

BARCLAYS PLC
Form 20-F
February 21, 2019

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

(Mark One)

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

OR

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

For the fiscal year ended December 31, 2018

OR

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

For the transition period from _____ to _____

OR

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

Date of event requiring this shell company report _____

Commission file number Barclays 1-09246
PLC

BARCLAYS PLC

(Exact Name of Registrant as Specified in its Charter)

ENGLAND

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(Jurisdiction of Incorporation or Organization)

1 CHURCHILL PLACE, LONDON E14 5HP, ENGLAND

(Address of Principal Executive Offices)

GARTH WRIGHT, +44 (0)20 7116 3170, GARTH.WRIGHT@BARCLAYS.COM

1 CHURCHILL PLACE, LONDON E14 5HP, ENGLAND

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

Title of Each Class	Name of Each Exchange
	On Which Registered
25p ordinary shares	New York Stock Exchange*

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

*Not for trading, but in connection with the registration of American Depository Shares, pursuant to the requirements to the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuers' classes of capital or common stock as of the close of the period covered by the annual report.

25p ordinary shares 17,132,806,284

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act 1934.

Yes No

Note: Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of 'large accelerated filer', 'accelerated filer' and 'emerging growth company' in Rule 12b-2 of the Exchange Act:

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

The term 'new or revised financial accounting standard' refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

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*Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board

Other

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

Item 17

Item 18

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

Yes No

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

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

Yes No

SEC Form 20-F Cross reference information

Form 20-F item number	Page and caption references in this document*
1 Identity of Directors, Senior Management and Advisers	Not applicable
2 Offer Statistics and Expected Timetable	Not applicable
3 Key Information	
A. Selected financial data	180, 182, 205-211, 232 (Notes 10 and 11), 310
B. Capitalization and indebtedness	Not applicable
C. Reason for the offer and use of proceeds	Not applicable
D. Risk factors	85-90
4 Information on the Company	
A. History and development of the company	1, 8-11, 222 (Note 6), 240 (Note 15), 290 (Note 36), 295-296 (Note 41), 305-309
B. Business overview	iii (Market and other data), 169-176, 184-193, 218-219 (Note 2), 265-273 (Note 27)
C. Organizational structure	8, 286-287 (Note 34), 332-335
D. Property, plants and equipment	258 (Note 20), 259-260 (Note 21), 262 (Note 23)
4A Unresolved staff comments	Not applicable
5 Operating and Financial Review and Prospects	
A. Operating results	85-89, 129, 156, 169-176, 178-194, 234-239 (Note 14), 265-273 (Note 27), 404-405
B. Liquidity and capital resources	120-121, 135, 137-145, 147-150, 211, 213, 234-239 (Note 14), 265 (Note 26), 273-275 (Note 28), 276-277 (Note 29), 290 (Note 36), 291-292 (Note 37), 400-406, 419-422
C. Research and development, patents and licenses, etc.	44
D. Trend information	
E. Off-balance sheet arrangements	78, 265 (Note 26), 287-290 (Note 35), 291-292 (Note 37)

F.	Tabular disclosure of contractual obligations	422
G.	Safe harbor	ii (Forward-looking statements)
6	Directors, Senior Management and Employees	
A.	Directors and senior management	5-7, 322-326
B.	Compensation	43, 53-80, 279-280 (Note 32), 293-294 (Note 39), 442
C.	Board practices	5-7, 12-14, 65, 84, 362-363
D.	Employees	52, 184, 187, 191-193, 218-219 (Note 2)
E.	Share ownership	279-280 (Note 32), 293-294 (Note 39), 329-331
7	Major Shareholders and Related Party Transactions	
A.	Major shareholders	45, 321
B.	Related party transactions	293-294 (Note 39), 360, 442
C.	Interests of experts and counsel	Not applicable
8	Financial Information	
A.	Consolidated statements and other financial information	180, 182, 203-213, 214-304, 232 (Note 11), 265-273 (Note 27), 276-277 (Note 29), 307-308, 310
B.	Significant changes	Not applicable
9	The Offer and Listing	
A.	Offer and listing details	310, 320
B.	Plan of distribution	Not applicable
C.	Markets	310, 320
D.	Selling shareholders	Not applicable
E.	Dilution	Not applicable
F.	Expenses of the issue	Not applicable
10	Additional Information	
A.	Share capital	Not applicable
B.	Memorandum and Articles of Association	305-309
C.	Material contracts	63-65

Form 20-F item number	Page and caption references in this document*
D. Exchange controls	316
E. Taxation	312-316
F. Dividends and paying assets	Not applicable
G. Statement by experts	Not applicable
H. Documents on display	316
I. Subsidiary information	286-287 (Note 34), 332-335
11 Quantitative and Qualitative Disclosure about Market Risk	93, 131-134, 155-157, 159-161, 388-395
12 Description of Securities Other than Equity Securities	
A. Debt Securities	Not applicable
B. Warrants and Rights	Not applicable
C. Other Securities	Not applicable
D. American Depositary Shares	310-311, 317-318
13 Defaults, Dividends Arrearages and Delinquencies	Not applicable
14 Material Modifications to the Rights of Security Holders and Use of Proceeds	Not applicable
15 Controls and Procedures	
A. Disclosure controls and procedures	322
B. Management's annual report on internal control over financial reporting	41
C. Attestation report of the registered public accounting firm	203
D. Changes in internal control over financial reporting	41
16A Audit Committee Financial Expert	13
16B Code of Ethics	320
16C Principal Accountant Fees and Services	20-21, 295 (Note 40), 319
16D Exemptions from the Listing Standards for Audit Committees	Not applicable
16E Purchases of Equity Securities by the Issuer and Affiliated Purchasers	46
16F Change in Registrant's Certifying Accountant	Not applicable
16G Corporate Governance	320
17 Financial Statements	Not applicable (See Item 8)
18 Financial Statements	Not applicable (See Item 8)
19 Exhibits	Exhibit Index

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

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.

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

Non-IFRS performance measures

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

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

Attributable profit excluding litigation and conduct represents attributable profit excluding litigation and conduct charges. The comparable IFRS measure is attributable profit. A reconciliation is provided on pages 197-199;

Average allocated equity represents the average shareholders equity that is allocated to the businesses. The comparable IFRS measure is average equity. A reconciliation is provided on page 200;

Average allocated tangible equity is calculated as the average of the previous month's period end allocated tangible equity and the current month's period end allocated tangible equity. The average allocated tangible equity for the period is the average of the monthly averages within that period. Period end allocated tangible equity is calculated as

13.0% (2017: 12.0%) of risk weighted assets for each business, adjusted for capital deductions, excluding goodwill and intangible assets, reflecting the assumptions the Group uses for capital planning purposes. Head Office allocated tangible equity represents the difference between the Barclays Group's tangible shareholders' equity and the amounts allocated to businesses. The comparable IFRS measure is average equity. A reconciliation is provided on page 196;

Average tangible shareholders' equity is calculated as the average of the previous month's period end tangible equity and the current month's period end tangible equity. The average tangible shareholders' equity for the period is the average of the monthly averages within that period. The comparable IFRS measure is average equity. A reconciliation is provided on page 199;

Basic earnings per share excluding litigation and conduct is calculated by dividing statutory profit after tax attributable to ordinary shareholders excluding litigation and conduct charges, including an adjustment for the tax credit in reserves in respect of other equity instruments, by the basic weighted average number of shares. The comparable IFRS measure is basic earnings per share. A reconciliation is provided on pages 197-199;

Cost: income ratio excluding litigation and conduct represents operating expenses excluding litigation and conduct charges, divided by total income. The comparable IFRS measure is cost: income ratio. A reconciliation is provided on pages 197-199;

Operating expenses excluding litigation and conduct represents operating expenses excluding litigation and conduct charges. The comparable IFRS measure is operating expenses. A reconciliation is provided on pages 197-199;

Operating expenses excluding litigation and conduct, and a GMP charge of £140m represents operating expenses excluding litigation and conduct charges, and a GMP charge of £140m. The comparable IFRS measure is operating expenses. A reconciliation is provided on page 180;

Profit before tax excluding litigation and conduct represents profit before tax excluding litigation and conduct charges. The comparable IFRS measure is profit before tax. A reconciliation is provided on page 197-199;

Return on average allocated equity represents the return on shareholders' equity that is allocated to the businesses. The comparable IFRS measure is return on equity. A reconciliation is provided on page 200;

Return on average allocated tangible equity is calculated as the annualised profit after tax attributable to ordinary equity holders of the parent, including an adjustment for the tax credit in reserves in respect of other equity instruments, as a proportion of average allocated tangible equity. The comparable IFRS measure is return on equity. A reconciliation is provided on page 196;

Return on average allocated tangible equity excluding litigation and conduct is calculated as the annualised profit after tax attributable to ordinary equity holders of the parent excluding litigation and conduct charges, including an adjustment for the tax credit in reserves in respect of other equity instruments, as a proportion of average allocated tangible equity. The comparable IFRS measure is return on equity. A reconciliation is provided on page 196;

Return on average tangible shareholders' equity is calculated as the annualised profit after tax attributable to ordinary equity holders of the parent, including an adjustment for the tax credit in reserves in respect of other equity instruments, as a proportion of average shareholders' equity excluding non-controlling interests and other equity instruments adjusted for the deduction of intangible assets and goodwill. The comparable IFRS measure is return on equity. A reconciliation is provided on page 197-199; and

Tangible net asset value per share is calculated by dividing shareholders' equity, excluding non-controlling interests and other equity instruments, less goodwill and intangible assets, by the number of issued ordinary shares. The components of the calculation have been included on page 199.

Forward-looking statements

This document contains certain forward-looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934, as amended, and Section 27A of the US Securities Act of 1933, as amended, with respect to the Barclays Group. Barclays cautions readers that no forward-looking statement is a guarantee of future performance and that actual results or other financial condition or performance measures could differ materially from those contained in the forward-looking statements. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements sometimes use words such as may, will, seek, continue, aim, anticipate, target, projected, expect, estimate, intend, plan, goal, believe 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.

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.

Market and other data

This document contains information, including statistical data, about certain Barclays markets and its competitive position. Except as otherwise indicated, this information is taken or derived from Datastream and other external sources. Barclays cannot guarantee the accuracy of information taken from external sources, or that, in respect of internal estimates, a third party using different methods would obtain the same estimates as Barclays.

Uses of Internet addresses

This document contains inactive textual addresses to internet websites operated by us and third parties. Reference to such websites is made for information purposes only, and information found at such websites is not incorporated by reference into this document.

References to Pillar 3 Report

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

Governance

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

Directors' report		Page 2
How we comply with The UK Corporate Governance Code 2016		3
Chairman's introduction		
Who we are	Board of Directors	5
	Group Executive Committee	7
What we did in 2018	Board report	8
	Board Audit Committee report	12
	Board Nominations Committee report	22
	Board Reputation Committee report	27
	Board Risk Committee report	31
		37
How we comply		43
		17

Other statutory information

People	47
Remuneration report	53

Governance: Directors report

How we comply with

The UK Corporate Governance Code 2016

The UK Corporate Governance Code 2016 (The Code)

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

You can find our disclosures as follows:

Leadership	Page
Every company should be headed by an effective board which is collectively responsible for the long-term success of the company.	
Board of Directors	5
Composition of the Board	4
There should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company's business. No one individual should have unfettered powers of decision.	
Roles on the Board	37
The chairman is responsible for leadership of the board and ensuring its effectiveness on all aspects of its role.	
Roles on the Board	37
As part of their role as members of a unitary board, non-executive directors should constructively challenge and help develop proposals on strategy.	
Roles on the Board	37
Effectiveness	Page
The board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively.	
Board of Directors	5
Board Diversity	4
There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board.	
Appointment and re-election of Directors	43

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All directors should be able to allocate sufficient time to the company to discharge their responsibilities effectively.	
Board of Directors	5
Attendance	38
Time commitment	39
All directors should receive induction on joining the board and should regularly update and refresh their skills and knowledge.	
Induction	39
Training and Development	39
The board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.	
Information provided to the Board	40
The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.	
Review of Board and Board Committee Effectiveness	40
All directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance.	
Composition of the Board	4
Appointment and re-election of Directors	43
Accountability	Page
The board should present a fair, balanced and understandable assessment of the company's position and prospects.	
Risk management	83
The board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The board should maintain sound risk management and internal control systems.	
Risk management and internal control	40
The board should establish formal and transparent arrangements for considering how they should apply the corporate reporting, risk management and internal control principles and for maintaining an appropriate relationship with the company's auditors.	
Board Audit Committee report	12
Accountability	40
Remuneration	Page
Executive directors' remuneration should be designed to promote the long-term success of the company. Performance-related elements should be transparent, stretching and rigorously applied.	
Remuneration report	53
There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration.	
Remuneration report	53
Relations with shareholders	Page
There should be a dialogue with shareholders based on the mutual understanding of objectives. The board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place.	
Shareholder engagement	41
The board should use general meetings to communicate with investors and to encourage their participation.	
Shareholder engagement	41

2 Barclays PLC 2018 Annual Report on Form 20-F

Governance: Directors report

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 their 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,

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

Central to this new corporate structure is a new corporate governance framework. In the course of preparing for structural reform it quickly became apparent that, in order for the Board and the Barclays Group to generate long-term

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

Governance reforms

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

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

Board composition

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

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

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

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

Governance: Directors' report

Chairman's introduction

Purpose, Values and Culture

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

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

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

Stakeholder engagement

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

A new regime for 2019

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

Board effectiveness

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

Looking ahead

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

John McFarlane

Chairman

20 February 2019

Board composition

Balance of non-executive Directors :

executive Directors

Chairman

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%)
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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.

4 Barclays PLC 2018 Annual Report on Form 20-F

Governance: Directors report

Who we are Board of Directors

Board of Directors^a

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.

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)

^a Full Director biographies can be found on pages 322 to 325.

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

Governance: Directors report

Who we are Board of Directors

Mary Anne Citrino

Non-executive

Appointed:

25 July 2018

Relevant skills and experience

Mary Anne is an experienced non-executive director holding considerable financial services and investment banking experience, following an executive career spanning over 20 years with Morgan Stanley.

Her current other non-executive positions and senior advisory role with Blackstone, coupled with her previous board and senior management level positions (with Dollar Tree Inc. Health Net, Inc, and Blackstone Advisory Partners) contribute to the wide ranging global, strategic and advisory experience she can provide to the Board.

Key current appointments

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

Committees

Risk

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, Enscoc 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 immense investment banking, financial services and commercial experience both at non-executive director and chairman level. Sir Gerry has global business experience across the UK, Asia, the Middle East and the US as a result of his former positions at Schroders and Standard Life Aberdeen plc as well as his other current positions.

Key current appointments

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

Committees

Nominations

Reuben Jeffery III

Non-executive

Appointed:

16 July 2009

Relevant skills and experience

Reuben has extensive financial services experience, particularly within investment banking and wealth management, through his current positions and former senior roles with Goldman Sachs, where he led their European Financial Institutions Group.

He is also able to provide the Board with insight and experience of the US political and regulatory environment, gained from his Government roles in the US, including as chairman of the Commodity Futures Trading Commission and as an under Secretary of State.

Key current appointments

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

Committees

Nominations, Risk

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 the UK. Stephen has extensive experience in corporate governance, legal, regulatory and compliance matters. Stephen serves on the Executive Committee of the GC100, the association of General Counsel and Company Secretaries working in UK FTSE 100 companies, and has previously served as Chairman of the ICC UK's Committee on Anti-Corruption.

Governance: Directors report

Who we are [Group Executive Committee](#)

Group Executive Committee^a

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

Paul Compton

Group Chief

Operating Officer

Bob Hoyt

Group General

Counsel

Laura Padovani

Group Chief

Compliance 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.

Tim Throsby

Chief Executive

Officer, Barclays

International

Ashok Vaswani

Chief Executive

Officer, Barclays UK

C S Venkatakrisnan

Group Chief

Risk Officer

^a Group Executive Committee biographies can be found on pages 322 to 325.

Governance: Directors report

What we did in 2018

Board report

The Barclays Board

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

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

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

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

As stated above, the Board is the ultimate decision-making body for all board-level issues and matters that are significant to

Barclays PLC, Barclays Bank UK PLC and Barclays Bank PLC because of their potential strategic, financial, regulatory or reputational implications or because of their potential consequences for the Barclays Group as a whole.

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

corporategovernance.

The Board Committees

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

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

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

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

8 Barclays PLC 2018 Annual Report on Form 20-F

Strategy formulation and monitoring

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

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

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

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

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

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

Finance (including capital and liquidity)

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

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

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

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

Relations and brokers.

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

Governance: Directors report

What we did in 2018

Board report

Governance and risk (including regulatory issues)

Debated and approved the 2018 risk appetite for the Barclays Group.

Discussed and received regular updates on stress testing.

Regularly assessed Barclays' overall risk profile and emerging risk themes, hearing directly from the Chief Risk Officer and the Chair of the Risk Committee.

Discussed and received regular updates directly from the Chief Controls Officer on the internal controls and framework of the Barclays Group and monitored progress of:

- 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.

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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

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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 the proposed action plan and considered the process for and findings of the

2018 Board effectiveness review. More information on the 2018 Board effectiveness review can be found on page 4.

Other (including remuneration)

Considered progress on Barclays' talent and succession planning (and hosted receptions for key talent within the Barclays Group), and monitored the overall diversity of the leadership pipeline to ensure that the broadest spectrum of leaders are being attracted to the Barclays Group.

Received updates on the Bank's diversity and inclusion initiatives, including from the Chair of the Nominations Committee, and debated the key business drivers for promoting diversity of gender, social and ethnic background, cognitive and personal strengths when making appointments to the Board and succession planning.

Considered and approved the 2018 incentive funding pools for the Barclays Group and allocation among each business and function. Please refer to the Remuneration report on pages 53 to 80 for further details.

10 Barclays PLC 2018 Annual Report on Form 20-F

Governance in action

Cyber security and operational resilience

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

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

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.

Continued investment in our IT infrastructure. We operate a multi-channel strategy, with the channels supported by different technology systems to ensure that we can continue to service our customers in the event that one or more channels encounters difficulties. There are also, often, non-digital alternatives available for use as back-up.

The provision of around-the-clock resilience and security. Nearly one quarter of the Barclays Group's global workforce of 85,000 is dedicated to security and technology. In order to enable our customers to transact 24/7, we seek to ensure around-the-clock resilience and security. We have created a global network of Joint Operation Centres with state-of-the-art technology and highly trained staff to enable always on monitoring, tracking, and handling of cyber threats and technology issues.

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

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

12 to 21 and pages 31 to 36 respectively.

Governance: Directors report

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

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

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

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

(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.

provided to the FCA and the PRA for the years 2018 – 2020, and to the New York State Department of Financial Services for the years 2017 – 2020.

Committee performance

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

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

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

Looking ahead

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

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

Mike Ashley

Chair, Board Audit Committee

20 February 2019

Committee allocation of time (%)

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 5 and 6.

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

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

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

Committee role and responsibilities

The Committee is responsible for:

assessing the integrity of the Barclays Group's financial reporting and satisfying itself that any significant financial judgements made by management are sound

evaluating the effectiveness of the Barclays Group's internal controls, including internal financial controls

scrutinising the activities and performance of the internal and external auditors, including monitoring their independence and objectivity

overseeing the relationship with the Barclays Group's external auditor

reviewing and monitoring the effectiveness of the Barclays Group's whistleblowing policies and procedures

overseeing significant legal and regulatory investigations, including the proposed litigation statement for inclusion in the statutory accounts.

