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[a]	4,099	13.8	3,840	13.2
Bonds – index-linked government[a]	11,960	40.2	11,951	41.1
Bonds – corporate and other[a]	5,653	19.0	5,479	18.9
Property – commercial[b]	1,712	5.8	1,702	5.9
Derivatives[b]	266	0.9	266	0.9
Other[c]	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[a]	2,433	7.9	2,184	7.3
Bonds – index-linked government[a]	13,089	42.3	13,078	43.4
Bonds – corporate and other[a]	5,195	16.8	4,999	16.6
Property – commercial[b]	1,911	6.2	1,902	6.3
Derivatives[b]	816	2.6	816	2.7
Other[c]	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.

33 Pensions and post-retirement benefits continued

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 30 September 2016 valuation £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.

Other support measures agreed at the same time as the valuation

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 £9bn, 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.

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 £m	Retained profit for the year £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 183 to196 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.

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 £m	Short-term traded interests £m	Traded derivatives £m	Other interests £m	Total £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 139 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 conduit programmes £m	Lending £m	Investment funds and trusts £m	Others £m	Total £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 overcollateralisation, 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 overcollateralisation, seller guarantees, or other credit enhancements provided to the conduit.

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 £m	Joint ventures £m	Total £m	Associates £m	Joint ventures £m	Total £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 £m	2017 £m	2018 £m	2017 £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 £1,715m (2017: £1,712m). In addition, the Barclays Group has made commitments to finance or otherwise provide resources to its joint ventures and associates of £318m (2017: £304m).

37 Securitisations

Accounting for securitisations

The Barclays Group uses securitisations as a source of finance and a means of risk transfer. Such transactions generally result in the transfer of contractual cash flows from portfolios of financial assets to holders of issued debt securities.

Securitisations may, depending on the individual arrangement, result in continued recognition of the securitised assets and the recognition of the debt securities issued in the transaction; lead to partial continued recognition of the assets to the extent of the Barclays Group's continuing involvement in those assets or to derecognition of the assets and the separate recognition, as assets or liabilities, of any rights and obligations created or retained in the transfer. Full derecognition only occurs when the Barclays Group transfers both its contractual right to receive cash flows from the financial assets, or retains the contractual rights to receive the cash flows, but assumes a contractual obligation to pay the cash flows to another party without material delay or reinvestment, and also transfers substantially all the risks and rewards of ownership, including credit risk, prepayment risk and interest rate risk.

In the course of its normal banking activities, the Barclays Group makes transfers of financial assets, either where legal rights to the cash flows from the asset are passed to the counterparty or beneficially, where the Barclays Group retains the rights to the cash flows but assumes a responsibility to transfer them to the counterparty. Depending on the nature of the transaction, this may result in derecognition of the assets in their entirety, partial derecognition or no derecognition of the assets subject to the transfer.

A summary of the main transactions, and the assets and liabilities and the financial risks arising from these transactions, is set out below:

Transfers of financial assets that do not result in derecognition

Securitisations

The Barclays Group was party to securitisation transactions involving its credit card balances.

In these transactions, the assets, interests in the assets, or beneficial interests in the cash flows arising from the assets, are transferred to a special purpose entity, which then issues interest bearing debt securities to third party investors.

Securitisations may, depending on the individual arrangement, result in continued recognition of the securitised assets and the recognition of the debt securities issued in the transaction. Partial continued recognition of the assets to the extent of the Barclays Group's continuing involvement in those assets can also occur or derecognition of the assets and the separate recognition, as assets or liabilities, of any rights and obligations created or retained in the transfer.

The following table shows the carrying amount of securitised assets that have not resulted in full derecognition, together with the associated liabilities, for each category of asset on the balance sheet:

	2018				2017			
	Assets		Liabilities		Assets		Liabilities	
	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Loans and advances at amortised cost								
Credit cards, unsecured and other retail lending	4,242	4,334	(4,234)	(4,218)	3,772	3,757	(3,635)	(3,626)

Balances included within loans and advances at amortised cost represent securitisations where substantially all the risks and rewards of the asset have been retained by the Barclays Group.