The Committee's 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

Governance: Directors' report

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:

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the FRC's Annual Review of Corporate Governance and Reporting, which summarised key characteristics of good corporate reporting from the 2017/18 reporting year

the FRC's Year-End Advice Letter to Audit Committee Chairs and Finance Directors, which highlighted key developments for the 2018/19 reporting year

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

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

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

Significant judgements and estimates

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

Area of focus	Reporting issue	Role of the Committee	Conclusion/action taken
<p>Fair, balanced and understandable reporting</p> <p>(including country-by-country reporting and Pillar 3 reporting)</p>	<p>Barclays is required to ensure that its external reporting is fair, balanced and understandable.</p> <p>The Committee undertakes an assessment on behalf of the Board in order to provide the Board with assurance that it can make the statement required by The UK Corporate Governance Code 2016.</p>	<p>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.</p> <p>Evaluated reports from Barclays PLC's Disclosure Committee on its assessment of the content, accuracy and tone of the disclosures.</p> <p>Established through reports from management that there were no indications of fraud</p>	<p>Having evaluated all of the available information and the assurances provided by management, the Committee concluded that the processes underlying the preparation of Barclays published financial statements, including the 2018 Annual Report and financial statements, were appropriate in ensuring that those statements were fair, balanced and understandable.</p> <p>In assessing Barclays financial results statements over the course of 2018, the Committee specifically addressed and provided input to management on the</p>

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relating to financial reporting matters. disclosure and presentation of:

Evaluated the outputs of Barclays internal control assessments and Sarbanes-Oxley s404 internal control process. the impact of IFRS 9 on, among other things, Barclays CET1 ratio, credit risk disclosures in the Pillar 3 report and shareholders equity

Assessed disclosure controls and procedures. the Group Finance Director s presentations to analysts

Confirmed that management had reported on and evidenced the basis on which representations to the external auditors were made. 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
<p>Impairment (refer to Note 7 to the financial statements)</p>	<p>Barclays has implemented IFRS9 by developing models to calculate expected credit losses in a range of economic scenarios. The key areas of judgement include setting modelling assumptions, developing methodologies for the weighting of economic scenarios, establishing criteria to determine significant deterioration in credit quality and the application of management adjustments to the model output.</p>	<p>Assessed impairment experience against forecast, and considered whether impairment provisions were appropriate.</p> <p>Evaluated the impact of IFRS 9 on impairment.</p> <p>Monitored the Barclays Group s ECLs, model changes, scenario updates, post-model adjustments, and volatility.</p> <p>Monitored SOX compliance in relation to IFRS 9 controls and, specifically, the ECL calculation.</p>	<p>The Committee received a number of deep dive presentations from the Finance and Credit officers responsible for the IFRS 9 implementation.</p> <p>The Committee considered in detail the key IFRS 9 assumptions relating to staging criteria and the weighting of economic scenarios.</p> <p>The Committee reviewed model adjustments and scenario updates made by management to ensure that impairment allowances were set at appropriate and adequate levels. In particular, the Committee reviewed the basis of the adjustment of £150m made to reflect current economic uncertainty in the UK.</p>
			<p>The Committee agreed that the provision levels for</p>

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.

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

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.

August 2019. In this context, the Committee was satisfied that sensitivities to the key variables were appropriately disclosed.

Monitored the position on provisions for alternative PPI (card protection and payment break plan insurance) and considered whether further provisions were required.

Governance: Directors report

What we did in 2018

Board Audit Committee report

Area of focus Legal, competition and regulatory provisions (refer to Notes 27 to 29 to the financial statements)	Reporting issue 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.	Role of 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.	Conclusion/action taken 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	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	The Committee agreed that the appropriate timeframe 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

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.

Committee agreed to recommend the viability statement to the Board for approval

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.

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.

The Committee noted that there were no new significant valuation judgements during the year.

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.

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

Evaluated the appropriateness of tax risk provisions to cover existing tax risk.

The Committee reviewed Barclays' global tax risk and associated provisions for the full year and noted that gross tax risk increased

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recognition and measurement
of deferred tax assets.

slightly, and the level of tax
provisions remained

Confirmed that the forecasts appropriate.

and assumptions supporting
the recognition and valuation
of deferred tax assets was in
line with Barclays Medium
Term Plan (MTP).

The Committee was pleased
to note that the Barclays
Group was not affected by
BEAT in respect of 2018

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).

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 40.	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.	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.
		Evaluated the status of specific material control issues (being data management, compliance, cyber, credit risk, model risk, resilience, technology and transaction operations) and tracked the progress of the associated remediation plans against agreed timeframes.	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

Considered the second line of defence role in the oversight of operational risk controls, including financial controls over operational risk.

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.

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 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 workstreams to enhance the respective control environments.

The Committee received regular deep dive control environment presentations. These provided further detail of management's assessment of the business unit control environment and key areas of focus, including key control hot spots for the businesses. The Committee also received a number of presentations from business heads following unsatisfactory audit reports. The Committee challenged the business regarding their role in identifying the control issues, and requested confirmation from management regarding the remediation programme as well as the timeframes and accountability for delivery of

Received updates directly from senior management, and scrutinised action plans, in relation to remediation plans following unsatisfactory audit findings.

that plan.

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 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.

Governance: Directors report

What we did in 2018

Board Audit Committee report

Area of focus	Reporting issue	Role of the Committee	Conclusion/action taken
<p>Raising concerns</p>	<p>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.</p>	<p>Monitored enhancements to the whistleblowing programme following the independent review that was commissioned by the Board in 2017.</p>	<p>As Whistleblowing Champion, the Chair of the Committee presented his annual report on whistleblowing matters to the Board.</p>
		<p>Reviewed the examples of best practice in the FCA's Review of Firms Whistleblowing Arrangements.</p>	<p>The Committee continued to encourage and support the provision of training to colleagues and managers on whistleblowing issues, and received their own whistleblowing training. The Committee was pleased to note that the volume of cases remains proportionate to Barclays' size and footprint.</p>
		<p>Monitored whistleblowing metrics, including case load and case ageing.</p>	
		<p>Monitored instances of retaliation reports, and whether any instances had been substantiated.</p>	<p>The Committee was also pleased to note that the recommendations arising from the independent review of the whistleblowing programme had been implemented in full, and had been subject to validation by the Global Compliance Assurance team. Following the enhancements made, the Committee considered that</p>
		<p>Received a presentation from BIA following its audit of the Investigations and Whistleblowing team.</p>	

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.

The Committee received semi-annual thematic control reports from BIA and a quarterly operational report during 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.

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.

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.

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

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Debated audit risk appetite and issue validation. external review.

Tracked the levels of unsatisfactory audits, and monitored related remediation plans.

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.

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.

Area of focus	Reporting issue	Role of the Committee	Conclusion/action taken
External audit	The work and performance of KPMG.	<p>Met with key members of the KPMG audit team to discuss the 2018 audit plan and agree areas of focus.</p> <p>Assessed regular reports from KPMG on the progress of the 2018 audit and any material accounting and control issues identified.</p> <p>Discussed KPMG’s feedback on Barclays’ critical accounting estimates and judgements.</p> <p>Discussed KPMG’s draft report on certain control areas and the control environment ahead of the 2018 year end.</p> <p>Discussed the approach to KPMG’s annual report to the PRA which will be issued following completion of the 2018 audit.</p>	<p>The Committee approved the audit plan and the main areas of focus. Separate audit partners were assigned to lead the audits of Barclays Bank UK PLC and Barclays Bank PLC and the scope of the audit was, therefore, necessarily revised to reflect a legal entity view.</p> <p>Read more about the Committee’s role in assessing the performance, effectiveness and independence of the external auditor below. Further details of the Committee’s consideration of audit quality can be found in the Governance in action section of this report on page 26.</p>

Considered the draft SOX control report and the draft audit opinion.

In addition, the Committee also covered the following matters:

tracked the progress of specific work being done to enhance Barclays' financial crime controls, including the function's investigation capabilities, particularly in relation to prevention and detection activities. The Committee also assessed the Group Money Laundering Officer's annual report, which was also presented to the Barclays Bank UK PLC and Barclays Bank PLC audit committees

assessed the status of the programme in place to ensure Barclays' compliance with client assets (CASS) regulatory requirements, including approving the annual client assets audit report and discussing the potential impact of structural reform on client assets

evaluated the outcomes of the assessment of the Committee's performance and any areas of Committee performance that needed to be enhanced

reviewed and updated its terms of reference, recommending them to the Board for approval.

External auditor

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

Assessing external auditor effectiveness, objectivity and independence and non-audit services

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

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

discussed and agreed revisions to the Barclays Group policy on the *Provision of Services by the Group Statutory Auditor* and regularly analysed reports from management on the non-audit services provided to Barclays

evaluated and approved revisions to the Barclays Group policy on *Employment of Employees or Workers from the Statutory Auditor* and ensured compliance with the policy by regularly assessing reports from management detailing any appointments made

was briefed by KPMG on critical accounting judgements and estimates and internal controls over financial reporting

assessed any potential threats to independence that were self-identified and reported by KPMG

met with KPMG to discuss the issues impacting KPMG as a firm, some of which were the subject of significant adverse press coverage

reviewed the annual report on KPMG issued by the FRC's Audit Quality Review (AQR) team

received and discussed with the AQR team the findings from their review of KPMG's 2017 audit of the Barclays Group

received a report from KPMG regarding the draft findings from the review by the Public Company Accounting Oversight Board (PCAOB) of KPMG's 2017 audit of the Barclays Group.

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

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

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

Governance: Directors report

What we did in 2018

Board Audit Committee report

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

KPMG's performance, independence and objectivity during 2018 were also formally assessed at the beginning of 2019 by way of a questionnaire completed by key stakeholders across the Barclays Group, including the chairs of the Barclays Bank UK PLC and Barclays Bank PLC audit committees. The questionnaire was designed to evaluate KPMG's audit process and addressed matters such as the quality of planning and communication, technical knowledge, the level of scrutiny and challenge applied and KPMG's understanding of the business. In addition, as in the prior year, KPMG nominated a senior partner of the audit team reporting to the Senior Statutory

Auditor to have specific responsibility for ensuring audit quality. The Committee therefore met with the partner concerned without the Senior Statutory Auditor to receive a report on his assessment of audit quality, bearing in mind the comments received from the AQR team and PCAOB and the responses thereto.

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

Non-audit services

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

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

references to ABSA/Barclays Africa Group Limited (BAGL), and its auditors Ernst and Young, were removed to reflect the full deconsolidation of BAGL from a regulatory perspective

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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

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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

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

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

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.

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 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

audit quality.

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

Governance: Directors report

What we did in 2018

Board Nominations Committee report

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

Dear Fellow Shareholders

2018 saw the establishment of our new corporate structure, and the embedding of the newly constituted Barclays Bank UK PLC and Barclays Bank PLC boards comprising distinct combinations of executive and non-executive directors. Throughout this period of change, the Committee continued to consider regularly the composition of, and succession plans for, the Barclays PLC Board in order to ensure the right balance of diversity, experience and skills to provide the strategic oversight needed to motivate colleagues and sustain our business over the long term. In this respect, we were pleased to appoint Mary Anne Citrino as a non-executive Director in July 2018, the Committee having followed its usual approach of engaging an executive search firm and conducting a rigorous search and selection process. You can find out more about Mary Anne's background, experience and skills in her biography on page 6. We also

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

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

look forward to welcoming Nigel Higgins, my successor, as Chairman with effect from the conclusion of the AGM on 2 May 2019. Nigel's appointment marks the culmination of an intensive recruitment process led by a sub-committee of the Board chaired by our Senior Independent Director, Crawford Gillies, and is made with the full approval and support of the Nominations Committee. You can read more about Nigel's recruitment and appointment in the Governance in action section of the Board report on page 26.

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

Sir Gerry Grimstone, who was Deputy Chairman and Senior Independent Director of Barclays PLC and Chair of the Barclays PLC Reputation Committee, moved instead to become Chairman of Barclays Bank PLC. He remains a non-executive Director of Barclays PLC

Sir Ian Cheshire was appointed Chairman of Barclays Bank UK PLC. He remains a non-executive Director of Barclays PLC

Crawford Gillies was appointed Senior Independent Director of Barclays PLC

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 47 to 52.

against the findings of the 2017 review, can be found on page 25 and 26.

Looking ahead

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

John McFarlane

Chair, Board Nominations Committee

20 February 2019

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

22 Barclays PLC 2018 Annual Report on Form 20-F

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 Jeffrey III. You can find more details of the experience of Committee

members in their biographies on pages 5 and 6.

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

Member	Meetings attended/eligible to attend
John McFarlane	5/5
Mike Ashley	5/5
Tim Breedon	5/5
Sir Ian Cheshire	5/5
Crawford Gillies	5/5

Sir Gerry Grimstone

5/5

Reuben 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 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	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

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.

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.

Reviewed the membership, size and composition of the Board Committees.

The Committee continues its search for an additional female non-executive Director preferably with retail banking experience and digital/technology experience to further promote diversity of gender on the Board. Any appointment made will be based on merit and, as mentioned above, objective criteria.

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.

Governance: Directors report

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.	<p>Reviewed the progress being made against Barclays Talent and Succession strategy, including monitoring diversity within the talent pipeline.</p> <p>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.</p> <p>Considered individuals identified as potential Barclays Group Executive Committee successors and discussed next steps for their development.</p> <p>Assessed the succession plans for the most critical business unit and functional roles, and discussed how to develop the high performing individuals identified.</p>	<p>The Committee reviewed the succession pipeline of the Barclays Group Executive Committee and their direct reports. The Committee was encouraged that all Barclays Group Executive Committee roles had at least one female successor, and that 33% of the total successors identified were female. Barclays is committed to achieving 33% female representation among the Barclays Group Executive Committee and their direct reports by 2020, and as at year-end 2018 we are reporting 28% female representation among this population.</p> <p>The Committee also discussed the continued use of ex officio posts to both the Barclays Group Executive Committee and business executive committees to give senior individuals more exposure to Barclays Group matters. This serves to not only broaden the scope of perspectives within the relevant committee but also to develop those individuals thus ensuring a healthy pool of potential candidates in the succession pipeline.</p>

Diversity and Inclusion

Ensuring Barclays attracts and retains the best talent.

Reviewed the Barclays Group 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 47 to 52.

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 performance and any areas of Committee performance that needed to be enhanced

reviewed the Committee 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 pages 6 and 323 for details of Mary Anne's background, experience and skills). In addition, Barclays announced the appointment of Nigel Higgins as John McFarlane's successor. For more details about Nigel's recruitment and appointment, please refer to the "Governance in action" section on page 26.

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

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

Sir Ian Cheshire's time commitments. Since Sir Ian's appointment in 2017, his time commitments have not been an issue. Sir Ian has been available as and when required by the Barclays Group, and he attended 100% of scheduled and additional Board meetings in 2018 (some of which were often called on short notice). He is an effective Barclays PLC non-executive Director. Subsequent to the year end, Sir Ian's role as Chairman of Debenhams Plc came to an end.

Crawford Gillies and the appointment of our former auditor, PwC, as external adviser to the Remuneration Committee. Prior to the appointment of KPMG as the Barclays Group's external auditor on 31 March 2017 (formally approved at the 2017 AGM in May 2017), PwC was the Barclays Group's external auditor. PwC was subsequently appointed as the independent adviser to the Remuneration Committee in October 2017, following a robust tender process. The PwC team providing advice to the Committee is different to the past audit team, and the Committee is satisfied that the advice provided is independent and objective.

Mike Ashley's re-election as a non-executive Director following the appointment of KPMG as the Barclays Group's Auditor. The Committee confirms that although Mike was Chair of the Audit Committee at the relevant time, since he is a former KPMG partner he had no involvement in the audit tender process, the recommendation to the Board

nor the decision to appoint KPMG as the Barclays Group's Auditor. The audit tender process was led by Tim Breedon.

Tim Breedon has been a Director for over six years and, accordingly, his independence was subjected to a more rigorous review pursuant to the recommendations of The UK Corporate Governance Code 2016. Having considered Tim's interests outside of the Barclays Group and other relationships which could materially affect his ability to exercise independent judgement, the Committee concluded that there were no circumstances which would impact upon Tim's ability to act in the best interests of Barclays PLC. The Committee remains satisfied that the length of Tim's tenure has no impact on his level of independence, or the effectiveness of his contributions. In light of the recommendations set out in The UK Corporate Governance Code 2018, Barclays PLC introduced a new procedure, with effect from 1 January 2019, requiring all Directors to request pre-clearance prior to taking on any additional commitments, including but not limited to directorships, and to indicate in the clearance request the likely time commitment involved. The Company Secretary maintains a record of each Director's commitments. This new procedure will enable the Board to track individual Directors' commitments in order to satisfy itself that no Director is over-committed. With regard to new Director appointments, all potential candidates are asked to disclose their significant commitments, and to give an indication of the time spent on those commitments. This information is taken into account by the Committee when considering proposed appointments on the basis that all Directors are expected to allocate sufficient time to their role on the Board in order to discharge their responsibilities effectively.

Review of Board, Board Committee and individual Director effectiveness

Process

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

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

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

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

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

2017 findings of the Board effectiveness review and actions taken in 2018

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

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

Governance: Directors report

What we did in 2018

Board Nominations Committee report

2018 Board effectiveness review

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

Recommendations:

The Board is large relative to peers and the whole Board should be engaged in considering how the Board might be reduced in size to a more manageable level whilst having careful regard to the board skills matrix and relevant role profiles, to diversity and to succession planning.

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

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,

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

Breedon, Mary Francis, and Reuben Jeffery III. The CAC, also chaired by Crawford, comprised all of the non-executive Directors, apart from the Chairman himself. The CAC was responsible for considering the candidate or candidates nominated by the CAOC, and for nominating and recommending a candidate for consideration and approval in principle by the Board, subject both to the relevant candidate being approved by the PRA and the FCA, and terms of appointment being agreed between the candidate and Barclays PLC.

Process

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

Search

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

including the stature, gravitas, resilience and willingness to challenge management and the rest of the Board, as and when required.

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

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: Directors report

What we did in 2018

Board Reputation Committee report

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

Dear Fellow Shareholders

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

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

In 2018 the Committee encouraged management to ensure that its objectives for culture and standards of conduct were clearly understood

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

Following the successful introduction of the dashboards over the past two years, the Committee agreed that they should be developed further so that cultural and conduct indicators are brought more clearly together, are well suited to each individual business entity, and are sufficiently forward looking. Barclays UK, Barclays International, and Barclays Execution

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

and embedded in each part of the bank. We welcomed the launch of Barclays' new Purpose, which emphasises that our financial services play an essential role in enabling individuals and businesses to seize their opportunities. The Purpose is underpinned by the Values of the organisation: respect, integrity, service, excellence and stewardship.

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

Services have all been contributing to the review, and the revised Culture and Conduct dashboards will be an important underpin to our work in 2019.

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

conduct and culture.

Committee performance

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

Governance: Directors report

What we did in 2018

Board Reputation Committee report

Looking ahead

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

Mary Francis

Chair, Board Reputation Committee

20 February 2019

Committee allocation of time (%)

	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 5 and 6.

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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 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
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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.

Management was engaged in thorough discussion and challenge on the conduct risk dashboard, and alignment with the *Culture Dashboard*.

Requested and considered deep dive analyses on conduct risk, including on progress in developing intelligence- led initiatives to combat fraud.

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.

Received reports on internal audit activities relating to conduct, including details of any unsatisfactory audit reports and remediation steps identified.

The Committee benefited from the presentation of material conduct structured scenario assessments, described in the *Governance in action* section of this report on page 30.

Received updates on the implementation of the revised Code of Conduct, *The Barclays Way*.

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.

Reviewed the Compliance function 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	<p>Debated Culture dashboards and the progress being made to embed cultural change across Barclays globally.</p> <p>Received regular updates on colleague engagement metrics and the results of employee <i>Your View</i> surveys.</p> <p>Received reports on internal audit activities relating to culture.</p> <p>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.</p>	<p>Following the Committee's challenge to improve the use of the <i>Culture Dashboard</i>, it was satisfied with management's progress to evolve and align the culture dashboards with the conduct dashboards</p> <p>Through consideration of the <i>Your View</i> results in each quarter, the Committee was encouraged by the high colleague engagement scores achieved throughout 2018 and especially in response to launch of the new Purpose, and by improvements made to the perception of colleagues working environments, and in reducing bureaucracy. The Committee appreciated management's acknowledgement that further improvement is still required in these areas and of the need to continue to embed and instil the desired culture Group-wide, and was supportive of the work undertaken by the Group Chief Executive to</p>

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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.

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.

The Committee achieved greater oversight from enhanced Reputation risk reports, and minutes of meetings of Risk Committees of major subsidiaries.

Regularly evaluated the measures being taken to understand external perceptions of the Bank, including 2018 YouGov Reputation Research.

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.

Considered whether the process for identifying, managing and overseeing reputation risk was functioning effectively.

Reviewed the refreshed Reputation Risk Management Framework.

Customer satisfaction

Ensuring fair outcomes for customers by monitoring complaints volumes, the standard and quality of complaints

Received bi-annual updates on complaints and challenged the performance against key indicators.

The Committee was pleased to see a general downward trend (excluding PPI) in the overall number of complaints received by Barclays during 2018.

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handling processes, root cause analysis of complaints, and other relevant metrics.

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.

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.

Governance: Directors report

What we did in 2018

Board Reputation Committee report

Area of focus	Reporting issue	Role of the Committee	Conclusion/action taken
Environmental and social matters, including Citizenship	Monitoring progress against Barclays Citizenship plan and considering and approving the approach to future Citizenship strategy. Overseeing Barclays commitment to managing its impact on broader society, including conduct in relation to corporate and societal obligations.	<p>Received and considered the bi-annual summary Citizenship dashboards, assessing status updates on the Shared Growth Ambition as the plan drew to an end.</p> <p>Reviewed Barclays ratings and relative peer ranking in external ESG benchmarks and tracked external perceptions on Citizenship through stakeholder and media analysis.</p> <p>Reviewed updates at each meeting on reputation risk considerations of sensitive sector engagement.</p>	<p>The Committee was pleased with the strong successes created by Shared Growth Ambition (2016-2018) and it approved management's approach to evolving Barclays Citizenship strategy for 2019, and supported the extension of our community investment initiatives (LifeSkills, Connect with Work and Unreasonable Impact) and ensuring that our public commitments are clear.</p> <p>The Committee recognised the need for greater clarity in Barclays' public social and environmental commitments and challenged management to assess and improve communication on Barclays positioning. The Committee approved the policy statements on Coal, World Heritage Sites and Ramsar Wetlands, published in April 2018 and the comprehensive Energy and Climate Change Statement published in January 2019.</p>

In addition, the Committee also covered the following matters:

received and reviewed minutes of Barclays Bank UK PLC and Barclays Bank PLC risk committee meetings

received a report on management's annual review of the effectiveness of compliance with the Volcker Rule (restrictions on proprietary trading and certain fund investments by banks operating in the US)

received a report from management on Barclays Swap Dealer Annual Compliance Report

evaluated the outcomes of the assessment of the Committee's performance and any areas of Committee performance that needed to be enhanced

reviewed and updated its terms of reference, recommending them to the Board for approval.

Governance in action

Structured Scenario Assessments

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

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

Operational Risk: Conduct Capital Allocation

Retail Mis-selling

Financial Crime

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

Governance: Directors report

What we did in 2018

Board Risk Committee report

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

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

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

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

Given the high level of reliance on model outputs in supporting our

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

intentions, and adequate controls through risk frameworks and second-line oversight were in place.

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

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

stress tests, the

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

In late 2017, the Committee commissioned an external third party assessment of the Risk

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

Governance: Directors report

What we did in 2018

Board Risk Committee report

Committee performance

The Committee's performance during 2018

was assessed by Independent Board

Evaluation, an independent, external corporate governance consultancy as part of the annual effectiveness review. The results show that the Committee's work is regarded as clear,

systematic and thorough, and the Board takes

assurance from the quality of the Committee's

work. Last year's review highlighted the need

to ensure that the way in which the Committee

works with the Audit Committee and the

Reputation Committee continues to capture all

significant issues effectively while minimising

any overlap. To address this, the Committee

sought to ensure that it continued to work

closely with the other Board Committees

during 2018 and the results of the review note

good co-ordination with the Audit Committee,

in particular. The results indicate that, in 2019,

it may be helpful to consider areas where the

work of the Committee could be further streamlined in conjunction with the risk committees of Barclays Bank UK PLC and Barclays Bank PLC.

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

Looking ahead

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

Tim Breedon

Chair, Board Risk Committee

20 February 2019

Committee composition and meetings

The Committee is comprised solely of independent non-executive Directors. You can find more details of the experience of

Committee members in their biographies on pages 5 and 6.

Committee allocation of time (%)

	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 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
<p>Risk appetite and stress testing</p> <p>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.</p>	<p>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).</p>	<p>To discuss and agree stress loss and mandate and scale limits, for Credit Risk, Market Risk and Treasury and Capital risk.</p> <p>To evaluate the BoE annual cyclical stress test results, and the results of a stress test under the EBA biennial stress test submission.</p> <p>Considered and approve internal stress test themes and the financial constraints and scenarios for stress testing risk appetite for the MTP.</p> <p>To consider the Federal Reserve Board's feedback of the US Intermediary Holding Company's Comprehensive Capital</p>	<p>The Committee reviewed proposed enhancements to the Barclays Group's stress testing processes which are designed to improve capabilities in this area.</p> <p>The Committee reviewed and approved, for recommendation to the Board, the financial results of the MTP internal stress test exercise on the basis that Barclays remained within the Barclays Group's Risk Appetite.</p> <p>The Committee requested and received an overview of the stress testing principles and objectives which served to provide a helpful framework for the review of the stress test results submissions to the BoE and EBA.</p> <p>The Committee approved the 2018 annual stress test results for submission to the BoE, including a range of strategic management</p>

Analysis and Review (CCAR) following the submission of the CCAR stress test results. 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.

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.

To assess on a regular basis liquidity performance against both internal and regulatory requirements.

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.

To monitor capital and funding requirements.

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.

Governance: Directors report

What we did in 2018

Board Risk Committee report

Area of focus	Matter addressed	Role of the Committee	Conclusion/action taken
<p>Political and economic risk</p> <p>i.e. the impact on the Barclays Group's risk profile of political and economic developments and macroeconomic conditions.</p>	<p>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</p>	<p>To review and discuss plans for the impacts of Brexit under various withdrawal scenarios.</p> <p>To consider trends in the UK and US economies, including the impact of rate rises.</p> <p>To assess the transmission effects of a Chinese economic slowdown/ trade war metrics arising from its influence on the world economy.</p>	<p>In relation to the potential risk impacts of Brexit, considerations were escalated to include operational resilience to the impact risk of an exit with no agreement in place.</p> <p>Other key material risk themes kept under review by the Committee included stress in US consumer credit and stress in UK property.</p> <p>A new theme of Italian peripheral and redenomination risk was added as a key risk theme.</p>
<p>Credit risk</p> <p>i.e. the potential for financial loss if customers fail to fulfil</p>	<p>Conditions in the UK housing market, particularly in London and the South East; levels of UK consumer</p>	<p>To review exposures to Emerging Markets as a result of volatility in these markets arising from the impact of global political and economic events</p> <p>To assess conditions in the UK property market and monitor signs of stress.</p>	<p>The Committee directed management to apply additional focus to monitoring evidence of rising global leverage, credit cycle and geopolitical risks.</p> <p>The Committee reiterated to management the need to ensure appropriate credit selection and discipline when selecting business, and the importance of consumer</p>

<p>their contractual obligations.</p>	<p>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.</p>	<p>To monitor how management was tracking and responding to persistent rising levels of consumer indebtedness, particularly unsecured credit in both the UK and US.</p> <p>To review Leveraged Finance portfolios in order to assess these were within risk appetite and manageable limits.</p> <p>To review business development activities in the Corporate and Investment Bank.</p>	<p>profiling to achieve better risk selection.</p> <p>The Committee encouraged management to continue with its conservative approach to UK lending and supported pre-emptive measures to de-risk the UK Cards portfolio to guard against any downturn in the UK economy.</p>
<p>Operational risk i.e. costs arising from human factors, inadequate processes and systems or external events.</p>	<p>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.</p>	<p>To track operational risk key indicators.</p> <p>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.</p> <p>To review Barclays approach to scenario analyses as a risk management tool and assess a range of Structured Scenario</p>	<p>The Committee focused its attention on the financial and capital impacts of operational risk. In relation to cyber risk, the Committee received an update on the transformational improvements to Barclays' security posture and associated controls in this area and endorsed management plans to remediate and implement new controls designed to enable more accurate prediction of cyberattacks and increase speed of detection of cyber events in order to minimise impact on Barclays and client/customers. In relation to Fraud and Transaction Operation risks, the Committee requested and assessed a report on Barclays' fraud capabilities to reduce losses in these areas.</p>

Assessments which had been created to support assessments and management of tail risk within the business, stress testing and risk tolerance.

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
<p>Model risk</p> <p>i.e. the risk of the potential adverse consequences from financial assessments or decisions based on incorrect or misused model outputs and reports.</p>	<p>Model risk governance.</p>	<p>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.</p>	<p>The Committee reviewed and approved the Model Risk Framework and Tolerance Statement.</p> <p>The Committee maintained oversight of Model risk and in particular monitored planned improvements to Barclays Model Risk Management framework and ongoing upgrade plans. This included reviewing and assessing Barclays material alignment with the PRA Supervisory Statement on stress test models. The Committee agreed an approach towards other Large Model Frameworks such as ICAAP, ILAAP and stress testing and monitored progress to ensure that the scope of Model Risk Management (MRM) implementation was expanded to bring into governance non-modelled methods used in other Large Model Frameworks. The Committee urged management to focus on remediation of models used in financial planning and stress testing where these were currently non-compliant with the regulator's guidance.</p> <p>In relation to progress with MRM implementation, the Committee</p>

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.

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.

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).

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.

Governance: Directors report

What we did in 2018

Board Risk Committee report

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

reviewed and assessed Barclays liquidity pool investment portfolio from a perspective of the limit framework defined by Risk

considered and approved a large non-investment grade transaction underwriting commitment on the basis of exposure within distribution activity limits

considered detailed report of Tall Trees exposure in Corporate lending and Leveraged Finance portfolios

considered detailed reports in relation to growth opportunities in the Investment Bank from a risk/activities perspective

considered a report on the effectiveness of the Committee and any areas of the Committee's performance that could be improved

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.

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.

reviewed and updated its terms of reference, recommending them to the Board for approval.

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.

Governance: Directors report

How we comply

Leadership

Role of the Board

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

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

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

[The Board of Directors is responsible for promoting the highest standards of corporate governance in the Barclays Group](#)

Roles on the Board

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

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

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

Attendance

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

Governance: Directors report

How we comply

Board attendance	Independent	Scheduled meetings eligible	Scheduled meetings attended	% attendance	Additional meetings eligible	Additional meetings attended
		to attend	to attend		to attend	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.

Effectiveness

Composition of the Board

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

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

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

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

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

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

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

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

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

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

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

Time commitment

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

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

to effectively fulfil extra responsibilities, additional time commitment is required.

Time commitment

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

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

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

Directors is over-committed and that each of the Directors allocates sufficient time to his or her role in order to discharge their responsibilities effectively.

Induction

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

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

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

Training and development

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

Conflicts of interest

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

Governance: Directors report

How we comply

Information provided to the Board

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

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

Accountability

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

Risk management and internal control

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

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

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

Effectiveness of internal controls

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

Risk management and internal control framework

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

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

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

The operation of Controls Committees of the Barclays Group and the key legal entities, businesses and functions in the Barclays Group to monitor, review and challenge the effective operation of key risk management and control processes, including the results of audits and reviews undertaken by BIA (which include assessments of the control environment and management control approach) and examinations and assessments undertaken by our primary regulators, on an ongoing basis. The remediation of issues identified within the control environment is regularly monitored by management and the Audit Committee.

Testing of the operation of executive committees to provide assurance that the committees are operating as per their Terms of Reference and are effectively overseeing the control environment and associated risk management and internal control processes, where appropriate.

A review of the key governance processes and principles which comprise *The Barclays Guide* to confirm that the processes have operated effectively.

Regular reports are made to the Board covering significant risks to the Barclays

Group. The Risk Committee and the

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

Controls over financial reporting

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

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

Management's report on internal control over financial reporting

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

Accurately and fairly reflect transactions and dispositions of assets.

Provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS and that receipts and expenditures are being made only in accordance with authorisations of management and the respective Directors.

Provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of assets that could have a material effect on the financial statements.

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

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

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

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

Changes in internal control over financial reporting

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

Remuneration

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

Relations with shareholders

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

Shareholders

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

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.

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

Private shareholders

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

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

Governance: Directors report

How we comply

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

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.

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).

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.

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 2019 AGM will be held on Thursday 2 May 2019 at 11:00am at the QEII Conference

Centre in London. The Notice of AGM can be found in a separate document, which is sent out at least 20 working days before the AGM and also made available at **home.barclays/agm**. Voting on the resolutions will again be

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

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

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

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.

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

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

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

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

In relation to understanding other stakeholders' views, the impact of our behaviour and business on customers and clients, colleagues and society is monitored by the Board with support from the Reputation Committee, which tracks key indicators across the areas of culture, citizenship, conduct, and customer and client satisfaction on an ongoing basis. In 2018, we built on conversations started at the AGM to engage in a continual dialogue with NGOs and other interest groups, to improve our understanding of emerging and existing environmental and societal topics.

Throughout the year, we regularly engaged with these stakeholders through participation in forums and roundtables and joined industry, sector and topic debates and this will continue in 2019.

Remuneration. Following changes to the Remuneration Committee's terms of reference, the Remuneration Committee now has responsibility for reviewing workforce remuneration and related policies, ensuring the alignment of incentives and rewards with culture, and ensuring that these matters are taken into account when considering

<p>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.</p>	<p>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 <i>Culture Dashboard</i>, which measures and tracks our progress in embedding the desired culture, talent and succession updates, Diversity and Inclusion updates, periodic engagement updates and</p>	<p>and approving the remuneration arrangements of the executive Directors. It is proposed that the Remuneration Committee report to the Board on these matters in order to further support the Board in satisfying its obligation to assess and monitor culture. Next year's annual report will include an enhanced Director's remuneration report and a summary of any discretion that has been exercised in the award of Director remuneration.</p>
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Governance: Directors report

Other statutory information

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

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

	Page
Employee involvement	47
Policy concerning the employment of disabled persons	50
Financial instruments	233
Hedge accounting policy	237
Remuneration policy, including details of the remuneration of each Director and Directors interests in shares	53
Corporate governance report	1
Risk review	81

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

	Page
Long-term incentive schemes	64
Waiver of Director emoluments	77
Allotment for cash of equity securities	276
Waiver of dividends	43

[Profit and dividends](#)

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

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

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

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

[Board of Directors](#)

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

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

Appointment and retirement of Directors

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

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

Directors' indemnities

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

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

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

Governance: Directors report

Other statutory information

Political donations

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

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

Environment

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

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

We have disclosed global greenhouse gas emissions (GHG) that we are responsible for as set out by the Companies Act 2006 (Strategic Report and Directors Report) Regulations 2013.

We provide fuller disclosure on (i) financing solutions for the lower carbon economy, (ii) environmental risk management and (iii) management of our carbon and environmental footprint in the Barclays Environmental Social Governance (ESG) Report available on our website at home.barclays.com/citizenship. We have also provided initial disclosures aligned with the Task Force on Climate-related Financial Disclosures in the Strategic Report and ESG Report.

	Current			Previous
	Reporting	Previous	Previous	reporting
	Year^a	Reporting	reporting	Year
	2018	2017	2016	2015
Global Green House Gas Emissions^b				
Total CO ₂ e (tonnes)	292,151	344,816	401,340	469,502
Scope 1 CO ₂ e emissions (tonnes) ^c	25,553	24,779	26,814	29,146

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Scope 2 CO ₂ e emissions (tonnes) ^d	197,365	249,396	307,190	341,978
Scope 3 CO ₂ e emissions (tonnes) ^e	69,233	70,641	67,337	98,379
Intensity Ratio				
Total Full Time Employees (FTE)	83,500	79,900	76,500	85,800
Total CO ₂ e per FTE (tonnes) ^f	3.50	4.32	5.25	5.47
Scope 2 CO ₂ e market based emissions (tonnes) ^d	249,294	297,128	337,483	
Notes				

- a The carbon reporting year for our GHG emissions is 1 October to 30 September. The carbon reporting year is not fully aligned to the financial reporting year covered by the Directors' report.
- b The methodology used to calculate our GHG is the Greenhouse Gas Protocol (GHG). A Corporate Accounting and Reporting Standard Revised Edition, defined by the World Resources Institute/World Business Council for Sustainable Development (ERI/WBCSD). We have adopted the operational control approach on reporting boundaries to define our reporting boundary. Where properties are covered by Barclays' consolidated financial statements but are leased to tenants, these emissions are not included in the Barclays Group GHG calculations. Where Barclays is responsible for the utility costs, these emissions are included. We continuously review and update our performance data based on updated carbon emissions factors, improvements on data quality and updates to estimates previously applied. For 2019 we have applied the latest DEFRA and IEA emission factors where our performance has changed by more than 1% we have restated the balances and baseline. Emissions (tonnes CO₂e) previously reported for 2015, 2016 and 2017 are 479,934, 402,531 and 347,165 respectively. On 1 June 2017, we completed the sale of a 33.7% stake in Barclays Africa Group Limited (BAGL) resulting in a non-controlling position. In 2017, we restated our CHG emissions through the 2015 baseline to account for this and BAGL emissions are not reported from 2015 onwards in order to ensure accurate tracking against our 30% carbon reduction commitment. In addition, we have restated our Scope 3 emissions to remove erroneous air data which was identified as part of 2018 reporting process.
- c Scope 1 covers direct combustion of fuels and company owned vehicles (from UK only, which is the most material contributor). Fugitive emissions reported in Scope 1 cover emissions from UK, Americas, Asia Pacific and Europe.
- d Scope 2 covers emissions from electricity and steam purchased for own use. Market based emissions have been reported for 2018, 2017 and 2016 only.
- e Scope 3 covers indirect emissions from business travel (global flights and ground transport from the UK, USA and India. USA and India ground transport covers onwards car hire only which has been provided directly by the supplier). Ground transportation data (excluding Scope 1 company cars) covers only countries where robust data is available directly from the supplier.
- f Intensity ratio calculations have been calculated using location based emission factors only.

Research and development

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

Share capital

Share capital structure

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

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

Voting

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

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

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

Transfers

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

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

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

Variation of rights

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

Limitations on foreign shareholders

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

Exercisability of rights under an employee share scheme

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

Special rights

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

Major shareholders

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

Person interested	Number of Barclays shares	% of total voting rights attaching to issued share capital ^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 Notes	514,068,594	3.00	direct

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

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filed with the SEC beneficial ownership of 1,119,810,169 ordinary shares of the Company as of 31 December 2018, representing 6.5% of that class of shares.

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

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

Governance: Directors report

Other statutory information

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

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

Repurchase of shares

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

Distributable Reserves

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

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

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

Change of control

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

Going concern

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

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

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

Assess the Barclays Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and

Use the going concern basis of accounting unless they either intend to liquidate the Barclays Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Disclosure of Information to the Auditor

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

Directors' responsibilities

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

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

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

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

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

Directors' responsibility statement

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

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

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

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

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

(a) the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

(b) includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Stephen Shapiro

Company Secretary

20 February 2019

Registered in England.

Company No. 48839

Governance: Directors report

People

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

Career opportunities

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

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

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

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

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

Learning, development and talent management

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

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

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

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

Industrial relations and workforce

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

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

Performance management

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

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

Employee communications

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

We also hold a variety of events for employees so they can hear directly from the Group Executive Committee and employees are kept regularly informed about what is happening in their area and across Barclays through regular local engagement initiatives and communications that allow for discussion and build awareness and understanding.

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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.

Barclays PLC 2018 Annual Report on Form 20-F **47**

Governance: Directors report

People

Be Well Barclays wellbeing programme

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

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

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

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

Diversity and inclusion

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

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

The Times Top 50 Employers for Women 2018

Stonewall Top Global Employer for LGBT+ employees, 2018

Working Families UK Best for Embedded flexibility for Dynamic Working, 2018

UK Top 10 employer for Working Families, 2018

Department of Work and Pensions Disability Confident Leader, 2017 to 2020

Business in the Community Best Employer for Race 2018

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

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

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

Gender

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

Internally we are committed to:

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

2020 Gender diversity commitments

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

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

Cultural change

Dynamic Working
Progressive parental policies
Barclays Win Gender Network

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

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

UN HeForShe
Global Impact Champion

Providing enhanced employment opportunities and attracting diverse candidates

Barclays role models
External engagement of Barclays senior women across Financial Services, IT and STEM

Community impact

Creating new career opportunities
Encore! Returnship Programme
Expanded Apprenticeship Programme
50% female graduate hires

Strategic partnerships

Women's Business Council
30% Club

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

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

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

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

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

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

Barclays gender pay gap results 2018 (UK only)

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

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

Paying our employees fairly and equitably relative to their role, skills, experience and performance is central to our global reward philosophy. We review our global reward structures on an ongoing basis to ensure that there is no unfair

gender or other bias in how colleagues are paid.

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

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

UK-wide gender pay gap results 2018

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

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

Legal entity gender pay gap results 2018

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

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

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

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

Governance: Directors report

People

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

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

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

LGBT+ and Spectrum

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

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

An inclusive culture that enables colleagues to bring their whole selves to work is built on having leadership participation and visible role models. Now in its fourth year, our Spectrum Allies campaign hosted a successful recognition of International Day Against Homophobia, Transphobia and Biphobia (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 healthcare benefits into our private healthcare scheme.

Disability and mental health

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

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

Governance: Directors report

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

Reach, the disability and mental health network

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

Multigenerational

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

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

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

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

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

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

more about how to ensure Dynamic Working can work for them and for their teams.