The relationship between the transferred assets and the associated liabilities is that holders of notes may only look to cash flows from the securitised assets for payments of principal and interest due to them under the terms of their notes, although the contractual terms of their notes may be different to the maturity and interest of the transferred assets.

For transfers of assets in relation to repurchase agreements, refer to Note 38.

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:

	Continuing involvement[a]			Gain/(loss) from continuing involvement	
Type of transfer	Carrying amount £m	Fair value £m	Maximum exposure to loss £m	For the year ended £m	Cumulative to 31 December £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 188 (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 £m	2017 £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 £m	2017 £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

Additional disclosure has been included in collateral and other credit enhancements (see pages 151 to 152).

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 £m	Joint ventures £m	Pension funds £m
For the year ended and as at 31 December 2018			
Total income	–	7	4
Credit impairment and other provisions	–	–	–
Operating expenses	(27)	(7)	–
Total assets	12	1,288	3
Total liabilities	85	2	139
For the year ended and as at 31 December 2017			
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
For the year ended and as at 31 December 2016			
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 £m	2017 £m
As at 1 January	4.8	9.2
Loans issued during the year[a]	4.2	0.5
Loan repayments during the year[b]	(1.8)	(4.9)
As at 31 December	7.2	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.

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 £m	2017 £m
As at 1 January	**6.9**	7.3
Deposits received during the year[a]	**24.8**	25.7
Deposits repaid during the year[b]	**(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 99 to 126. 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 £m	2017 £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 £m	2017 £m
Aggregate emoluments[a]	**9.0**	8.5
Amounts paid under LTIPs[b]	**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).

40 Auditors' remuneration

Auditors' remuneration is included within consultancy, legal and professional fees in administration and general expenses and comprises:

	2018 £m	2017 £m	2016 £m
Audit of the Barclays Group's annual accounts	8	11	14
Other services:			
Audit of the Company's subsidiaries[a]	32	27	27
Other audit related fees[b]	9	8	4
Other services[c]	2	2	4
Total Auditors' remuneration	51	48	49

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 in 2016.

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).

41 Discontinued operations and assets included in disposal groups classified as held for sale and associated liabilities

Accounting for non-current assets held for sale and associated liabilities
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.

Assets included in disposal groups classified as held for sale

	2018 £m	2017 £m
Financial assets at fair value through the income statement	–	3
Loans and advances at amortised cost	–	1,164
Property, plant and equipment	–	26
Total assets included in disposal groups classified as held for sale	–	1,193

Discontinued operation
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.

41 Discontinued operations and assets included in disposal groups classified as held for sale and associated liabilities continued

Barclays Africa disposal group income statement

For the year ended 31 December	2018 £m	2017 £m	2016 £m
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[a]	–	(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[b]	–	(760)	591
Attributable to:			
Equity holders of the parent	–	(900)	189
Non-controlling interests	–	140	402
(Loss)/profit after tax[b]	–	(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:

For the year ended 31 December	2018 £m	2017 £m	2016 £m
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:

For the year ended 31 December	2018 £m	2017 £m	2016 £m
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 31 December 2017			As at 1 January 2018
	Impairment allowance under IAS 39 or provisions under IAS 37 £m	Reclassification impact £m	Additional IFRS 9 impairment allowance £m	**Impairment allowance under IFRS 9 £m**
Loans and advances at amortised cost and other assets[a]	4,652	(52)	2,508	**7,108**
Available for sale investments/financial assets at fair value through other comprehensive income	38	(38)	3	**3**
Total on-balance sheet	4,690	(90)	2,511	**7,111**
Provision for undrawn contractually committed facilities and guarantee contracts	79	–	341	**420**
Total impairment and provision	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.

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.

Assets	IAS 39 measurement category	IFRS 9 measurement category	As at 31 December 2017 Published IAS 39 carrying amount £m	Balance sheet presentation changes £m	As at 31 December 2017 Revised IAS 39 carrying amount £m	IFRS 15 impact £m	IFRS 9 presentation change £m	IFRS 9 classification and measurement £m	IFRS 9 impairment change £m	As at 1 January 2018 IFRS 9 carrying amount £m
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[a]	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 £10bn.