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

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

Bridge: a new multigenerational network

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

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

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

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

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

Multicultural

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

Governance: Directors report

People

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

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

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

Permanent employees by region

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

Cultural change

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

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

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

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

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

Governance: Remuneration report

[Annual statement from the](#)

[Chairman of the Board Remuneration Committee](#)

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

Contents	Page	Remuneration
Annual statement	53	Committee members
At a glance - Group performance and pay for 2018	56	Chairman
Remuneration policy for all employees	58	Crawford Gillies
Directors remuneration policy	63	Members
Annual report on Directors remuneration	66	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 tax¹ (PBT) up £953m (20%) from 2017 to £5,701m. Group return on tangible equity² (RoTE) is 8.5%, up 2.9% points on prior year and on track to achieve our targets for 2019 and 2020. Our Common Equity Tier 1 (CET1) ratio is 13.2%, at the end-state target range of c13%.

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

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

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

The Committee has approved a Group incentive pool of £1,649m, up 9% from 2017, against a PBT¹ increase of 20%. This pool change is the first increase in our incentive pool since 2013. Since 2010, our incentive pool is down 53%. This trend means that in some areas of the bank, pay is now positioned behind our peers when adjusted for performance. A small part of the increase in the incentive pool is intended to ensure that we continue to align pay with performance and retain high performing talent in key business areas.

The increase also reflects some strategic

Notes

1 Excluding litigation and conduct

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

Governance: Remuneration report

Annual statement from the

Chairman of the Board Remuneration Committee

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

The Committee reviews key compensation ratios as part of its decision making on the pool, for example the Group compensation to net income ratio³, which continues to improve, down year on year from 38.0% to 36.6%. The ratio of Group staff costs to income³ also reduced from 40.6% in 2017 to 40.2%, demonstrating the effectiveness of the insourcing strategy in reducing overall staff costs.

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

Fair pay

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

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

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

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

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

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

We also make sure that employees are appropriately represented in remuneration decision-making. We listen to our employees (as we do with other stakeholders) through a number of different channels, both formally and informally. Many of my fellow Committee members at both the Group and subsidiary levels have spent time with staff and listened to their views and perspectives around how they are paid. An example of a more structured piece of employee engagement on remuneration within Barclays UK is included in the Fair Pay Report. It included conducting a pulse

survey of over 2,000 employees, as well as 25 focus groups held across multiple sites and business areas. The key themes that emerged resonated with the Group remuneration philosophy, including a desire for greater simplicity and transparency. Work is ongoing to respond to this feedback, which will be communicated to our colleagues in Barclays UK during 2019.

The Committee reviews pay proposals for appropriateness across both businesses and corporate grade structures, with pay for executive Directors thereby set in the context of business performance and pay for all employees.

Additionally, we disclose our CEO pay ratios once again, following on from our first disclosure last year. Ahead of requirements from the UK government, this year we also include the UK employee upper quartile and lower quartile reference points.

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

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 PBT⁴ growth. The Committee's deliberations on his 2018 personal performance have taken account of financial delivery, in particular ensuring that the Group is on track to deliver against our 2019 and 2020 financial targets. The Committee has also taken account of the successful completion of the Structural Reform programme, with the UK ring-fenced bank fully operational and Barclays UK adequately capitalised. The significant work required to ensure that the Group is prepared for Brexit has also been recognised, as Barclays Bank Ireland is on track to be operational in its expanded form from 29 March 2019. The Committee has also noted the significant progress in strategic non-financial performance across the Group, in particular against our Citizenship agenda and Colleague metrics as well as improvements in key Customer and Client measures.

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

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

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

Note

³Basis aligned with disclosure in the Results Announcement

⁴Excluding litigation and conduct

54 Barclays PLC 2018 Annual Report on Form 20-F

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

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

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

Looking ahead

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

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

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

Finally, the Committee continues to focus on our Fair Pay Agenda as thinking and best practice in this important area evolves.

Remuneration report

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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

Barclays PLC 2018 Annual Report on Form 20-F 55

Governance: Remuneration report

At a glance **Group performance and pay for 2018**

Group performance and pay

Significant strategic progress was made in 2018 including:

Strong progress towards 2019 and 2020 financial targets

Successful stand-up of the UK ring-fenced bank

Full regulatory deconsolidation of BAGL

Year of strong strategic performance, including improvements in:

Customer & Client measures such as Net Promoter Score®

Colleague measures such as improved engagement scores

Citizenship measures including exceeding carbon emissions target

Pool increase of 9% aligns with stronger financial performance (PBT² up 20% and RoTE³ 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)

¹ Excluding litigation and conduct

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

³ 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%.

56 Barclays PLC 2018 Annual Report on Form 20-F

Executive Directors: Performance outcomes

Executive Directors: Remuneration outcomes

² 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

³ This outcome does not reflect the malus applied to Jes Staley's 2016 variable compensation, which is required to be included in the 2018 single total figure table.

Executive Directors: Share ownership

Shareholding requirement policy:

minimum of 200% of Total fixed pay (i.e. Fixed Pay plus Pension) within five years from date of appointment

shareholding requirement for two years post termination of 100% of Total fixed pay (or pro-rata thereof) introduced from 2017

Governance: Remuneration report

Remuneration policy for all employees

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

Remuneration philosophy

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

Barclays' remuneration philosophy

Attract and retain talent needed to deliver Barclays' strategy	Long-term success depends on the talent of our employees. This means attracting and retaining an appropriate range of talent to deliver against our strategy, and paying the right amount for that talent
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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
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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
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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.

58 Barclays PLC 2018 Annual Report on Form 20-F

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.

Governance: Remuneration report

Remuneration policy for all employees

Remuneration structure

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

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

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

Fixed remuneration

Salary Salaries reflect individuals' skills and experience and are reviewed annually.

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:

Incentive award	For MRTs:	Incentive award	For non-MRTs:
	Amount deferred		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
³ £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).

60 Barclays PLC 2018 Annual Report on Form 20-F

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.

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

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

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

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

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

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

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

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

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

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

Governance: Remuneration report

Remuneration policy for all employees

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

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

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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.

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

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

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

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

Governance: Remuneration report

Directors remuneration policy

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

Remuneration policy summary executive Directors

Element and purpose	Operation	Implementation in 2019
<p>Fixed Pay</p> <p>To reward skills and experience appropriate for the breadth and depth of the role and to provide the basis for a competitive remuneration package</p>	<p>Fixed Pay is determined with reference to market practice and historical market data (on which the Committee receives independent advice), and reflects the individual's experience and role.</p> <p>Total compensation is benchmarked against comparable roles in banks. 50% of Fixed Pay is delivered in cash (paid monthly), and 50% is delivered in shares. The shares are delivered quarterly and are subject to a holding period with restrictions lifting over five years (20% each year). As the executive Directors beneficially own the shares, they will be entitled to any dividends paid on those shares. There are no performance measures.</p> <p>Malus and clawback provisions do not apply to Fixed Pay.</p>	<p>No change from 2018.</p> <p>Jes Staley: £2,350,000</p> <p>Tushar Morzaria: £1,650,000</p> <p>These amounts are fixed and will not change during the policy period for these individuals.</p>
<p>Pension</p> <p>To enable executive Directors to build long-term retirement savings</p>	<p>Executive Directors receive an annual cash allowance in lieu of participation in a pension arrangement.</p> <p>For new hires, the pension allowance is limited to 10% of Fixed Pay.</p>	<p>No change from 2018.</p> <p>Jes Staley: £396,000</p>

(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.

No change from 2018.

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.

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

The maximum annual bonus opportunity is 80% of Total fixed pay. For these purposes Total fixed pay is Fixed Pay plus Pension.

Details of performance measures are set out on page 74.

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.

Shares issued are subject to a holding period of one year after vesting.

Delivery in part in shares with a holding period increases alignment with shareholders. Deferred bonuses encourage longer term focus and retention

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.

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.

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.

Governance: Remuneration report

Directors remuneration policy

Element and purpose	Operation	Implementation in 2019
<p>Annual bonus</p> <p>continued</p>	<p>Non-deferred cash components of any bonus are paid following the performance year to which they relate, normally in March. Non-deferred share bonuses are also awarded normally in March and are subject to a holding period (after the payment of tax) in line with regulations.</p> <p>Deferred share bonuses are structured so that no deferred shares vest faster than permitted by regulations. Any shares that vest are subject to an additional holding period (after payment of tax) in line with regulations.</p>	
<p>Long Term Incentive Plan (LTIP) award</p> <p>To reward execution of Barclays strategy over a multi-year period</p> <p>Long-term performance measurement, deferral and holding periods encourage a long-term view and align executive Directors interests with those of shareholders. Malus and clawback provisions discourage excessive risk-taking and inappropriate behaviours</p>	<p>The maximum annual LTIP award is 120% of Total fixed pay. For these purposes Total fixed pay is Fixed Pay plus Pension.</p> <p>Forward-looking performance measures will be based on financial performance and other long-term strategic measures. Financial measures will be at least 70% of the total opportunity. Straight-line vesting applies between threshold and maximum for the financial measures with no more than 25% vesting at threshold performance.</p> <p>LTIP awards are structured so that when combined with the annual bonus the proportion of variable pay that is deferred is no less than that required by regulations.</p> <p>The Committee has discretion to vary the measures year on year and their respective weighting within each category. The Committee also has discretion to amend targets, measures</p>	<p>Details of performance measures and targets for awards to be made in 2019 (in respect of 2018) are set out on page 73.</p> <p>For awards to be made in respect of 2019, the measures and targets will be determined at the end of 2019 for the performance period commencing on 1 January 2020.</p> <p>On vesting, the award is subject to a holding period of one year.</p>

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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.

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.)

64 Barclays PLC 2018 Annual Report on Form 20-F

Remuneration policy summary non-executive Directors

Element and purpose	Operation	Implementation in 2019 ^a
<p>Fees</p> <p>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</p>	<p>The Chairman is paid an all-inclusive fee for all Board responsibilities. The Chairman has a minimum time commitment equivalent to at least 80% of a full-time role. The other non-executive Directors receive a basic Board fee, with additional fees payable where individuals serve as a member or Chairman of a Committee of the Board.</p> <p>Fees are reviewed each year by the Board as a whole. Other than in exceptional circumstances, fees will not increase by more than 20% above the current fee levels during this policy period (basic fees last increased in 2011).</p>	<p>No change from 2018.</p>
<p>Fees are set at a level which reflects the role, responsibilities and time commitment which are expected from the Chairman and non-executive Directors</p>	<p>£30,000 (Chairman: £100,000) after tax and national insurance contributions per annum of each non-executive Director's basic fee is used to purchase Barclays' shares which are retained on the non-executive Director's behalf until they retire from the Board.</p> <p>Some non-executive Directors may also receive fees as directors of subsidiary companies of Barclays PLC</p>	
<p>Benefits</p>	<p>The Chairman is provided with private medical cover subject to the terms of the Barclays' scheme rules from time to time, and is provided with the use of a Company vehicle and driver when required for business purposes.</p>	<p>No change from 2018.</p>

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Benefits which are minor in nature and do not exceed a cost of £500 may be provided to non-executive Directors in specific circumstances

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

Service contracts and letters of appointment

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

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

Effective date of appointment

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

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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
Notes	

^aWith effect from 1 April 2018, the Company issued all Non-executive Directors with updated letters of appointment to address the change in corporate structure post Structural Reform. Where Non-executive Directors have other appointments to Barclays subsidiaries additional letters of appointment have been issued as appropriate.

Governance: Remuneration report

Annual report on Directors remuneration

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

Executive Directors

Executive Directors: Single total figure for 2018 remuneration

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

	Fixed Pay		Pension		Taxable benefit		Annual bonus		LTIP		Reduction of unvested deferred awards		Total	
	£000		£000		£000		£000		£000		£000		£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

a No significant movement in share price between grant and vest (based on Q4 2018 average price), no discretion applied

b The LTIP amount includes a reduction of c£200k attributable to 17% share price depreciation between date of grant and vesting date; no discretion applied

c LTIP and dividend equivalent figures for 2017 have been adjusted to reflect the share price on the date of vesting (211 pence) rather than the Q4 2017 average price.

d This represents malus applied to Jes Staley's 2016 variable compensation, following consideration by the Committee of the findings of the FCA and PRA investigations into Jes Staley matter in 2016.

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

Fixed Pay

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

Pension

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

Taxable benefits

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

Annual bonus

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

Financial (60% weighting)

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

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

Financial performance measure	Weighting	Threshold 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:	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	5%
<i>Building trust with customers and clients so they are happy to recommend us</i>		Barclays UK relationship NPS has increased to +17 (2017: +14)	
<i>Successfully innovating and developing products and services that meet their needs</i>		Barclaycard UK relationship NPS stayed flat over the year closing at +9 at year-end (2017: +9)	
<i>Offering suitable products and services in an accessible way, ensuring excellent customer and client experience</i>	Client	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.	
	rankings and market shares	Our Markets franchise delivered strong performance as it increased market share ^a in each asset class and delivered 5 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)	
	Complaints performance	95% of largest UK corporate clients considered service to be good, very good or excellent, up from 88% in 2017 (Charterhouse) 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%	

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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

Digital engagement We also completed over 110,000 mortgage applications worth c.£23bn (up 1.5% from 2017)
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

Conduct indicators 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 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:

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.

5.5%

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

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.

Engaged and enabled colleagues

A positive conduct and values-based culture

Our gender diversity, particularly at senior leadership levels within the organisation, remains a focus: the percentage of women 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

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development of our senior female leadership population and expanded our Encore! Programme to attract more women returners.

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

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

Governance: Remuneration report

Annual report on Directors remuneration

Category and key outcomes	Measure	Performance	Outcome
Citizenship:	Delivery against our Shared Growth Ambition	Target exceeded on against our annual internal milestones for a focus area of Access to financing	6%
<i>Making decisions and doing business in a way that provides our clients, customers, shareholders, colleagues and the communities which we serve with access to a prosperous future</i>		Access to digital and financial empowerment also exceeded target	
		Target exceeded on against our annual internal milestones for a 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	
<i>Proactively managing the environmental and societal impacts of our business</i>		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 2.4 million people in 2018 (2017: 2.1 million), driven by a range of employability partnerships around the world	
	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 by value to our suppliers was 82%, falling short of our target of 85%. Given that this KPI is reported as a three-month rolling average, it was disproportionately affected by a systems transformation in late October 2018.

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%

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.

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Finalise the implementation plan for an effective Brexit outcome	<p>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</p> <p>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</p>
Continue to drive strategic initiatives to enhance growth in shareholder value in the medium term	<p>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</p>
Manage risk and control effectively and make continued progress in resolving outstanding conduct matters	<p>In 2018, based on strong capital position, the restoration of the dividend to 6.5 pence, and the redemption of the expensive preference shares dating from the financial crisis, saw us deploy around £1.8 billion of capital. While this represents progress, we acknowledge that it is not yet sufficient</p> <p>Significant improvements in the control environment resulting from the wide-ranging BICEP (Barclays Improved Controls Enhancement Programme) work</p> <p>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</p>
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

Continue to strengthen the Bank's cyber

readiness, operational and financial controls

Further improve customer and client satisfaction, with a particular focus on reducing the number of overall complaints

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

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

Outcomes

Significant progress to strengthen controls in relation to cyber readiness, operations and financial reporting, including through the BICEP (Barclays Internal Controls Enhancement Programme) work

Cyber security enhanced with a second joint operation centre opened in Whippany, New Jersey to enhance our ability to monitor and address incidents on a global basis

Both operational issues and risk events have reduced significantly during 2018
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 5 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 Net Promoter Score (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%).

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 Taskforce, responsible for the Women's Managing Director Forum, as well as the extension of the ex officio role (a rotating position on senior management committees providing opportunities for talented individuals to contribute) from the Group Executive Committee down through the organisation

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

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 individual objectives was appropriate.

(i) Jes Staley

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

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

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

(ii) Tushar Morzaria

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

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

Notes

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

Governance: Remuneration report

Annual report on Directors remuneration

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 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%

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Cost: income ratio	20%	5% of award vests for average cost: income ratio of 66%	Average cost: income ratio of 58%	70%	0%
excluding material items ^a					
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					

aMaterial 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 re-measurement of US deferred tax assets in 2017; PPI and settlement with regard to RMBS in 2018.

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

Category	Weighting	Performance	Outcome
Capital & Liquidity	5%	<p>Stress test results showed improvement over the period. Although Barclays did not meet its CET1 systemic reference points in 2016, no revised capital plans were required in light of the steps already taken. In 2017, the Bank of England recognised that the increases in CET1 capital and in Tier 1 leverage ratios over the year were sufficient for it to meet the systemic reference points in the test. Barclays passed the 2018 test.</p> <p>Group CET1% grew from 11.4% to 13.2% over the period, and remained comfortably above the regulatory minimum throughout.</p> <p>Our liquidity risk appetite measure and the Liquidity Coverage Ratio remained above targets.</p>	4%

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Controls	5%	<p>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.</p> <p>These summary ratings improved over the period, notably following the completion of the Barclays Internal Controls Enhancement Programme (BICEP). This programme facilitated the resolution of the most material control issues, and implemented a system of tracking and reporting risk events and controls issues against a new Controls Maturity Model.</p>	3%
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70 Barclays PLC 2018 Annual Report on Form 20-F

Conduct	5%	<p>The Conduct category focuses on two internal forward-looking tools:</p> <p>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.</p> <p>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.</p>	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%	<p>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</p> <p>Similarly, Client Franchise Rank performance was at 5th and 6th over the period, below the plan target of top 3</p>	0%
Colleague	3%	<p>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%</p> <p>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</p>	1%
Citizenship	3%	<p>The plan targets were exceeded on 4 measures (access to financing, financial and digital empowerment, access to employment and carbon emissions reduction)</p>	2%

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Barclays Way training was on track

		On-time payment to our suppliers is behind track, but in H2 2018 only, for the first time since it was introduced in 2015	
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 timeframe was ambitious and returns are not yet at that level	1%
		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 c13% and exceeding 100-150 basis points above the regulatory minimum	
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 as at 31 December 2019	25%	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) 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	20%	5% of award vests for average cost: income ratio of 63%	Average cost: income ratio of 58%

excluding material
items

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.

Governance: Remuneration report

Annual report on Directors remuneration

**Performance
measure**

Strategic
non-financial

Weighting

15%

Threshold

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%) 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	RoTE of 10.25%
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 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	

Strategic non-financial	15%	<p>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.</p>
		<p>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:</p> <p style="margin-left: 40px;">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.</p> <p style="margin-left: 40px;">Colleague: Diversity and Inclusion statistics (including women in senior leadership), Employee sustainable engagement survey scores and conduct and culture measures.</p> <p style="margin-left: 40px;">Citizenship: Delivery against our Shared Growth Ambition, Colleague engagement in Citizenship activities and external benchmarks and surveys.</p>

Matters for which the Committee has exercised discretion

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

Governance: Remuneration report

Annual report on Directors remuneration

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 Profit before tax excluding litigation and conduct and other material items (50% weighting)
(60% weighting) Payout of this element will depend on the CET1 ratio during the performance year:

A performance target range has been set for each financial measure. 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 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.

Strategic non-financial Cost: income ratio excluding litigation and conduct and other material items (10% weighting).
(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

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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

The executive Directors have the following joint personal objectives for 2019:

(20% weighting)

Deliver on 2019 external market targets, whilst also remaining on track for delivery of 2020 commitments. In doing so, continue to focus on the profitability and returns of the CIB

Identify opportunities for further cost efficiencies, enabling investment 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.

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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 also provided an indication of the maximum remuneration receivable, assuming share price appreciation of 50% on the LTIP.

Performance graph and table

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

Governance: Remuneration report

Annual report on Directors remuneration

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

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

	2009	2010	2011	2012 ^a		2013	2014	2015 ^a		2016	2017	
	John Varley	John Varley	Bob Diamond	Bob Diamond ^b	Antony Jenkins ^c	Antony Jenkins	Antony Jenkins	Antony Jenkins ^c	McFarlane ^d	Jes Staley ^e	Jes Staley	Jes Staley
Single total remuneration	2,050	4,567	11,070 ^f	1,892	529	1,602	5,467 ^g	3,399	305	277	4,233	3,873
Ratio to UK employees	0%	100%	80%	0%	0%	0%	57%	48%	N/A	N/A	60%	48.5%
Ratio to UK employees (excluding CEO)	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
Ratio to UK employees (excluding CEO and UK employees)	106 x	232 x	552 x		118 x	77 x	254 x		183 x		195 x	173 x
Ratio to UK employees (excluding CEO and UK employees)	75 x	165 x	391 x		84 x	54 x	175 x		126 x		137 x	119 x
Ratio to UK employees (excluding CEO and UK employees)	40 x	87 x	206 x		44 x	28 x	92 x		66 x		70 x	61 x

Notes

^aWhere 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

^bBob 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	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

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£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.