42 Transition disclosures continued

Liabilities	IAS 39 measurement category	IFRS 9 measurement category	As at 31 December 2017 Published IAS 39 carrying amount £m	Balance sheet presentation changes £m	As at 31 December 2017 Revised IAS 39 carrying amount £m	IFRS 15 impact £m	IFRS 9 presentation changes £m	IFRS 9 classification and measurement £m	IFRS 9 impairment change £m	As at 1 January 2018 IFRS 9 carrying amount £m
Deposits from banks	Amortised cost	Amortised cost	37,723	(37,723)	–	–	–	–	–	**–**
Deposits at amortised cost	Amortised cost	Amortised cost	–	398,701	398,701	–	–	(18,860)	–	**379,841**
Items in the course of collection due to other banks	Amortised cost	Amortised cost	446	(446)	–	–	–	–	–	**–**
Customer accounts	Amortised cost	Amortised cost	429,121	(429,121)	–	–	–	–	–	**–**
Cash collateral and settlement balances	Amortised cost	Amortised cost	–	68,143	68,143	–	–	(2,218)	–	**65,925**
Repurchase agreements and other similar secured borrowing	Amortised cost	Amortised cost	40,338	–	40,338	–	–	(25,285)	–	**15,053**
Debt securities in issue	Amortised cost	Amortised cost	73,314	–	73,314	–	–	–	–	**73,314**
Subordinated liabilities	Amortised cost	Amortised cost	23,826	–	23,826	–	–	–	–	**23,826**
Trading portfolio liabilities	FVTPL	FVTPL	37,351	–	37,351	–	–	–	–	**37,351**
Financial liabilities designated at fair value	FVTPL	FVTPL	173,718	–	173,718	–	–	46,365	–	**220,083**
Derivative financial instruments	FVTPL	FVTPL	238,345	–	238,345	–	–	–	–	**238,345**
Current tax liabilities	N/A	N/A	586	–	586	–	–	–	–	**586**
Deferred tax liabilities	N/A	N/A	44	–	44	–	–	–	–	**44**
Retirement benefit liabilities	N/A	N/A	312	–	312	–	–	–	–	**312**
Accruals, deferred income and other liabilities	Amortised cost	Amortised cost	8,565	(8,565)	–	–	–	–	–	**–**
Other liabilities	Amortised cost	Amortised cost	–	9,011	9,011	–	–	–	–	**9,011**
Provisions	N/A	N/A	3,543	–	3,543	–	–	–	341	**3,884**
Total liabilities			1,067,232	–	1,067,232	–	–	2	341	**1,067,575**
Equity										
Called up share capital and share premium	N/A	N/A	22,045	–	22,045	–	–	–	–	**22,045**
Other reserves	N/A	N/A	5,383	–	5,383	–	–	(139)	3	**5,247**
Retained earnings	N/A	N/A	27,536	–	27,536	67	–	122	(2,203)	**25,522**
Other equity instruments	N/A	N/A	8,941	–	8,941	–	–	–	–	**8,941**
Total equity excluding non-controlling interests	N/A	N/A	63,905	–	63,905	67	–	(17)	(2,200)	**61,755**
Non-controlling interests	N/A	N/A	2,111	–	2,111	–	–	–	–	**2,111**
Total equity			66,016	–	66,016	67	–	(17)	(2,200)	**63,866**
Total liabilities and equity			1,133,248	–	1,133,248	67	–	(15)	(1,859)	**1,131,441**

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'.

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 350 to 354. 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 31 December 2017 Revised IAS 39 carrying amount £m	IFRS 15 impact £m	IFRS 9 presentation changes £m	IFRS 9 classification £m	IFRS 9 measurement £m	IFRS 9 impairment change £m	As at 1 January 2018 IFRS 9 carrying amount £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 31 December 2017 Revised IAS 39 carrying amount £m	IFRS 15 impact £m	IFRS 9 presentation changes £m	IFRS 9 classification £m	IFRS 9 measurement £m	IFRS 9 impairment change £m	As at 1 January 2018 IFRS 9 carrying amount £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 applied the fair value through other comprehensive income option under IFRS 9 for the value of £52,305m as a result of the assessment of the business model, 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.