76 Barclays PLC 2018 Annual Report on Form 20-F

Relative importance of spend on pay

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

Total incentive awards granted - current year

	Barclays Group		
	Year ended	Year ended	
	31.12.18	31.12.17	
	£m	£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 and time commitment and the level of fees paid to non-executive Directors of comparable major UK companies.

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

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

	Fees		Benefits		Total	
	2018	2017	2018	2017	2018	2017
	£000	£000	£000	£000	£000	£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.

Governance: Remuneration report

Annual report on Directors remuneration

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

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

	1 January	
	2019	January 2018
	£000	£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 Directors Remuneration Policy and took account of comparable market data and the Senior Independent Director role being performed independently of the Deputy Chairman role.

Payments to former Directors

Former Group Finance Director: Chris Lucas

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

Directors shareholdings and share interests

Executive Directors shareholdings and share interests

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

Interests in Barclays PLC shares

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

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

78 Barclays PLC 2018 Annual Report on Form 20-F

Barclays Board Remuneration Committee

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

Terms of Reference

The role of the Committee is to:

set the overarching principles and parameters of remuneration policy across the Group

consider and approve the remuneration arrangements of (i) the Chairman, (ii) the executive Directors, (iii) members of the Barclays Group Executive Committee and any other senior executives specified by the Committee from time to time, and (iv) all other Group employees whose total annual compensation exceeds an amount determined by the Committee from time to time (currently £2m)

exercise oversight for remuneration issues.

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

The Terms of Reference can be found at home.barclays/corporategovernance

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

^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.

Advisers to the Remuneration Committee

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

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

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

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

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

Governance: Remuneration report

Annual report on Directors remuneration

Remuneration Committee activity in 2018

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

Meeting	Fixed and variable pay issues	Governance, risk and other matters^a
January 2018	<ul style="list-style-type: none"> 2017 incentive funding proposals, including risk adjustments 2017 bonus proposals for senior executives 	<ul style="list-style-type: none"> Non-executive Directors' fees for subsidiary boards
February 2018	<ul style="list-style-type: none"> Approved final 2017 incentive funding, including risk adjustments 	<ul style="list-style-type: none"> Approved 2017 Reward communications approach
	<ul style="list-style-type: none"> Approved proposals for executive Directors and senior executives' 2017 bonuses and 2018-2020 LTIP awards for executive Directors 	<ul style="list-style-type: none"> Review of Committee effectiveness
	<ul style="list-style-type: none"> Group fixed pay budgets for 2018 	
	<ul style="list-style-type: none"> Approved executive Directors' and senior executives' 2018 Fixed Pay 	
July 2018	<ul style="list-style-type: none"> Approved executive Directors' annual bonus performance measures for 2018 2018 ex ante risk adjustment methodology 	<ul style="list-style-type: none"> Barclays Fair Pay Agenda
	<ul style="list-style-type: none"> 2018 incentive funding framework 	<ul style="list-style-type: none"> Update on the establishment of subsidiary Remuneration Committees Barclays Fair Pay Agenda

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October 2018	2018 incentive funding projections, including risk adjustments	Amendments to the rules of the Barclays Group Deferred Share Value Plan and Cash Value Plan
	Annual review of Group Chairman's remuneration	
December 2018	Update on Barclays UK remuneration approach	
	Initial consideration on executive Directors' and senior executives' 2018 bonuses and 2019 Fixed Pay	Annual review of Committee activity, Terms of Reference and Control Framework
	2019 bonus approach for executive Directors	
	2019-2021 LTIP performance measures	Non-executive Directors' fees for subsidiary boards
	2018 incentive funding proposals, including risk adjustments	
	Update on Barclays UK remuneration approach	
January 2019	2018 incentive funding proposals, including risk adjustments	
February 2019	2018 bonus proposals for senior executives	
	Approved final 2018 incentive funding, including risk adjustments	Review of Board Remuneration Committee Effectiveness
	Approved proposals for executive Directors' and senior executives' 2018 bonuses and 2019-2021 LTIP awards for executive Directors	Approved 2018 Reward communications approach
	Group fixed pay budgets for 2019	
	Approved 2019 executive Directors' annual bonus performance measures	

Notes

aThe Committee is also provided with updates at each scheduled meeting on: regulatory and stakeholder matters, Finance and Risk, Remuneration Review Panel meetings, operation of the Committee's Control Framework on hiring, retention and termination, headcount and employee attrition, and extant LTIP performance. There were also two additional Remuneration Committee meetings during the course of 2018. The Committee met on 10 May 2018 to consider remuneration consequences of the investigation into Jes Staley's involvement in the

whistleblowing incident. On 26 October 2018 the Committee met in respect of remuneration arrangements for the Group Chairman-designate.

Statement of shareholder voting at Annual General Meeting

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

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

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

Risk review

Contents

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

Risk management		Annual Report
	Enterprise Risk Management Framework (ERMF)	83
Overview of Barclays' approach to risk management. A detailed overview together with more specific information on policies that Barclays Group determines to be of particular significance in the current operating environment can be found in Barclays PLC Pillar 3 Report 2018 or at Barclays.com.	Principal risks	83
	Risk appetite for the principal risks	83
	Roles and responsibilities in the management of risk	83
	Frameworks, policies and standards	n/a
	Assurance	n/a
	Effectiveness of risk management arrangements	n/a
	Learning from our mistakes	n/a
	Barclays' risk culture	84
	Barclays Group-wide risk management tools	n/a
	Risk management in the setting of strategy	n/a
Material existing and emerging risks		
	Material existing and emerging risks potentially impacting more than one principal risk	85
Insight into the level of risk across our business and portfolios, the	Credit risk	87
	Market risk	88

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material existing and emerging risks and uncertainties we face and the key areas of management focus.	Treasury and capital risk Operational risk Model risk Conduct risk Reputation risk Legal risk and legal, competition and regulatory matters	88 88 89 89 90 90
Principal risk management		
Barclays approach to risk management for each principal risk with focus on organisation and structure and roles and responsibilities.	Credit risk management Management of credit risk mitigation techniques and counterparty credit risk Market risk management Management of securitisation exposures Treasury and capital risk management Operational risk management Model risk management Conduct risk management Reputation risk management Legal risk management	91 n/a 93 n/a 94 97 99 100 101 102
Risk performance		
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 overview and summary of performance Maximum exposure and effects of netting, collateral and risk transfer Expected Credit Losses Movements in gross exposure and impairment allowance including provisions for loan commitments and financial guarantees Management adjustments to models for impairment Modification of financial assets Measurement uncertainty and sensitivity analysis Analysis of the concentration of credit risk Barclays Group's approach to management and representation of credit quality Analysis of specific portfolios and asset types Forbearance Analysis of debt securities Analysis of derivatives	104 104 107 110 112 112 113 118 120 123 125 128 129
Market risk: The risk of a loss arising from potential adverse changes in the value of the firm's	Market risk overview and summary of performance Balance sheet view of trading and banking books Review of management measures Review of regulatory measures	131 132 133 134

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.

Risk review

Contents

Risk performance continued		Annual Report
	Liquidity risk overview and summary of performance	137
Treasury and capital risk	Liquidity risk stress testing	137
Liquidity:	Liquidity pool	139
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.	Funding structure and funding relationships	140
	Encumbrance	142
	Credit ratings	146
	Contractual maturity of financial assets and liabilities	147
	Capital risk overview and summary of performance	151
Treasury and capital risk	Regulatory minimum capital and leverage requirements	152
Capital:	Analysis of capital resources	153
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	Analysis of risk weighted assets	154
	Analysis of leverage ratio and exposures	155
	Foreign exchange risk	156
	Pension risk review	157

firm's pension plans.

	Minimum requirement for own funds and eligible liabilities	158
	Interest rate risk in the banking book overview and summary of performance	159
Treasury and capital risk		160
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.	Net interest income sensitivity	160
	Analysis of equity sensitivity	161
	Volatility of the FVOCI portfolio in the liquidity pool	161
	Operational risk overview and summary of performance	162
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.	Operational risk profile	163
	Model risk overview and summary of performance	165
Model risk: The risk of the potential adverse consequences from financial assessments or decisions based on incorrect or misused model outputs and reports.	Conduct risk overview and summary of performance	166
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.	Reputation risk overview and summary of performance	167

Reputation risk: The risk that an action, transaction, investment or event will reduce trust in the firm's integrity and competence by clients, counterparties, investors, regulators, employees or the public.

Legal risk overview and summary of performance 168

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.

Supervision and regulation

Supervision of Barclays Group 170

Barclays Group's operations, including its overseas offices, subsidiaries and associates, are subject to a significant body of rules and regulations.

Global regulatory developments 170

Financial regulatory framework 171

Risk review

Risk management

[Barclays Group's risk management strategy](#)

Introduction

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

Enterprise Risk Management Framework (ERMF)

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

The ERMF sets out:

Principal risks faced by Barclays Group

Risk appetite requirements

Roles and responsibilities for risk management

Risk committee structure

Principal risks

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

Risk appetite for the principal risks

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

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

Roles and responsibilities in the management of risk

The Three Lines of Defence

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

First Line of Defence

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

Employees in the First Line are responsible for:

identifying the risks in their activities and developing appropriate policies, standards and controls

operating within any and all limits which the Risk and Compliance functions establish over the exposures and activities of the first line; and

escalating risk events to senior managers in Risk and Compliance.

Second Line of Defence

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

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

Third Line of Defence

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

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

Risk committees

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

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

regular information on the risk profile of Barclays Group, and has ultimate responsibility for risk appetite and capital plans.

Risk review

Risk management

Barclays Group's risk management strategy

The Barclays PLC Board

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

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

The Barclays PLC Board Risk Committee (BRC)

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

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

The Barclays PLC Board Audit Committee (BAC)

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

The Barclays PLC Board Reputation Committee (RepCo)

The RepCo reviews management's recommendations on conduct and reputation risk and the effectiveness of the processes by which Barclays Group identifies and manages these risks. It also reviews and monitors the effectiveness of Barclays Group's citizenship strategy, including the management of Barclays Group's economic, social and environmental contribution.

The Barclays PLC Board Remuneration Committee (RemCo)

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

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

Barclays Group's risk culture

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

Our Code of Conduct – the Barclays Way

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

Embedding of a values-based, conduct culture

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

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

Other risk culture drivers

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

Management and governance: This means a consistent tone from the top and clear responsibilities to enable risk identification and challenge

Motivation and incentives: The right behaviours are rewarded and modelled

Competence and effectiveness: This means that colleagues are enabled to identify, escalate and resolve risk and control matters

Integrity: Colleagues are willing to meet their risk management responsibilities, and escalate issues on a timely basis.

84 Barclays PLC 2018 Annual Report on Form 20-F

Risk review

Material existing and emerging risks

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

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

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

The risks described below are material existing and emerging risks which senior management has identified with respect to Barclays Group.

Material existing and emerging risks potentially impacting more than one principal risk

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

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The uncertainty around Brexit spanned the whole of 2018, and intensified in the second half of the year. The full impact of the withdrawal may only be realised in years to come, as the economy adjusts to the new regime, but Barclays Group continues to monitor the most relevant risks, including those that may have a more immediate impact, for its business:

Market volatility, including in currencies and interest rates, might increase which could have an impact on the value of Barclays Group's trading book positions.

Potential UK financial institutions' credit spread widening could lead to reduced investor appetite for Barclays Group's debt securities; this could negatively impact the cost of, and/or access to, funding. There is potential for continued market and interest rate volatility. This volatility could affect underlying interest rate risk value of the assets in the banking book and securities held by Barclays Group for liquidity purposes.

A credit rating agency downgrade applied directly to Barclays Group, or indirectly as a result of a credit rating agency downgrade to the UK Government, could significantly increase Barclays Group's borrowing costs, credit spreads and materially adversely affect Barclays Group's interest margins and liquidity position.

Changes in the long-term outlook for UK interest rates may adversely affect pension liabilities and the market value of investments funding those liabilities.

Risk review

Material existing and emerging risks

Increased risk of a UK recession with lower growth, higher unemployment and falling UK house prices. This would likely negatively impact a number of Barclays Group's portfolios, notably: higher Loan to Value mortgages, UK unsecured lending including credit cards and commercial real estate exposures.

The implementation of trade and customs barriers between the UK and EU could lead to delays and increased costs in the passage of goods for corporate banking customers. This could negatively impact the levels of customer defaults and business volumes which may result in an increase in Barclays Group's impairment charges and a reduction in revenues.

Changes to current EU 'Passporting' rights may require further adjustment to the current model for Barclays Group's cross-border banking operation which could increase operational complexity and/or costs.

The ability to attract, or prevent the departure of, qualified and skilled employees may be impacted by the UK's and the EU's future approach to the EU freedom of movement and immigration from the EU countries and this may impact Barclays Group's access to the EU talent pool.

The legal framework within which Barclays Group operates could change and become more uncertain if the UK takes steps to replace or repeal certain laws currently in force, which are based on EU legislation and regulation (including EU regulation of the banking sector) following its withdrawal from the EU. Certainty around the ability to perform existing contracts, enforceability of certain legal obligations and uncertainty around the jurisdiction of the UK courts may be affected until the impacts of the loss of the current legal and regulatory arrangements between the UK and EU and the enforceability of UK judgements across the EU are fully known.

Should the UK lose automatic qualification to be part of Single Euro Payments Area there could be a resultant impact on the efficiency of, and access to, European payment systems. In addition, loss of automatic qualification to the European Economic Area (EEA) or access to Financial Markets Infrastructure including exchanges, central counterparties and payment services could impact service provision for clients, likely resulting in reduced market share and revenue and increased operating costs for Barclays Group.

There are certain execution risks relating to the transfer of Barclays Group's European businesses to Barclays Bank Ireland Group. Technology change could result in outages or operational errors, leading to delays in the transfer of assets and liabilities to Barclays Bank Ireland Group, and delayed delivery could lead to European clients losing access to products and service and increased reputational risk.

iii) Interest rate rises adversely impacting credit conditions

To the extent that central banks increase interest rates particularly in Barclays Group's main markets, in the UK and the US, there could be an impact on consumer debt affordability and corporate profitability.

While interest rate rises could positively impact Barclays Group's profitability, as retail and corporate business income may increase due to margin de-compression, future interest rate increases, if larger or more frequent than expectations, could cause stress in the lending portfolio and underwriting activity of Barclays Group. Higher credit losses driving an increased impairment allowance would most notably impact retail unsecured portfolios and wholesale non-investment grade lending.

Changes in interest rates could have an adverse impact on the value of high quality liquid assets which are part of the Barclays Group Treasury function's investment activity. Consequently, this could create more volatility than expected through Barclays Group's FVOCI reserves.

iv) Regulatory change agenda and impact on business model

Barclays Group remains subject to ongoing significant levels of regulatory change and scrutiny in many of the countries in which it operates (including, in particular, the UK and the US). As a result, regulatory risk will remain a focus for senior management and consume significant levels of business resources. Furthermore, a more intensive regulatory approach and enhanced requirements together with the uncertainty (particularly in light of the UK's withdrawal from the EU) and potential lack of international regulatory co-ordination as enhanced supervisory standards are developed and implemented may adversely affect Barclays Group's business, capital and risk management strategies and/or may result in Barclays Group deciding to modify its legal entity, capital and funding structures and business mix, or to exit certain business activities altogether or not to expand in areas despite otherwise attractive potential.

Barclays Bank UK Group was established on 1 April 2018 as the ring-fenced entity under Barclays Group. The relevant rules required to comply with the UK ring-fencing regime are complex and will continue to entail significant costs and operational and legal risks. There may be a risk associated with the uncertainty around interpretation, administration and enforcement of the ring fencing regime as the regulatory requirements develop. This risk is compounded by the potential for different regulatory interpretation as standards are developed, the impact of the UK's withdrawal from the EU and internal factors, such as Barclays Group's strategy. Failure to maintain ongoing compliance, including from the implementation of any new regulatory requirements that may potentially be enforced, could result in regulatory censure or penalties for Barclays Group.

There are several other significant pieces of legislation and areas of focus which will require significant management attention, cost and resource, including:

Changes in prudential requirements (including the risk reduction measures package recently adopted in the EU to amend the Capital Requirements Directive (CRD IV) and the Bank Recovery and Resolution Directive (BRRD)) may impact minimum requirements for own funds and eligible liabilities (MREL) (including requirements for internal MREL), leverage, liquidity or funding requirements, applicable buffers and/or add-ons to such minimum requirements and risk weighted assets calculation methodologies all as may be set by international, EU or national authorities. Such or similar changes to prudential requirements or additional supervisory and prudential expectations, either individually or in aggregate, may result in, among other things, a need for further management actions to meet the changed requirements, such as: increasing capital, MREL or liquidity resources, reducing leverage and risk weighted assets; restricting distributions on capital instruments; modifying the terms of outstanding capital instruments; modifying legal entity structure (including with regard to issuance and deployment of capital, MREL and funding); changing Barclays Group's business mix or exiting other businesses; and/or undertaking other actions to strengthen Barclays Group's position. (See Treasury and capital risk on pages 136 to

158 and Supervision and regulation on pages 169 to 176 for more information).

The derivatives market has been the subject of particular focus for regulators in recent years across the G20 countries and beyond, with regulations introduced which require the reporting and clearing of standardised over the counter (OTC) derivatives and the mandatory margining of non-cleared OTC derivatives. Other regulations applicable to swap dealers, including those promulgated by the US Commodity Futures Trading Commission, have imposed significant costs on Barclays Group's derivatives business. The increased regulation of swaps and security-based swaps may also result in other increases in costs for market participants, as well as reduced liquidity in the markets for such instruments, which could cause further increases in costs and volatility. These and any future requirements, including the US SEC's regulations relating to security-based swaps and the possibility of overlapping and/or contradictory requirements imposed on derivative transactions by regulators in different jurisdictions, are expected to continue to impact such business in the same manner.

More broadly, compliance with the evolving regulatory framework entails significant costs for market participants and is having a significant impact on certain markets in which Barclays Group operates. The recast Markets

in Financial Instruments Directive in Europe (MiFID II), which came into force in January 2018, has fundamentally changed the European regulatory framework entailing significant operational changes for market participants in a wide range of financial instruments as well as changes in market structures and practices. In addition, the EU Benchmarks Regulation, which also came into force in January 2018, regulates the use of benchmarks in the EU. In particular, after 1 January 2020 certain Barclays Group entities will not be permitted to use benchmarks unless the relevant administrator is authorised, registered or qualifies under a third party regime. This may necessitate adapting processes and systems to transition to new alternative benchmarks, which would be a very time-consuming and costly process. Separately, the transition to risk-free rates as part of a wider benchmark reform is also expected to be impactful to Barclays Group in respect of the timing of the development of a robust risk free rate market, an unfavourable market reaction and/or inconsistencies in the adoption of products using the new risk free rates, and also in respect of the costs and uncertainties involved in managing and/or changing historical products to reference risk free rates as a result of the proposed discontinuation of certain existing benchmarks.

Barclays Group and certain of its members are subject to supervisory stress testing exercises in a number of jurisdictions. These exercises currently include the programmes of the BoE, the EBA, the FDIC and the FRB. These exercises are designed to assess the resilience of banks to adverse economic or financial developments and enforce robust, forward looking capital and liquidity management processes that account for the risks associated with their business profile. Assessment by regulators is on both a quantitative and qualitative basis, the latter focusing on Barclays Group's or certain of its members' business model, data provision, stress testing capability and internal management processes and controls. The stress testing requirements to which Barclays Group and its members are subject are becoming increasingly stringent. Failure to meet requirements of regulatory stress tests, or the failure by regulators to approve the stress test results and capital plans of Barclays Group, could result in Barclays Group being required to enhance its capital position, limit capital distributions or position additional capital in specific subsidiaries. For more information on stress testing, refer to Supervision and regulation on page 172.

The introduction and implementation of both Payments Service Directive 2 (PSD2) and the Open API standards and data sharing remedy from the UK Competition and Markets Authority following its Retail Banking Market Investigation Order (together Open Banking) from January 2018 with delivery across 2019 provides third parties and banks with opportunities to change and enhance the relationship between a customer and their bank. It does this by providing customers with the ability to share their transactional data with authorised third party service providers either for aggregation or payment services. It is anticipated that both aggregation and payment services will be offered by third parties to Barclay Group's customers and Barclays Group itself has launched an aggregation service. PSD2 will also introduce new requirements to the authentication process for a number of actions customers take, including ecommerce transactions. A failure to comply with Open Banking requirements could expose Barclays Group to regulatory sanction. Further, the data sharing regime could mean that actions or omissions by third party service providers could expose Barclays Group to potential financial

loss from third party fraud, misuse of customer data, litigation and reputational detriment, amongst other things. The changes to authentication may change the fraud environment across the industry as providers implement different approaches to comply.

Material existing and emerging risks impacting individual principal risks

i) Credit risk

a) Impairment

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

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

In addition, the move from incurred to expected credit losses has the potential to impact Barclays Group's performance under stressed economic conditions or regulatory stress tests. For more information, refer to Note 1 on pages 214 to 217.

b) Specific sectors and concentrations

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

UK retailers. Softening demand, rising costs and a structural shift to online is fuelling pressure on the UK High Street. Whilst we have not seen any material impact, as the UK retailer market repositions itself the trend represents a potential risk in our UK corporate portfolio.

Consumer affordability has remained a key area of focus for regulators, particularly in unsecured lending, driven by the growth in levels of borrowing. Macroeconomic factors, such as rising unemployment, that impact a customer's ability to service unsecured debt payments could lead to increased arrears in unsecured products.

UK real estate market. UK property represents a significant portion of the overall Barclays Group retail and corporate credit exposure. In 2018, property price growth across the UK continued, however, this growth has slowed in London and the South East where Barclays Group's exposure has high concentration. Barclays Group is at risk of increased impairment from a material fall in property prices due to the depreciation in value of the underlying loan security.

Leverage finance underwriting. Barclays Group takes on sub-investment grade underwriting exposure, including single name risk, particularly in the US and Europe. Barclays Group is exposed to credit events and market volatility during the underwriting period. Any adverse events during this period may potentially result in loss for Barclays Group, or an increased capital requirement should there be a need to hold the exposure for an extended

period.

Italian portfolio. Barclays Group is exposed to a decline in the Italian economic environment through a mortgage portfolio in run-off and positions to wholesale customers. The Italian economy tipped into an official recession at the end of 2018 and should the economy deteriorate further, there could be a material adverse effect on Barclays Group's results including, but not limited to, increased credit losses and higher impairment charges.

Barclays Group also has large individual exposures to single name counterparties, both in its lending activities and in its financial services and trading activities, including transactions in derivatives and transactions with brokers, central clearing houses, dealers, other banks, mutual and hedge funds and other institutional clients. The default of such counterparties could have a significant impact on the carrying value of these assets. In addition, where such counterparty risk has been mitigated by taking collateral, credit risk may remain high if the collateral held cannot be realised, or has to be liquidated at prices which are insufficient to recover the full amount of the loan or derivative exposure. Any such defaults could have a material adverse effect on Barclays Group's results due to, for example, increased credit losses and higher impairment charges.

Risk review

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.

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; 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 cyber-attacks 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

Risk review

Material existing and emerging risks

and corruption, and the facilitation of tax evasion). UK and US regulations concerning financial institutions continue to focus on combating financial crime. Failure to comply may lead to enforcement action by Barclays Group's regulators together with severe penalties, affecting Barclays Group's reputation and financial results.

c) Data protection and privacy

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

d) Regulatory focus on culture and accountability

Regulators around the world continue to emphasise the importance of culture and personal accountability and the adoption and enforcement of adequate internal reporting and whistleblowing procedures in helping to promote appropriate conduct and drive positive outcomes for customers, colleagues, clients and markets. Failure to meet the requirements and expectations of the UK Senior Managers Regime, Certification Regime and Conduct Rules may lead to regulatory sanctions, both for the individuals and Barclays Group.

vii) Reputation risk

Barclays Group's association with sensitive sectors and its impact on reputation

A risk arising in one business area can have an adverse effect upon Barclays Group's overall reputation; any one transaction, investment or event that, in the perception of key stakeholders reduces their trust in Barclays Group's integrity and competence.

Barclays Group's association with sensitive topics and sectors is an area of concern for stakeholders, including:

Disclosure of climate risks and opportunities, including the activities of certain sections of the client base, which has become the subject of increased scrutiny from regulators, NGOs and other stakeholders.

The risks of association with human rights violations through the perceived indirect involvement in human rights abuses committed by clients and customers.

The manufacture and export of military and riot control goods and services by clients and customers. These associations have the potential to give rise to reputation risk for Barclays Group and may result in loss of business, regulatory censure and missed business opportunity.

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

viii) Legal risk and legal, competition and regulatory matters

Legal disputes, regulatory investigations, fines and other sanctions relating to conduct of business and breaches of legislation and/or regulations may negatively affect Barclays Group's results, reputation and ability to conduct its business.

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

Details of legal, competition and regulatory matters to which Barclays Group is currently exposed are set out in Note 27. In addition to matters specifically described in Note 27, Barclays Group is engaged in various other legal proceedings which arise in the ordinary course of business. Barclays Group is also subject to requests for information, investigations and other reviews by regulators, governmental and other public bodies in connection with business activities in which Barclays Group is, or has been, engaged.

The outcome of legal, competition and regulatory matters, both those to which Barclays Group is currently exposed and any others which may arise in the future, is difficult to predict. In connection with such matters Barclays Group may incur significant expense, regardless of the ultimate outcome, and any such matters could expose Barclays Group to any of the following outcomes: substantial monetary damages, settlements and/or fines; remediation of affected customers and clients; other penalties and injunctive relief; additional litigation; criminal prosecution; the loss of any existing agreed protection from prosecution; regulatory restrictions on Barclays Group's business operations including the withdrawal of authorisations; increased regulatory compliance requirements; suspension of operations; public reprimands; loss of significant assets or business; a negative effect on Barclays Group's reputation; loss of confidence by investors, counterparties,

clients and/or customers; risk of credit rating agency downgrades; potential negative impact on the availability and/or cost of funding and liquidity; and/or dismissal or resignation of key individuals. In light of the uncertainties involved in legal, competition and regulatory matters, there can be no assurance that the outcome of a particular matter or matters will not be material to Barclays Group's results of operations or cash flow for a particular period.

In January 2017, Barclays was sentenced to serve three years of probation from the date of the sentencing order in accordance with the terms of its May 2015 plea agreement with the Department of Justice (DOJ). During the term of probation, Barclays Group must, among other things, (i) commit no crime whatsoever in violation of the federal laws of the US, (ii) implement and continue to implement a compliance program designed to prevent and detect the conduct that gave rise to the plea agreement, and (iii) strengthen its compliance and internal controls as required by relevant

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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.

90 Barclays PLC 2018 Annual Report on Form 20-F

Risk review

Principal Risk management

Credit risk management

Credit risk (audited)

The risk of loss to the firm from the failure of clients, customers or counterparties, including sovereigns, to fully honour their obligations to the firm, including the whole and timely payment of principal, interest, collateral and other receivables.

Overview

The credit risk that Barclays Group faces arises from wholesale and retail loans and advances together with the counterparty credit risk arising from derivative contracts with clients; trading activities, including: debt securities, settlement balances with market counterparties, FVOCI assets and reverse repurchase loans.

Credit risk management objectives are to:

maintain a framework of controls to oversee credit risk;

identify, assess and measure credit risk clearly and accurately across Barclays Group and within each separate business, from the level of individual facilities up to the total portfolio;

control and plan credit risk taking in line with external stakeholder expectations and avoiding undesirable concentrations;

monitor credit risk and adherence to agreed controls.

Organisation and structure

Wholesale and retail portfolios are managed separately to reflect the differing nature of the assets; wholesale balances tend to be larger and are managed on an individual basis, while retail balances are greater in number but lesser in value and are, therefore, managed in aggregated segments.

The credit risk management teams in each legal entity are accountable to the relevant Legal Entity CRO, who reports to the Barclays Group CRO.

Roles and responsibilities

The responsibilities of the credit risk management teams in the businesses, the sanctioning team and other shared services include: sanctioning new credit agreements (principally wholesale); setting strategies for approval of transactions (principally retail); setting risk appetite; monitoring risk against limits and other parameters; maintaining robust processes, data gathering, quality, storage and reporting methods for effective credit risk management; performing effective turnaround and workout scenarios for wholesale portfolios via dedicated restructuring and recoveries teams; maintaining robust collections and recovery processes/units for retail portfolios; and development of credit risk measurement models.

For wholesale portfolios, credit risk approval is undertaken by experienced credit risk professionals operating within a clearly defined delegated authority framework, with only the most senior credit officers assigned the higher levels of delegated authority. The largest credit exposures, which are outside the Risk Sanctioning Unit or Risk Distribution Committee authority, require the support of a legal entity Senior Credit Officer. For exposures in excess of the legal entity Senior Credit Officer's authority, approval by Group Senior Credit Officer/Board Risk Committee is also required. The Barclays Group Credit Risk Committee, attended by legal entity Senior Credit Officers, provides a formal mechanism for the Barclays Group Senior Credit Officer to exercise the highest level of credit authority over the most material Barclays Group single name exposures.

In the wholesale portfolios, credit risk managers are organised in sanctioning teams by geography, industry and/or product.

The role of the Central Risk function is to provide Barclays Group-wide direction, oversight and challenge of credit risk taking. Central Risk sets the Credit Risk Control Framework, which provides the structure within which credit risk is managed, together with supporting credit risk policies and standards.

Governance and oversight of expected credit losses

Barclays Group's organisational structure and internal governance processes oversee the estimation of ECL across several areas, including: i) setting requirements in policy, including key assumptions and the application of key judgements; ii) the design and execution of models; and iii) review of ECL results.

Organisation and structure

Risk review

Principal Risk management

Credit risk management

i) Impairment policy requirements are set and reviewed regularly, at a minimum annually, to maintain adherence to accounting standards. Key judgements inherent in policy, including the estimated life of revolving credit facilities and the quantitative criteria for assessing the significant increase in credit risk (SICR), are separately supported by analytical study. In particular, the quantitative thresholds used for assessing SICR are subject to a number of internal validation criteria, particularly in retail portfolios where thresholds decrease as the origination PD of each facility increases. Key policy requirements are also typically aligned to Barclays Group's credit risk management strategy and practices, for example, wholesale customers that are risk managed on an individual basis are assessed for ECL on an individual basis upon entering Stage 3; furthermore, key internal risk management indicators of high risk are used to set SICR policy, for example, retail customers identified as High Risk Management Accounts are automatically deemed to have met the SICR criteria.

ii) ECL is estimated in line with internal policy requirements using models which are validated by a qualified independent party to the model development area, the Independent Validation Unit (IVU), before first use and at a minimum annually thereafter. Each model is designated an owner who is responsible for:

Monitoring the performance of the model, which includes comparing predicted ECL versus flow into stage 3 and coverage ratios; and

Proposing post-model adjustments (PMA) to address model weaknesses or to account for situations where known or expected risk factors and information have not been considered in the modelling process. Each PMA above an absolute and relative threshold is approved by the IVU for a set time period (usually a maximum of six months) together with a plan for remediation. The most material PMAs are also approved by the Barclays Group's Chief Risk Officer.

Models must also assess ECL across a range of future economic conditions. These economic scenarios are generated via an independent model and ultimately set by the Senior Scenario Review Committee. Economic scenarios are regenerated at a minimum annually, to align with Barclays Group's medium term planning exercise, but also if the external consensus of the UK or US economy materially worsen. The scenario probability weights are also updated when scenarios are regenerated and reviewed by the Senior Scenario Committee. Each model used in the estimation of ECL, including key inputs, are governed by a series of internal controls, which include the validation of completeness and accuracy of data in golden source systems, documented data transformations and documented lineage of data transfers between systems.

iii) The Barclays Group Impairment Committee, formed of members from both Finance and Risk, is responsible for overseeing impairment policy and practice across Barclays Group and will approve impairment results. Reported

results and key messages are communicated to the Barclays PLC Board Audit Committee, which has an oversight role and provides challenge of key assumptions, including the basis of the scenarios adopted.

Credit risk mitigation

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

- netting and set-off
- collateral
- risk transfer.

Netting and set-off

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

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

Collateral

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

home loans: a fixed charge over residential property in the form of houses, flats and other dwellings. The value of collateral is impacted by property market conditions which drive demand and therefore value of the property. Other regulatory interventions on ability to repossess, longer period to repossession and granting of forbearance may also affect the collateral value.

wholesale lending: a fixed charge over commercial property and other physical assets, in various forms.

other retail lending: includes charges over motor vehicle and other physical assets; second lien charges over residential property, which are subordinate to first charges held either by Barclays Group or another party; and finance lease receivables, for which typically Barclays Group retains legal title to the leased asset and has the right to repossess the asset on the default of the borrower.

derivatives: Barclays Group also often seeks to enter into a margin agreement (e.g. Credit Support Annex) with counterparties with which Barclays Group has master netting agreements in place. These annexes to master agreements provide a mechanism for further reducing credit risk, whereby collateral (margin) is posted on a regular basis (typically daily) to collateralise the mark to market exposure of a derivative portfolio measured on a net basis. Barclays Group may additionally negotiate the receipt of an independent amount further mitigating risk by

collateralising potential mark to market exposure moves.

reverse repurchase agreements: collateral typically comprises highly liquid securities which have been legally transferred to Barclays Group subject to an agreement to return them for a fixed price.

financial guarantees and similar off-balance sheet commitments: cash collateral may be held against these arrangements.

Risk transfer

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

if the risk is transferred to a counterparty which is more creditworthy than the original counterparty, then overall credit risk is reduced

where recourse to the first counterparty remains, both counterparties must default before a loss materialises. This is less likely than the default of either counterparty individually so credit risk is reduced. Detailed policies are in place to appropriately recognise and record credit risk mitigation.

Risk review

Principal Risk management

Market risk management

Market risk (audited)

The risk of loss arising from potential adverse changes in the value of the firm's assets and liabilities from fluctuation in market variables including, but not limited to, interest rates, foreign exchange, equity prices, commodity prices, credit spreads, implied volatilities and asset correlations.

Overview

Market risk arises primarily as a result of client facilitation in wholesale markets, involving market making activities, risk management solutions and execution of syndications. Upon execution of a trade with a client, Barclays Group will look to hedge against the risk of the trade moving in an adverse direction. Mismatches between client transactions and hedges result in market risk due to changes in asset prices, volatility or correlations.

Organisation and structure

Market risk in the businesses resides primarily in Barclays International and Barclays Group Treasury. These businesses have the mandate to assume market risk. Market risk oversight and challenge is provided by business Committees and Group Committees, including the Market Risk Committee.

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

Risk review

Principal Risk management

Treasury and capital risk management

Treasury and capital risk

Liquidity risk: The risk that the firm is unable to meet its contractual or contingent obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets.

Capital risk: The risk that the firm has an insufficient level or composition of capital to support its normal business activities and to meet its regulatory capital requirements under normal operating environments or stressed conditions (both actual and as defined for internal planning or regulatory testing purposes). This includes the risk from the firm's pension plans.

Interest rate risk in the banking book: The risk that the firm is exposed to capital or income volatility because of a mismatch between the interest rate exposures of its (non-traded) assets and liabilities.

Overview

Barclays Group Treasury manages treasury and capital risk exposure on a day-to-day basis with the Treasury Committee acting as the principal management body. To enforce effective oversight and segregation of duties and in line with the ERMF, the Treasury and Capital Risk function is responsible for oversight of key capital, liquidity, interest rate risk in the banking book (IRRBB) and pension risk management activities. The following describes the structure and governance associated with the risk types within the Treasury and Capital Risk function.

Liquidity risk management (audited)

Overview

The efficient management of liquidity is essential to Barclays Group in retaining the confidence of the financial markets and maintaining the sustainability of the business. There is a control framework in place for managing liquidity risk and this is designed to maintain liquidity resources that are sufficient in amount and quality and funding tenor profile that is adequate to meet the liquidity risk appetite as expressed by the Barclays PLC Board based on internal and regulatory liquidity metrics.

This is achieved via a combination of policy formation, review and governance, analysis, stress testing, limit setting and monitoring. Together, these meet internal and regulatory requirements.

Roles and responsibilities

The Treasury and Capital Risk function is responsible for the management and governance of the liquidity risk mandate defined by the Board and the production of ILAAPs. Treasury has the primary responsibility for managing liquidity risk within the set risk appetite.

Barclays Group's comprehensive control framework for managing Barclays Group's liquidity risk is designed to deliver the appropriate term and structure of funding, consistent with the liquidity risk appetite set by the Board.

The control framework incorporates a range of ongoing business management tools to monitor, limit and stress test Barclays Group's balance sheet and contingent liabilities and the Recovery Plan. Limit setting and transfer pricing are tools that are designed to control the level of liquidity risk taken and drive the appropriate mix of funds. Together, these tools reduce the likelihood that a liquidity stress event could lead to an inability to meet Barclays Group's obligations as they fall due. The control framework is subject to internal conformance testing and internal audit review.

The Board approves the Barclays Group funding plan, internal stress tests and results of regulatory stress tests, and the Barclays Group recovery plan. The Treasury Committee is responsible for monitoring and managing liquidity risk in line with Barclays Group's funding management objectives, funding plan and risk frameworks. The Treasury and Capital Risk Committee monitors and reviews the liquidity risk profile and control environment, providing Second Line oversight of the management of liquidity risk. The BRC reviews the risk profile, and annually reviews risk appetite and the impact of stress scenarios on the Barclays Group funding plan/forecast in order to agree Barclays Group's projected funding abilities.

Organisation and structure

Barclays Group maintains a range of management actions for use in a liquidity stress, these are documented in the Barclays Group Recovery Plan. Since the precise nature of any stress event cannot be known in advance, the actions are designed to be flexible to the nature and severity of the stress event and provide a menu of options that can be drawn upon as required. The Barclays Group Recovery Plan also contains more severe recovery options to generate additional liquidity in order to facilitate recovery in a severe stress. Any stress event would be regularly monitored and reviewed using key management information by Treasury, Risk and business representatives.

Capital risk management

(audited)

Overview

Capital risk is managed through ongoing monitoring and management of the capital position, regular stress testing and a robust capital governance framework.

Roles and responsibilities

The management of capital risk is integral to Barclays Group's approach to financial stability and sustainability management, and is embedded in the way businesses and legal entities operate.

Capital risk management is underpinned by a control framework and policy. The capital management strategy, outlined in Barclays Group and legal entity capital plans, is developed in alignment with the control framework and policy for capital risk, and is implemented consistently in order to deliver on Barclays Group's objectives.

The Board approves the Barclays Group capital plan, internal stress tests and results of regulatory stress tests, and the Barclays Group recovery plan. The Barclays Group Treasury Committee is responsible for monitoring and managing capital risk in line with Barclays Group's capital management objectives,

capital plan and risk frameworks. The Barclays Group Treasury and Capital Risk Committee monitors and reviews the capital risk profile and control environment, providing Second Line oversight of the management of capital risk. The Barclays PLC BRC reviews the risk profile, and annually reviews risk appetite and the impact of stress scenarios on the Barclays Group capital plan/forecast in order to agree Barclays Group's projected capital adequacy.

Local management assures compliance with an entity's minimum regulatory capital requirements by reporting to local Asset and Liability Committees with oversight by Barclays Group Treasury Committee, as required.

Treasury has the primary responsibility for managing and monitoring capital and reports to the Barclays Group Finance Director. The Barclays Group Treasury and Capital Risk function provides oversight of capital risk and is an independent risk function that reports to the Barclays Group CRO. Production of the Barclays PLC ICAAP is the joint

responsibility of Barclays Group Risk and Barclays Group Finance.

In 2018, Barclays complied with all regulatory minimum capital requirements.

Pension risk

Barclays Group maintains a number of defined benefit pension schemes for past and current employees. The ability of the pension fund to meet pension payments is maintained through investments and contributions.

Pension risk arises because the estimated market value of the pension fund assets might decline; investment returns might reduce; or the estimated value of the pension liabilities might increase. Barclays Group monitors the pension risks arising from its defined benefit pension schemes and works with Trustees to address shortfalls. In these circumstances Barclays Group could be required or might choose to make extra contributions to the pension fund. Barclays Group's main defined benefit scheme was closed to new entrants in 2012.

Organisation and structure

Risk review

Principal Risk management

Treasury and capital risk management

Interest rate risk in the banking book management

Overview

Banking book operations generate non-traded market risk, primarily through the mismatch between the duration of assets and liabilities and where interest rates on products reset at different dates. As per Barclays Group's policy to remain within the defined risk appetite, interest rate and FX risks residing in the banking books of the businesses are transferred to Treasury where they are centrally managed. Currently these risks are transferred to Treasury via funding arrangements and interest rate or FX swaps. However, the businesses remain susceptible to non-traded market risk from seven key sources:

Repricing/residual risk: the impact from the mismatch between the run-off of product balances and the associated interest rate hedges or from un-hedged liquidity buffer investments.

Structural risk: the change to the net interest income on rolling structural hedge replenishment due to adverse movements in interest rates, assuming that the balance sheet remains constant.