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 31 December 2017 Revised IAS 39 carrying amount £m	IFRS 15 impact £m	IFRS 9 presentation changes £m	IFRS 9 classification £m	IFRS 9 measurement £m	IFRS 9 impairment change £m	As at 1 January 2018 IFRS 9 carrying amount £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 31 December 2017 Revised IAS 39 carrying amount £m	IFRS 15 impact £m	IFRS 9 presentation changes £m	IFRS 9 classification £m	IFRS 9 measurement £m	IFRS 9 impairment change £m	As at 1 January 2018 IFRS 9 carrying amount £m
Financial liabilities designated at fair value							
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
Total financial liabilities designated at fair value	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 31 December 2017 Revised IAS 39 carrying amount £m	IFRS 15 impact £m	IFRS 9 presentation changes £m	IFRS 9 classification £m	IFRS 9 measurement £m	IFRS 9 impairment change £m	As at 1 January 2018 IFRS 9 carrying amount £m
Other reserves							
Opening balance	5,383						5,383
Transfers out:							
– To retained earnings	–	–	–	(139)	–	–	(139)
Increase in expected credit losses	–	–	–	–	–	3	3
Total other reserves	5,383	–	–	(139)	–	3	5,247

	As at 31 December 2017 Revised IAS 39 carrying amount £m	IFRS 15 impact £m	IFRS 9 presentation changes £m	IFRS 9 classification £m	IFRS 9 measurement £m	IFRS 9 impairment change £m	As at 1 January 2018 IFRS 9 carrying amount £m
Retained earnings							
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)
Total retained earnings	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.

42 Transition disclosures continued

As at 31 December 2018	Total £m
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.

44 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
United Kingdom	
– 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	
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
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 Liability Partnership	B
Relative Value Trading Limited	

44 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	
Keepier Investments (In Liquidation)	
– Logic House, Waterfront Business Park, Fleet Road, Fleet, GU1 3GB	
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

Argentina

– 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	
Compañia Regional del Sur S.A.	

Wholly owned subsidiaries	Note

Brazil

– Av. Brigadeiro Faria Lima, No. 4.440, 12th 04538-132	
Barclays Brasil Assessoria Financeira Ltda.	
BNC Brazil Consultoria Empresarial Ltda	

Canada

– 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

Cayman Islands

– Maples Corporate Services Limited, PO Box 309, Ugland House, George Town, Grand Cayman, KY1-1104	
Alymere Investments Limited	G, H, I
Analytical Trade UK Limited	
Barclays Capital (Cayman) Limited	
Braven Investments No.1 Limited	
Capton Investments Limited	
Claudas Investments Limited	I, EE
Claudas Investments Two Limited	
CPIA Investments No.1 Limited	V
CPIA Investments No.2 Limited	F, I
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	F, I
Pippin Island Investments Limited	
Razzoli Investments Limited	F, I
RVH Limited	F, I
– 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	L
Palomino Limited	Z
Wessex Investments Limited	
– Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, KY1– 9008	
Long Island Holding B Limited	

China

– Room 213, Building 1, No. 1000 Chenhui Road, Zhangjiang Hi-Tech Park, Shanghai	
Barclays Technology Centre (Shanghai) Company Limited (In Liquidation)	

France

– 34/36 avenue de Friedland, Paris, 75008	
BBAIL SAS	

Wholly owned subsidiaries	Note

Germany

– TaunusTurm, Taunustor 1, 60310, Frankfurt	
Barclays Capital Effekten GmbH	
– Stuttgarter Straße 55-57, 73033 Göppingen	
Holding Stuttgarter Straße GmbH	

Guernsey

– P.O. Box 33, Dorey Court, Admiral Park, St. Peter Port, GY1 4AT	
Barclays Insurance Guernsey PCC Limited	Q
– PO BOX 41, Floor 2, Le Marchant House, Le Truchot, St Peter Port, GY1 3BE	
Barclays Nominees (Guernsey) Limited	

Hong Kong

– 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	

India

– 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

Indonesia

– 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)	