Prepayment risk: the potential loss in value if actual prepayment or early withdrawal behaviour from customers deviates from the expected or contractually agreed behaviour, which may result in a hedge or funding adjustment at a cost to Barclays Group. Exposures are typically considered (where appropriate) net of any applicable offsetting early repayment charges. This risk principally relates to early repayment of fixed rate loans or withdrawal from fixed rate savings products.

Recruitment risk: the potential loss in value if the actual completion or drawdown behaviour from customers deviates from the expected behaviour, which may result in a hedge or funding adjustment at a cost to Barclays Group. This risk principally relates to the completion timing around Barclays Group's fixed rate mortgage pipeline process.

Margin compression risk: the effect of internal or market forces on the Barclays Group's net margin where, for example, in a low rate environment a fall in interest rates may further decrease interest income earned on the assets whereas funding costs may not be reduced given the already minimum level of interest rates.

Lag risk: arises from the delay in repricing customer rates for certain variable/managed rate products, following an underlying change to market interest rates. This is typically driven by either regulatory constraints around customer notification on pricing changes, processing time for Barclays Group's

notification systems or contractual agreements within a product's terms and conditions.

Asset swap spread risk: the spread between Libor and sovereign bond yields that arises from the management of the liquidity buffer investments and its associated hedges.

Furthermore, liquidity pool investments are generally subject to fair value through other comprehensive income (FVOCI) accounting rules, whereby changes in the fair value of these assets impact capital via other comprehensive income (OCI).

Roles and responsibilities

The non-traded market risk team provides risk management oversight and monitoring of all traded and non-traded market risk in Treasury and Customer Banking Books, which specifically includes:

Interest rate risk assessment in the customer banking books.

Review and challenge the behavioural assumptions used in hedging and transfer pricing.

Risk management of the liquidity buffer investments and funding activities.

Oversight of balance sheet hedging.

Review of residual risk in the hedge accounting solution and hedging of net investments.

Proposal and monitoring of risk limits to manage traded and non-traded market risk within the agreed risk appetite. The Barclays Group Treasury Committee is responsible for monitoring and managing IRRBB risk in line with Barclays Group's management objectives and risk frameworks. The Barclays Group Risk Committee monitors and reviews the IRRBB risk profile and control environment, providing Second Line oversight of the management of IRRBB risk. The Barclays Group Board Risk Committee reviews the interest rate risk profile, including annual review of the risk appetite and the impact of stress scenarios on the interest rate risk of the Barclays Group.

Risk review

Principal Risk management

Operational risk management

Operational risk

The risk of loss to the firm from inadequate or failed processes, systems, human factors or due to external events (for example, fraud) where the root cause is not due to credit or market risks.

Overview

The management of operational risk has three key objectives:

deliver an operational risk capability owned and used by business leaders which is pragmatic, relevant, and enables business leaders to make sound risk decisions over the long term

provide the frameworks and policies to enable management to meet their risk management responsibilities while the second line of defence provides robust, independent, and effective oversight and challenge

deliver a consistent and aggregated measurement of operational risk that will provide clear and relevant insights, so that the right management actions can be taken to keep the operational risk profile consistent with Barclays Group's strategy, the stated risk tolerance and stakeholder needs.

Following submission of an application to the PRA relating to Barclays Group Advanced Measurement Approach (AMA) permission, Barclays Group received the PRA's approval to use the Standardised Approach (TSA) for

operational risk regulatory capital purposes with effect from 1 April 2018. Barclays Group has conservatively elected to retain its previous operational risk RWA amount unchanged for 2018.

Barclays Group operates within a strong system of internal controls that enables business to be transacted and risk taken without exposing Barclays Group to unacceptable potential losses or reputational damages. Barclays Group has an overarching Enterprise Risk Management Framework (ERMF) that sets out the approach to internal governance.

Organisation and structure

Operational risk comprises a number of specific risk categories defined as follow:

data management and information risk: the risk that Barclays Group information is not captured, retained, used or protected in accordance with its value and legal and regulatory requirements

financial reporting risk: the risk of a material misstatement or omission within Barclays Group's external financial reporting, regulatory reporting or internal financial management reporting

fraud risk: the risk of financial loss when an internal or external party acts dishonestly with the intent to obtain an undue benefit, cause a loss to, or to expose either Barclays Group or its customers and clients to a risk of loss

payments process risk: the risk of payments being processed inaccurately, with delays or without appropriate authentication and authorisation. It includes payments processes from initiation through to external settlement, including any repairs or amendments

people risk: the set of risks associated with employing and managing people, including compliance with regulations, appropriate resourcing for requirements, recruitment and development risks (excluding health and safety related risk)

premises risk: the risk of business detriment or harm to people due to premises and infrastructure issues

physical security risk: the risk of business detriment, financial loss or harm to people as a result of any physical security incident impacting Barclays Group or a Barclays Group's employee relating to harm to people, unauthorised access, intentional damage to premises or theft or intentional damage to moveable assets

supplier risk: the risk that is introduced to Barclays Group or a Barclays Group's entity as a consequence of obtaining services or goods from another legal entity, or entities, whether external or internal as a result of inadequate selection, inadequate management or inadequate exit management

Organisation and structure

Risk review

Principal Risk management

Operational risk management

tax risk: the risk of unexpected tax cost in relation to any tax for which Barclays Group is liable, or of reputational damage on tax matters with key stakeholders such as tax authorities, regulators, shareholders or the public. Tax cost includes tax, interest or penalties levied by a taxing authority

technology risk: the risk of dependency on technological solutions and failure to develop, deploy and maintain technology solutions that are stable, reliable and deliver business need

transaction operations risk: the risk of customer/client or Barclays Group detriment due to unintentional error and/or failure in the end-to-end process of initiation, processing and fulfilment of an interaction between a customer/client and Barclays Group with an underlying financial instrument (e.g. mortgage, derivative product, trade product etc.) in consideration.

In addition to the above, operational risk encompasses risks associated with prudential regulation. This includes the risk of failing to: adhere to prudential regulatory requirements, including capital adequacy requirements; provide regulatory submissions; or monitor and manage adherence to new prudential regulatory requirements.

These risks may result in financial and/or non-financial impacts including legal/ regulatory breaches or reputational damage.

Barclays Group also recognises that there are certain threats/risk drivers that are more thematic and have the potential to impact Barclays Group's strategic objectives. These are Enterprise Risk Themes which require an overarching and integrated risk management approach. Including:

cyber: the potential loss or detriment to Barclays caused by individuals or groups (threat actors) with the capabilities and intention to cause harm or to profit from attacks committed via network information systems against us, our suppliers, or customers/clients

data: aligned to the data strategy of Barclays Group and encompassing data risks to Barclays Group from multiple risk categories, including data management, data architecture, data security & protection, data resilience, data retention and data privacy

execution: the risk of failing to deliver and implement the agreed initiatives, priorities and business outcomes required to deliver Barclays Group's strategy within agreed timelines

resilience: the risk of the organisation's ability to survive and prosper in its commercial endeavours in the presence of adverse events, shocks and chronic or incremental changes.

Roles and responsibilities

The prime responsibility for the management of operational risk and the compliance with control requirements rests with the legal entities, business and functional units where the risk arises. The operational risk profile and control environment is reviewed by business management through specific meetings which cover these items. Legal entities, businesses and functions are required to report their operational risks on both a regular and an event-driven basis. The reports include a profile of the material risks that may threaten the achievement of their objectives and the effectiveness of key controls, operational risk events and a review of scenarios.

The Barclays Group Head of Operational Risk is responsible for establishing, owning and maintaining an appropriate Barclays Group-wide Operational Risk Management Framework and for overseeing the portfolio of operational risk across Barclays Group.

Operational Risk Management (ORM) acts in a Second Line of Defence capacity, and is responsible for defining and overseeing the implementation of the framework and monitoring Barclays Group's operational risk profile. ORM alerts management when risk levels exceed acceptable tolerance in order to drive timely decision making and actions by the first line of defence. Operational risk issues escalated from these meetings are considered through the Second Line of Defence review meetings. Depending on their nature, the outputs of these meetings are presented to the operational risk profile Forum, the Barclays PLC Board Risk Committee or the Barclays PLC Board Audit Committee.

Specific reports are prepared by Operational Risk on a regular basis for the Barclays Group Risk Committee, and the Barclays PLC Board Risk Committee.

Risk review

Principal Risk management

Model risk management

Model risk

The risk of the potential adverse consequences from financial assessments or decisions based on incorrect or misused model outputs and reports.

Overview

Barclays Group uses models to support a broad range of activities, including informing business decisions and strategies, measuring and limiting risk, valuing exposures, conducting stress testing, assessing capital adequacy, managing client assets, and meeting reporting requirements.

Since models are imperfect and incomplete representations of reality, they may be subject to errors affecting the accuracy of their output. Model errors can result in inappropriate business decisions being made, financial loss, regulatory risk, reputational risk and/or inadequate capital reporting. Models may also be misused, for instance applied to products that they were not intended for, or not adjusted, where fundamental changes to their environment would justify re-evaluating their core assumptions. Errors and misuse are the primary sources of model risk.

Robust model risk management is crucial to assessing and managing model risk within a defined risk appetite. Strong model risk culture, appropriate technology environment, and adequate focus on understanding and resolving model limitations are crucial components.

Organisation and structure

Barclays Group allocates substantial resources to identify and record models and their usage, document and monitor the performance of models, validate models and adequately address model limitations. Barclays Group manages model risk as an enterprise level risk similar to other principal risks.

Barclays Group has a dedicated Model Risk Management (MRM) function that consists of two main units: the Independent Validation Unit (IVU), responsible for model validation and approval, and Model Governance and Controls (MGC), covering model risk governance, controls and reporting, including ownership of model risk policy and the model inventory.

The model risk management framework consists of the model risk policy and standards. The policy prescribes group-wide, end-to-end requirements for the identification, measurement and management of model risk, covering model documentation, development, implementation, monitoring, annual review, independent validation and approval, change and reporting processes. The policy is supported by global standards covering model inventory, documentation, validation, complexity and materiality, testing and monitoring, overlays, risk appetite, as well as vendor models and stress testing challenger models.

Barclays Group is continuously enhancing model risk management. The function reports to the Barclays Group CRO and operates a global framework. Implementation of best practice standards is a central objective of Barclays Group. Model risk reporting flows to senior management as depicted below.

Roles and responsibilities

The key model risk management activities include;

Correctly identifying models across all relevant areas of Barclays Group, and

recording models in the Barclays Group Models Database (GMD), the Barclays Group-wide model inventory. The heads of the relevant model ownership areas annually attest to the completeness and accuracy of the model inventory. MGC undertakes regular conformance reviews on the model inventory.

Enforcing that every model has a model owner who is accountable for the model. The model owner must sign off models prior to submission to IVU for validation. The model owner works with the relevant technical teams (model developers, implementation, monitoring, data services, regulatory) to maintain that the model presented to IVU is and remains fit for purpose.

Overseeing that every model is subject to validation and approval by IVU, prior to being implemented and on a continual basis. While all models are reviewed and re-approved for continued use each year, the validation frequency and the level of review and challenge applied by IVU is tailored to the materiality and complexity of each model. Validation includes a review of the model assumptions, conceptual soundness, data, design, performance testing, compliance with external requirements if applicable, as well as any limitations, proposed remediation and overlays with supporting rationale. Material model changes are subject to prioritised validation and approval.

Defining model risk appetite in terms of risk tolerance, and qualitative metrics which are used to track and report model risk.

Maintaining specific standards that cover model risk management activities relating to stress testing challenger models, model overlays, vendor models, and model complexity and materiality.

Organisation and structure

Risk review

Principal Risk management

Conduct risk management

Conduct risk

The risk of detriment to customers, clients, market integrity, effective competition or Barclays from the inappropriate supply of financial services, including instances of wilful or negligent misconduct

Overview

Barclays Group defines, manages and mitigates Conduct risk with the goal of providing positive customer and client outcomes, protecting market integrity and promoting effective competition. This includes taking reasonable steps to assure that Barclays Group's culture and strategy are appropriately aligned to these goals; its products and services are reasonably designed and delivered to meet the needs of customers and clients; promoting the fair and orderly operation of the markets in which Barclays Group does business; and that Barclays Group does not commit or facilitate money laundering, terrorist financing, bribery and corruption or breaches of economic sanctions.

Product Lifecycle, Culture and Strategy and Financial Crime are the risk categories within the Barclays Group definition of conduct risk.

Organisation and structure

The governance of conduct risk within Barclays Group is fulfilled through management committees and forums operated by the First and Second Lines of Defence with clear escalation and reporting lines to the Board.

The Barclays Group Risk Committee is the most senior executive body responsible for reviewing and monitoring the effectiveness of Barclays Group's management of conduct risk.

Roles and responsibilities

The Conduct Risk Management Framework (CRMF) outlines how Barclays Group manages and measures its conduct risk profile.

Senior managers have accountability for managing conduct risk in their areas of responsibility. This is expressed in their Statements of Responsibilities. The primary responsibility for managing conduct risk and compliance with control requirements sits with the business where the risk arises. The First Line Business Control Committees provide oversight of controls relating to conduct risk.

The Barclays Group Chief Compliance Officer is responsible for owning and maintaining an appropriate Barclays Group-wide CRMF. This includes defining and owning the relevant conduct risk policies and oversight of the implementation of controls to manage and escalate the risk.

Businesses are required to report their conduct risks on both a quarterly and an event-driven basis to their respective trading entity risk committees. The quarterly reports detail conduct risks inherent within the business strategy and include forward looking horizon scanning analysis as well as backward looking evidence-based indicators from both internal and external sources.

The Barclays Bank Group and the Barclays Bank UK Group Trading Entity Risk Committees are the primary Second Line governance forums for oversight of conduct risk profile and implementation of the CRMF. The responsibilities of the Business Unit Risk Committees include approval of the conduct risk tolerance and the business defined key indicators. Additional responsibilities include the identification and discussion of any emerging conduct risks exposures which have been identified.

Organisation and structure

Risk review

Principal Risk management

Reputation risk management

Reputation risk

The risk that an action, transaction, investment or event will reduce trust in the firm's integrity and competence by clients, counterparties, investors, regulators, employees or the public

Overview

A reduction of trust in Barclays Group's integrity and competence may reduce the attractiveness of Barclays Group to stakeholders and could lead to negative publicity, loss of revenue, regulatory or legislative action, loss of existing and potential client business, reduced workforce morale and difficulties in recruiting talent. Ultimately it may destroy shareholder value.

Organisation and structure

The Barclays Group Risk Committee is the most senior executive body responsible for reviewing and monitoring the effectiveness of Barclays Group's management of reputation risk.

Roles and responsibilities

The Barclays Group Chief Compliance Officer is accountable for developing a reputation risk framework, policies and standards, including limits against which data is monitored, reported on and escalated, as required.

Reputation risk is by nature pervasive and can be difficult to quantify, requiring more subjective judgement than many other risks. The Reputation Risk Framework sets out what is required to manage reputation risk effectively and consistently across Barclays Group. During 2018, the Framework was updated to include a new reputation risk policy and supporting standards.

The primary responsibility for identifying and managing reputation risk and adherence to the control requirements sits with the business and support functions where the risk arises.

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Barclays Bank Group and Barclays Bank UK Group are required to operate within established reputation risk appetite and their component businesses prepare reports for their respective Risk and Board Risk Committees highlighting their most significant current and potential reputation risks and issues and how they are being managed. These reports are a key internal source of information for the quarterly reputation risk reports which are prepared for the Group Risk Committee and Barclays PLC Board Reputation Committee.

Organisation and structure

Barclays PLC 2018 Annual Report on Form 20-F **101**

Risk review

Principal Risk management

Legal risk management

Legal risk

The risk of loss or imposition of penalties, damages or fines from the failure of the firm to meet its legal obligations including regulatory or contractual requirements.

Overview

Overall, Barclays Group has limited tolerance for legal risk, however the multitude of laws and regulations across the globe are highly dynamic and their application to particular circumstances is often unclear. This results in a degree of legal risk. The Barclays Group-wide Legal Risk Management Framework (LRMF) comprises a number of integrated components that allows Barclays Group to identify, manage and measure its legal risk profile, supported by legal risk policies and associated standards aligned to the following legal risks:

contractual arrangements failure to engage Barclays Group Legal Function in relation to contractual arrangements

litigation management litigation not being managed by or with the support of Barclays Group Legal Function

intellectual property (IP) failure to protect Barclays Group's IP assets or infringement of third party IP rights

competition/anti-trust failure to identify and escalate competition/anti-trust issues to Barclays Group Legal Function or inappropriate interactions with competition/anti-trust authorities

use of law firms inappropriate instruction of external legal advisors

contact with regulators inappropriate interactions with regulators or inappropriate handling of confidential supervisory information from regulatory or government agencies
legal engagement failure to appropriately engage Barclays Group Legal Function in relation to key business decisions.

Organisation and structure

The Legal Executive Committee oversees, monitors and challenges legal risk across Barclays Group. The Barclays Group Risk Committee is the most senior executive body responsible for reviewing and monitoring the effectiveness of risk management across Barclays Group. Escalation paths from this committee exist to the Barclays PLC Board Risk Committee.

Roles and responsibilities

The LRMF requires Barclays Group's businesses and functions to integrate the management of legal risk within their strategic planning and business decision making including managing adherence to minimum control requirements. Barclays Group's businesses and functions are accountable and have primary responsibility for identifying legal risk in their area as well as responsibility for adherence to minimum control requirements and compliance with the LRMF and legal risk policies.

All employees, regardless of their position, business or function or location, must play a part in Barclays Group's legal risk management. Employees are responsible for understanding and taking reasonable steps

to manage and minimise legal risk that may arise in the context of their individual roles and responsibilities. Employees are required to be familiar with the LRMF and legal risk policies and to know how to escalate actual or potential legal risk issues.

Legal risk management is everyone's responsibility, as part of a risk culture aligned to Barclays Group's Values, promoting transparency and timely escalation and management of risks and issues, supported by clearly defined roles and responsibilities across the three lines of defence.

The Legal Function does not sit in any of the three lines of defence but supports them all. The LRMF details the main activities the Legal Function undertakes to support Barclays Group in managing risk, including the identification of issues and risks, coverage with appropriate expertise and escalation. The LRMF, legal risk policies and activities of the Legal Function are designed so that Barclays Group receives advice from appropriate legal professionals in circumstances that are most likely to give rise to legal risk.

The Group General Counsel, supported by the Legal Executive Committee and the Global Head of Legal Risk, Governance and Control, is responsible for maintaining an appropriate LRMF, developing non-financial legal risk tolerances and for overseeing legal risk management.

Organisation and structure

Risk review

Risk performance

Credit risk

Summary of contents		Page 104
Credit risk represents a significant risk 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.	Credit risk overview and summary of performance Maximum exposure and effects of netting, collateral and risk transfer	104
This section outlines the expected credit loss allowances, the movements in allowances during the period, material management adjustments to model output and measurement uncertainty and sensitivity analysis.	Expected Credit Losses Loans and advances at amortised cost by stage Loans and advances at amortised cost by product Movement in gross exposure and impairment allowance including provisions for loan commitments and financial guarantees Stage 2 decomposition Management adjustments to models for impairment Measurement uncertainty and sensitivity analysis	107 107 109 110 111 112 113
Barclays Group reviews and monitors risk concentrations in a variety of ways. This section outlines performance against key concentration risks.	Analysis of the concentration of credit risk Geographic concentrations Industry concentrations Approach to management and representation of credit quality Asset credit quality Debt securities Balance sheet credit quality Credit exposures by internal PD grade	118 118 119 120 120 121 121 123 123
		301

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Credit Risk monitors exposure performance across a range of significant portfolios.	Analysis of specific portfolios and asset types	
	Secured home loans	123
	Credit cards, unsecured loans and other retail lending	124
Barclays Group monitors exposures to assets where there is a heightened likelihood of default and assets where an actual default has occurred. From time to time, suspension of certain aspects of client credit agreements are agreed, generally during temporary periods of financial difficulties where Barclays Group is confident that the client will be able to remedy the suspension. This section outlines the current exposure to assets with this treatment.	Forbearance	125
	Retail forbearance programmes	126
	Wholesale forbearance programmes	127
	Analysis of debt securities	128
This section provides an analysis of credit risk on debt securities and derivatives.	Analysis of derivatives	129

Risk review

Risk performance

Credit risk

Credit risk

The risk of loss to the firm from the failure of clients, customers or counterparties, including sovereigns, to fully honour their obligations to the firm, including the whole and timely payment of principal, interest, collateral and other receivables.

All disclosures in this section (pages 103 to 129) are unaudited unless otherwise stated.