Ireland

– 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	

Isle of Man

– 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

Japan

– 10-1, Roppongi 6-chome, Minato-ku, Tokyo	
Barclays Funds and Advisory Japan Limited	
Barclays Securities Japan Limited	
Barclays Wealth Services Limited	

44 Related undertakings continued

Wholly owned subsidiaries	Note
Jersey	
– 2nd Floor, Gaspé House, 66-72 Esplanade, St. Helier, JE1 1GH	
CP Newco 1 Limited	
CP Newco2 Limited	J, K
CP Newco3 Limited	
– La Motte Chambers, St Helier, JE1 1BJ	
Barclays Services Jersey Limited	
– 39-41 Broad Street, St Helier, JE2 3RR	
Barclays Wealth Management Jersey Limited	
BIFML PTC Limited	
– 13 Castle Street, St. Helier, JE4 5UT	
Barclays Index Finance Trust	S
– Lime Grove House, Green Street, St Helier, JE1 2ST	
Barbridge Limited (In Liquidation)	I, DD
– 13 Library Place, St Helier, JE4 8NE	
Barclays Nominees (Jersey) Limited	
Barclaytrust Channel Islands Limited	
– Appleby Trust (Jersey) Limited, PO Box 207, 13-14 Esplanade, St Helier, JE1 1BD	
MK Opportunities GP Ltd	
Korea, Republic of	
– A-1705 Yeouido Park Centre, 28-3 Yeouido-dong, Yeongdeungpo-gu, Seoul	
Barclays Korea GP Limited	
Luxembourg	
– 9, allée Scheffer, L-2520	
Barclays Alzin Investments S.à r.l.	
Barclays Bayard Investments S.à r.l.	J, K
Barclays Bedivere Investments S.à r.l.	
Barclays Bordang Investments S.à r.l.	
Barclays BR Investments S.à r.l.	
Barclays Cantal Investments S.à r.l.	GG
Barclays Capital Luxembourg S.à r.l.	
Barclays Capital Trading Luxembourg S.à r.l.	J, K
Barclays Claudas Investments S.à r.l.	P
Barclays Equity Index Investments S.à r.l.	
Barclays International Luxembourg Dollar Holdings S.à r.l.	
Barclays Lamorak Investments S.à r.l.	T
Barclays Leto Investments S.à r.l.	J, K, L
Barclays Luxembourg EUR Holdings S.à r.l	T
Barclays Luxembourg Finance S.à r.l.	
Barclays Luxembourg GBP Holdings S.à r.l.	T
Barclays Luxembourg Global Funding S.à r.l.	J, K
Barclays Luxembourg Holdings S.à r.l.	I, AA
Barclays Luxembourg Holdings SSC	B
Barclays Pelleas Investments S.à r.l.	
– 68-70 Boulevard de la Petrusse, L-2320	
Adler Toy Holding Sarl	
Mauritius	
– 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	
Mexico	
– Paseo de la Reforma 505, 41 Floor, Torre Mayor, Col. Cuauhtemoc, CP 06500	
Barclays Bank Mexico, S.A.	K, M
Barclays Capital Casa de Bolsa, S.A. de C.V.	K, M
Grupo Financiero Barclays Mexico, S.A. de C.V.	K, M
Servicios Barclays, S.A. de C.V.	

Wholly owned subsidiaries	Note
Monaco	
– 31 Avenue de la Costa, BP 339	
Barclays Private Asset Management (Monaco) S.A.M	
Netherlands	
– Prins Bernhardplein 200, 1097 Hj Amsterdam	
Chewdef BidCo BV. (In Liquidation)	
Nigeria	
– Southgate House, Udi Street, Osborne Estate, Ikoyi, Lagos	
Barclays Group Representative Office (NIG) Limited (In Liquidation)	
Philippines	
– 21/F, Philamlife Tower, 8767 Paseo de Roxas, Makati City, 1226	
Meridian (SPV-AMC) Corporation	
Saudi Arabia	
– 3rd Floor Al Dahna Center, 114 Al-Ahsa Street, PO Box 1454, Riyadh 11431	
Barclays Saudi Arabia (In Liquidation)	
Singapore	
– 10 Marina Boulevard, #24-01 Marina Bay Financial Centre, Tower 2, 018983	
Barclays Bank (Singapore Nominees) Pte Ltd (In Liquidation)	
Barclays Bank (South East Asia) Nominees Pte Ltd (In Liquidation)	
Barclays Capital Futures (Singapore) Private Limited	
Barclays Capital Holdings (Singapore) Private Limited	
Barclays Merchant Bank (Singapore) Ltd.	
Spain	
– Calle Jose, Abascal 51, 28003, Madrid	
Barclays Tenedora De Immuebles SL.	
BVP Galvani Global, S.A.U.	
Switzerland	
– Chemin de Grange Canal 18-20, PO Box 3941, 1211, Geneva	
Barclays Bank (Suisse) S.A.	
Barclays Switzerland Services SA	
BPB Holdings SA	
United States	
– Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801	
Archstone Equity Holdings Inc	
Barclays BWA, Inc.	
Barclays Capital Derivatives Funding LLC	C
Barclays Capital Energy Inc.	
Barclays Capital Holdings Inc.	G, H, I
Barclays Capital Real Estate Finance Inc.	
Barclays Capital Real Estate Holdings Inc.	
Barclays Capital Real Estate Inc.	
Barclays Commercial Mortgage Securities LLC	C
Barclays Electronic Commerce Holdings Inc.	
Barclays Financial LLC	C
Barclays Group US Inc.	G, I
Barclays Oversight Management Inc.	
Barclays Receivables LLC	C
Barclays Services Corporation	
Barclays US CCP Funding LLC	C
Barclays US Funding LLC	C
Barclays US Investments Inc.	J, K

Wholly owned subsidiaries	Note
Barclays US LLC	I, U
BCAP LLC	C
Crescent Real Estate Member LLC	C
Gracechurch Services Corporation	
Long Island Holding A LLC	C
LTDL Holdings LLC	C
Marbury Holdings LLC	C
Protium Finance I LLC	C
Protium Master Mortgage LP	B
Protium REO I LP	B
Securitized Asset Backed Receivables LLC	C
Sutton Funding LLC	C
TPLL LLC	C
TPProperty LLC	C
US Secured Investments LLC	JJ
– 1201 North Market Street, P.O. Box 1347 Wilmington, DE19801	
Barclays Bank Delaware	F, I
Procella Investments LLC	C
Procella Investments No.1 LLC	C
Procella Investments No.2 LLC	C
Procella Investments No.3 LLC	C
Verain Investments LLC	
– 2711 Centerville Road, Suite 400, Wilmington, DE 19808	
Analog Analytics Inc	
Protium Master Grantor Trust	D
– 251 Little Falls Drive, New Castle County, Wilmington DE 19808	
Barclays Capital Equities Trading GP	B
Lagalla Investments LLC	
Relative Value Holdings, LLC	
Surrey Funding Corporation	
Sussex Purchasing Corporation	
– 745 Seventh Avenue, New York NY 10019	
Alynore Investments Limited Partnership	B
Barclays Payment Solutions Inc.	
Curve Investments GP	B
Preferred Liquidity, LLC	J
– CT Corporation System, One Corporate Center, Floor 11, Hartford CT 06103-3220	
Barclays Capital Inc.	
– c/o RL&F Service Corp, One Rodney Square, 10th Floor, Tenth and King Streets, Wilmington DE 19801	
Analytical Trade Holdings LLC	
Analytical Trade Investments LLC	BB
– 100 South West Street, Wilmington DE 19801	
Barclays Dryrock Funding LLC	C
Wilmington Riverfront Receivables LLC	J, K
– 15 East North Street, Dover DE 19801	
Barclays Services LLC	C
– CT Corporation System, 225 Hillsborough Street, Raleigh, NC 27603	
Barclays US GPF Inc.	
– CT Corporation System, 350 North St. Paul Street, Dallas TX 75201	
La Torretta Beverages LLC	C
La Torretta Hospitality LLC	C
La Torretta Operations LLC	C
– 500 Forest Point Circle, Charlotte, North Carolina 28273	
Equifirst Corporation (In Liquidation)	
– Aon Insurance Managers (USA) Inc., 76 St. Paul Street, Suite 500, Burlington, VT05401-4477	
Barclays Insurance U.S. Inc.	
Zimbabwe	
– 2 Premium Close, Mount Pleasant Business Park, Mount Pleasant , Harare	
Branchcall Computers (Pvt) Limited	

44 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
United Kingdom		
– 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
Cayman Islands		
– 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 Securitization Specialty Co., Limited	70.00%	W
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
United Kingdom		
– 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

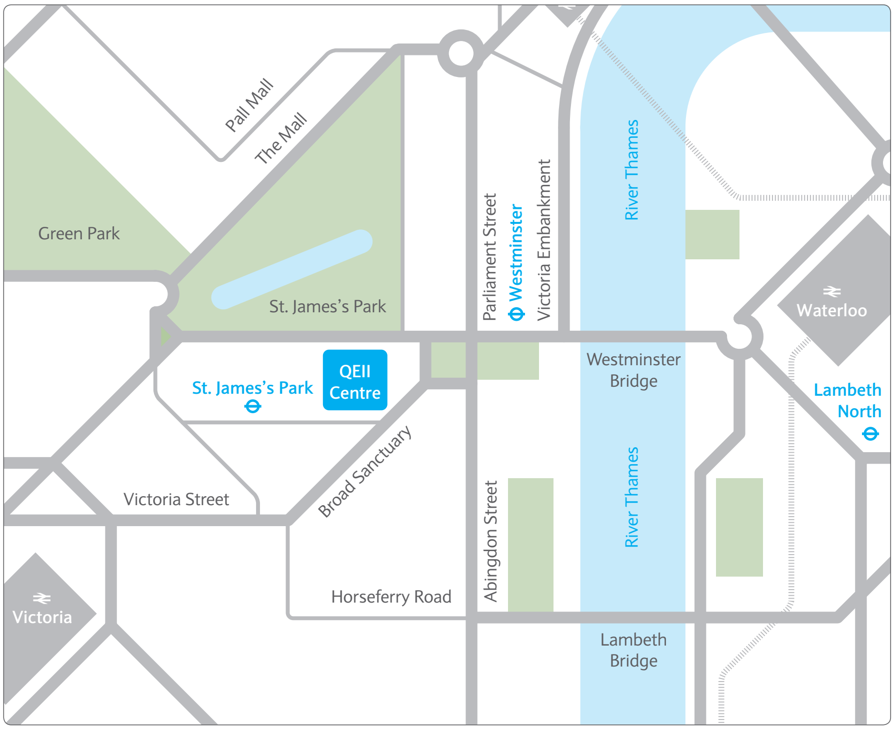
The related undertakings below are Joint Ventures in accordance with s. 18, Schedule 4, The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and are proportionally consolidated.

Joint Ventures	Percentage	Note
United Kingdom		
– 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.

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

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.

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.

Direct to bank account	57%
Cheque	20.5%
Scrip Dividend Programme (new shares)	22.5%

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

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. 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[a]
(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
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**

Equiniti
0371 384 2055[a]
(in the UK)

+44 121 415 7004
(from overseas)

0371 384 2255[a]
(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** or visit **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**

Shareholder Relations
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**

Note
a Lines open 8.30am to 5.30pm (UK time) Monday to Friday, excluding public holidays.

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.

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.

These results will be filed as a Form 20-F to the SEC as soon as practicable following their publication. Once filed with the SEC, copies of the Form 20-F will also be available from the Barclays Investor Relations website at home.barclays/results and from the SEC's website at www.sec.gov.

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 223 to 227 for further information and calculations of non-IFRS performance measures included throughout this document, and the most directly comparable IFRS measures.

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. Additional risks and factors which may impact the Barclays Group's future financial condition and performance are identified in our filings with the SEC (including, without limitation, our Annual Report on form 20-F for the fiscal year ended 31 December 2018), which are available on the SEC's website at www.sec.gov.

Subject to our obligations under the applicable laws and regulations of the United Kingdom and the United States in relation to disclosure and ongoing information, we undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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