Key metrics

Reduction in impairment allowances of £481m

Impairment allowances on loans and advances at amortised cost, including off-balance sheet elements of the allowance, decreased by £481m to £7,041m (1 January 2018: £7,522m) since the adoption of IFRS 9.

Overview

Credit risk represents a significant risk to Barclays Group and mainly arises from exposure to wholesale and retail loans and advances together with the counterparty credit risk arising from derivative contracts entered into with clients.

IFRS 9 *Financial Instruments* is effective from 1 January 2018, introducing an expected credit loss model using forward looking information which replaces an incurred loss model. As a result of the implementation of IFRS 9, the risk appetite and risk management strategy has not changed. The presentation of credit risk within this risk performance section provides additional disclosures under the new standard. Further detail can be found in the Financial statements section in Note 1 Significant accounting policies, Note 7 Credit impairment charges and other provisions and Note 42 Transition disclosures. Descriptions of terminology can be found in the glossary, available at home.barclays/annualreport.

Summary of performance in the period

Credit impairment charges decreased 37% to £1,468m primarily driven by single name recoveries, updates to consensus-based macroeconomic forecasts in the UK and US during the year, the non-recurrence of single name charges in 2017, portfolio adjustments as IFRS 9 has continued to embed and the impact of repositioning the US cards portfolio towards a lower risk mix. This decrease was partially offset by a £150m specific charge for the impact of anticipated economic uncertainty in the UK. The Barclays Group loan loss rate was 44bps (2017: 57bps).

Refer to the credit risk management section on pages 91 to 92 for details of governance, policies and procedures.

Maximum exposure and effects of netting, collateral and risk transfer

Basis of preparation

The following tables present a reconciliation between the maximum exposure and the net exposure to credit risk, reflecting the financial effects of risk mitigation reducing the exposure.

For financial assets recognised on the balance sheet, maximum exposure to credit risk represents the balance sheet carrying value after allowance for impairment. For off-balance sheet guarantees, the maximum exposure is the maximum amount that the Barclays Group would have to pay if the guarantees were to be called upon. For loan and other credit related commitments, the maximum exposure is the full amount of the committed facilities.

This and subsequent analyses of credit risk exclude other financial assets not subject to credit risk, mainly equity securities.

The Barclays Group mitigates the credit risk to which it is exposed through netting and set-off, collateral and risk transfer.

Overview

As at 31 December 2018, the Barclays Group's net exposure to credit risk, after taking into account credit risk mitigation, increased 2% to £807.4bn. Overall, the extent to which the Barclays Group holds mitigation against its total exposure remains unchanged at 43% (2017: 43%).

Of the unmitigated on balance sheet exposure, a significant portion relates to cash held at central banks, cash collateral and settlement balances, and debt securities issued by governments all of which are considered to be lower risk. Increases in trading portfolio assets and financial assets at fair value through the income statement have driven the increase in the Barclays Group's net exposure to credit risk. Trading portfolio liability positions, which to a significant extent economically hedge trading portfolio assets but which are not held specifically for risk management purposes, are excluded from the analysis. The credit quality of counterparties to derivatives, financial investments and wholesale loan assets are predominantly investment grade and there are no significant changes from prior year. Further analysis on the credit quality of assets is presented on pages 120 to 123.

Where collateral has been obtained in the event of default, the Barclays Group does not, ordinarily, use such assets for its own operations and they are usually sold on a timely basis. The carrying value of assets held by the Barclays Group as at 31 December 2018, as a result of the enforcement of collateral, was £6m (2017: £nil).

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

	Maximum exposure £m	Netting and set-off £m	Cash collateral £m	Non-cash collateral £m	Risk transfer £m	Net exposure £m
As at 31 December 2018						
On-balance sheet:						
Cash and balances at central banks	177,069					177,069
Cash collateral and settlement balances	77,222					77,222
Loans and advances at amortised cost:						
Home loans	150,284		(295)	(149,679)	(132)	178

Credit cards, unsecured and other retail lending	56,431		(725)	(5,608)	(451)	49,647
Corporate loans	119,691	(7,550)	(65)	(41,042)	(4,454)	66,580
Total loans and advances at amortised cost	326,406	(7,550)	(1,085)	(196,329)	(5,037)	116,405
<i>Of which credit-impaired (Stage 3):</i>						
Home loans	2,125		(3)	(2,083)	(31)	8
Credit cards, unsecured and other retail lending	1,249		(6)	(232)	(38)	973
Corporate loans	1,762			(895)	(17)	850
Total credit-impaired loans and advances at amortised cost	5,136		(9)	(3,210)	(86)	1,831
Reverse repurchase agreements and other similar secured lending	2,308		(17)	(2,261)		30
Trading portfolio assets:						
Debt securities	57,283			(451)		56,832
Traded loans	7,234			(154)		7,080
Total trading portfolio assets	64,517			(605)		63,912
Financial assets at fair value through the income statement:						
Loans and advances	19,524		(11)	(11,782)	(89)	7,642
Debt securities	4,522			(445)		4,077
Reverse repurchase agreements	119,041		(2,996)	(115,601)		444
Other financial assets	542					542
Total financial assets at fair value through the income statement	143,629		(3,007)	(127,828)	(89)	12,705
Derivative financial instruments	222,538	(172,001)	(31,402)	(5,502)	(4,712)	8,921
Financial assets at fair value through other comprehensive income	51,694				(399)	51,295
Other assets	1,006					1,006
Total on-balance sheet	1,066,389	(179,551)	(35,511)	(332,525)	(10,237)	508,565
Off-balance sheet:						
Contingent liabilities	20,303		(399)	(1,418)	(190)	18,296
Loan commitments	324,223		(124)	(42,117)	(1,395)	280,587
Total off-balance sheet	344,526		(523)	(43,535)	(1,585)	298,883
Total	1,410,915	(179,551)	(36,034)	(376,060)	(11,822)	807,448

Off-balance sheet exposures are shown gross of provisions of £271m (2017: £79m). See Note 26 for further details.

In addition to the above, Barclays Group holds forward starting reverse repos with notional contract amounts of £35.5bn (2017: £31.4bn). The balances are fully collateralised.

Risk review

Risk performance

Credit risk

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

	Maximum exposure £m	Netting and set-off £m	Cash collateral £m	Non-cash collateral £m	Risk transfer £m	Net exposure £m
As at 31 December 2017						
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

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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

106 Barclays PLC 2018 Annual Report on Form 20-F

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)

As at 31 December 2018	Gross exposure				Impairment allowance				Net exposure £m
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £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

**Loan
impairment
charge and
loan
loss rate**

	Coverage ratio				Total	Loan impairment charge loss rate	
	Stage 1	Stage 2	Stage 3			£m	Loan charge loss rate bps
As at 31 December 2018	%	%	%	%			
Barclays UK	0.1	5.5	37.9	1.7	830	51	
Barclays International	1.3	20.8	71.9	7.9	844	254	
Head Office	0.1	7.4	32.6	4.5	15	19	
Total Barclays Group retail	0.3	7.9	47.7	2.8	1,689	83	
Barclays UK	0.1	1.7	9.2	0.7	74	26	
Barclays International	0.1	2.8	31.8	0.8	(142)		
Head Office			92.7	1.3	(31)		
Total Barclays Group wholesale	0.1	2.4	22.0	0.8	(99)		
Total loans and advances at amortised cost	0.2	6.2	39.6	2.0	1,590	48	
Off-balance sheet loan commitments and financial guarantee contracts ^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

aExcludes loan commitments and financial guarantees of £11.7bn carried at fair value.

bOther financial assets subject to impairment not included in the table above include cash collateral and settlement balances, financial assets at fair value through other comprehensive income and other assets. These have a total gross exposure of £129.9bn and impairment allowance of £12m (1 January 2018: £9m). This comprises £10m ECL on £129.3bn Stage 1 assets and £2m on £0.6bn Stage 2 fair value through other comprehensive income assets.

Risk review

Risk performance

Credit risk

Loans and advances at amortised cost by stage (audited)

	Gross exposure				Impairment allowance				Net exposure
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
	£m	£m	£m	£m	£m	£m	£m	£m	£m
As at 1 January 2018									
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
		Coverage ratio							
	Stage 1	Stage 2	Stage 3	Total					
As at 1 January 2018	%	%	%	%					
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					
	0.2	6.3	37.2	2.2					

Total loans and advances at amortised cost

Off-balance sheet loan commitments and financial guarantee

contracts^a

	0.1	0.7	1.9	0.1
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Total

	0.1	3.8	32.4	1.2
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Notes

aExcludes loan commitments and financial guarantees of £18.9bn carried at fair value.

bOther financial assets subject to impairment not included in the table above include cash collateral and settlement balances, financial assets at fair value through other comprehensive income and other assets. These have a total gross exposure of £128.1bn and impairment allowance of £9m.

Loans and advances at amortised cost by product

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

Loans and advances at amortised cost by product (audited)

As at 31 December 2018	Stage 1		Stage 2		Total	Stage 3	Total
	Not past due		past due	past due			
	£m	£m	£m	£m	£m	£m	£m
Gross exposure							
Home loans	130,066	15,672	1,672	862	18,206	2,476	150,748
Credit cards, unsecured loans and other retail lending	45,785	11,262	530	437	12,229	3,760	61,774
Corporate loans	105,375	12,177	360	475	13,012	2,267	120,654
Total	281,226	39,111	2,562	1,774	43,447	8,503	333,176
Impairment allowance							
Home loans	31	56	13	13	82	351	464
Credit cards, unsecured loans and other retail lending	528	1,895	169	240	2,304	2,511	5,343
Corporate loans	129	300	16	13	329	505	963
Total	688	2,251	198	266	2,715	3,367	6,770
Net exposure							
Home loans	130,035	15,616	1,659	849	18,124	2,125	150,284
Credit cards, unsecured loans and other retail lending	45,257	9,367	361	197	9,925	1,249	56,431
Corporate loans	105,246	11,877	344	462	12,683	1,762	119,691
Total	280,538	36,860	2,364	1,508	40,732	5,136	326,406
Coverage ratio	%	%	%	%	%	%	%
Home loans		0.4	0.8	1.5	0.5	14.2	0.3
Credit cards, unsecured loans and other retail lending	1.2	16.8	31.9	54.9	18.8	66.8	8.6
Corporate loans	0.1	2.5	4.4	2.7	2.5	22.3	0.8
Total	0.2	5.8	7.7	15.0	6.2	39.6	2.0

As at 1 January 2018

Gross exposure	£m	£m	£m	£m	£m	£m	£m
Home loans	125,224	17,108	1,612	604	19,324	2,425	146,973
Credit cards, unsecured loans and other retail lending	40,482	13,562	702	502	14,766	3,544	58,792
Corporate loans	99,911	14,534	407	561	15,502	3,112	118,525
Total	265,617	45,204	2,721	1,667	49,592	9,081	324,290
Impairment allowance							
Home loans	38	77	10	13	100	326	464
Credit cards, unsecured loans and other retail lending	441	2,086	203	245	2,534	2,291	5,266
Corporate loans	129	444	22	12	478	765	1,372
Total	608	2,607	235	270	3,112	3,382	7,102
Net exposure							
Home loans	125,186	17,031	1,602	591	19,224	2,099	146,509
Credit cards, unsecured loans and other retail lending	40,041	11,476	499	257	12,232	1,253	53,526
Corporate loans	99,782	14,090	385	549	15,024	2,347	117,153
Total	265,009	42,597	2,486	1,397	46,480	5,699	317,188
Coverage ratio	%	%	%	%	%	%	%
Home loans		0.5	0.6	2.2	0.5	13.4	0.3
Credit cards, unsecured loans and other retail lending	1.1	15.4	28.9	48.8	17.2	64.6	9.0
Corporate loans	0.1	3.1	5.4	2.1	3.1	24.6	1.2
Total	0.2	5.8	8.6	16.2	6.3	37.2	2.2

The overall coverage ratio reduced from 2.2% to 2.0% driven predominantly by the reduction of Stage 3 single name exposures within Corporate loans.

The credit card, unsecured loans and other retail lending coverage ratio decreased to 8.6% from 9.0% due to the increase in Stage 1 balances which carry lower levels of ECL, with the Stage 2 increase including an adjustment for the anticipated UK economic uncertainty.

There are relatively low coverage ratios for Stage 3 Home loans and Corporate loans reflecting the secured nature of these exposures.

Risk review

Risk performance

Credit risk

Movement in gross exposures and impairment allowance including provisions for loan commitments and financial guarantees (audited)

The following tables present a reconciliation of the opening to the closing balance of the exposure and impairment allowance. An explanation of the terms 12-month ECL, lifetime ECL and credit-impaired is included on page 223.

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

	Stage 1	Stage 2	Stage 3	Total
	£m	£m	£m	£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
<i>of which: Barclays UK</i>	29,467	1,493	326	31,286
<i>of which: Barclays International</i>	42,346	1,164	44	43,554
Net drawdowns and repayments	(13,140)	136	162	(12,842)
<i>of which: Barclays UK</i>	(10,269)	(980)	(322)	(11,571)
<i>of which: Barclays International</i>	(1,305)	1,348	561	604
Final repayments	(41,946)	(5,359)	(1,071)	(48,376)
<i>of which: Barclays UK</i>	(11,728)	(1,753)	(478)	(13,959)
<i>of which: Barclays International</i>	(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	Stage 2	Stage 3	Total
	£m	£m	£m	£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 BX liquidity asset buffer of £2.3bn and £1.0bn of Italian bonds in Barclays International, offset by the disposal of a long dated liquidity buffer portfolio of UK gilts totalling £5.1bn, reduction in Corporate lending of £2.5bn and continued repayments on Italian Mortgages of £1.0bn.

Net transfers between stages represents the movements of positions from, for example, Stage 1 to Stage 2 following a Significant Increase in Credit Risk (SICR) or to Stage 3 as positions move into default. Equally, improvement in credit quality will result in positions moving to lower stages. These are the primary driver for the changes in impairment allowance and the income statement charge. The improvement in PDs and macroeconomic variables during 2018 resulted in net exposures moving from Stage 2 into Stage 1. The transfers into Stage 3 was from defaulted assets moving mainly from Stage 2.

Disposals includes the sale of a long dated liquidity buffer portfolio of UK gilts and debt sale activity. Write-offs represent the gross asset write-down during the period.

The impairment allowance decreased by £332m in the period. This is due to a net reduction in Barclays International predominantly from write-offs and a positive impact of macroeconomic variables changes during the year, offset by a £150m charge in UK Cards and UK Corporate loans from anticipated economic uncertainty in the UK. Credit quality across wholesale portfolios and underlying arrears rates in the retail portfolio have been relatively stable over the

period.

110 Barclays PLC 2018 Annual Report on Form 20-F

Gross exposure for loan commitments and financial guarantees (audited)

	Stage 1	Stage 2	Stage 3	Total
	£m	£m	£m	£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	Stage 2	Stage 3	Total
	£m	£m	£m	£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**

	Net exposure	Impairment allowance
	£m	£m
As at 31 December 2018		
Quantitative test	28,159	2,506
Qualitative test	12,023	183
30 dpd backstop	550	26
Total Stage 2	40,732	2,715

Note

a

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Where balances satisfy more than one of the above three criteria for determining a significant increase in credit risk, the corresponding net exposure and ECL has been assigned in order of categories presented. Stage 2 exposures are predominantly identified using quantitative tests where the lifetime PD has deteriorated more than a pre-determined amount since origination. This is augmented by inclusion of accounts meeting the designated high risk criteria (including watchlist) for the portfolio under the qualitative test. A small number of other accounts (1% of impairment allowances and 1% of net exposure) are included in Stage 2. These accounts are not otherwise identified by the quantitative or qualitative tests but are more than 30 days past due. The percentage triggered by this backstop criteria is a measure of the effectiveness of the Stage 2 criteria in identifying deterioration prior to delinquency.

For further detail on the three criteria for determining a significant increase in credit risk required for Stage 2 classification, refer to Note 7 on page 223.

Risk review

Risk performance

Credit risk

Management adjustments to models for impairment (audited)

Management adjustments to impairment models are applied in order to factor in certain conditions or changes in policy that are not fully incorporated into the impairment models, or to reflect additional facts and circumstances at the period end. Management adjustments are reviewed and incorporated into future model development where applicable.

Adjustments in portfolios that have total management adjustments to impairment allowance of greater than £10m are presented by product below. Information as at 31 December 2018 is prepared on an IFRS 9 basis and information as at 31 December 2017 is prepared on an IAS 39 basis.

During 2018, models have continued to develop and a number of adjustments that were required on IFRS 9 adoption have been incorporated in impairment modelling.

Management adjustments to models for impairment^a (audited)

	2018		2017	
	Management adjustments to impairment allowances, including forbearance	Proportion of total allowances, including forbearance	Management adjustments to impairment allowances, including forbearance	Proportion of total allowances, including forbearance
As at 31 December	£m	%	£m	%
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

^aPositive 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.

112 Barclays PLC 2018 Annual Report on Form 20-F

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)

	Upside 2	Upside 1	Baseline	Downside 1	Downside 2
As at 31 December 2018	%	%	%	%	%
Scenario probability weighting	9	24	41	23	3

Macroeconomic variables (audited)

	Upside 2	Upside 1	Baseline	Downside 1	Downside 2
As at 31 December 2018	%	%	%	%	%
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

aHighest annual growth in Upside scenarios; 5-year average in Baseline; lowest annual growth in Downside scenarios.

bLowest point in Upside scenarios; 5-year average in Baseline; highest point in Downside scenarios.

c5-year cumulative growth in Upside scenarios; 5-year average in Baseline; cumulative fall (peak-to-trough) in Downside scenarios.

Over the year, the macroeconomic baseline variables improved in the US economic outlook, notably HPI. The UK macroeconomic baseline variables improved slightly overall.

ECL under 100% weighted scenarios for key principal portfolios (audited)

The table on the next page shows the ECL for key principal portfolios assuming scenarios have been 100% weighted. Gross exposures are allocated to a stage based on the individual scenario rather than through a probability-weighted approach as is required for Barclays reported impairment allowances. As a result, it is not possible to back solve the weighted ECL from the individual scenarios as a balance may be assigned to a different stage dependent on the scenario.

Material post-model adjustments have been excluded from the below analysis so that the scenario specific results are comparable. Management adjustments of greater than £10m can be found on page 112.

The key principal portfolios included in the product split below account for circa 80% of total loans and advances at amortised cost and circa 80% of total impairment allowance (including off-balance sheet loan commitments and financial guarantee contracts). Portfolios excluded are those where the risk resides outside of the UK or the US; certain less material portfolios; and exposures where ECL estimation methods are based on benchmark approaches or assigned proxy coverage ratios.

Balances allocated to Stage 3 do not change in any of the scenarios as the transition criteria relies only on observable evidence of default as at

31 December 2018 and not on macroeconomic scenarios.

The Downside 2 scenario represents a severe global recession with substantial falls in both UK and US GDP. Unemployment in both markets rises towards 9% and there are substantial falls in asset prices including housing.

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Under the Downside 2 scenario, balances move between stages as the economic environment weakens. This can be seen in the movement of £19.0bn of gross exposure into Stage 2 between the Weighted and Downside 2 scenario. ECL increases in Stage 2 predominantly due to unsecured portfolios as economic conditions deteriorate.

Risk review

Risk performance

Credit risk

	Scenarios					
	Weighted	Upside 2	Upside 1	Baseline	Downside 1	Downside 2
As at 31 December 2018						
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	18.4	16.8	17.2	18.1	20.1	26.4

retail lending						
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

aMaterial 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

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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.

114 Barclays PLC 2018 Annual Report on Form 20-F

Staging sensitivity (audited)

An increase of 1% (£3,332m) of total gross exposure into Stage 2 (from Stage 1), would result in an increase in ECL impairment allowance of £200m based on applying the difference in Stage 2 and Stage 1 average impairment coverage ratios to the movement in gross exposure (refer to

Loans and advances at amortised cost by product on page 190).

ECL sensitivity analysis

The tables on pages 116 and 117 show the estimated ECL impact on key principal portfolios in the event that the UK/US consensus was instead for i) positive growth (Upward scenario); and ii) a mild downturn (Downward scenario). These scenarios assume a moderate upturn and downturn for the UK and the US respectively but with no contagion or headwinds in other economies.

The gross exposures in scope are aligned to those presented in the ECL under 100% weighted scenarios sensitivity analysis but based on portfolio positions as at 30 September 2018 due to operational complexity in scenario regeneration. The portfolios included in the scenario remained broadly stable during Q4 2018 and therefore the scenario results are considered representative of the year end position. Material post-model adjustments have been excluded from the below analysis to allow the scenario specific results to be comparable. Further detail on management adjustments to impairment allowances can be found on page 112.

Gross exposures allocated to Stage 3 do not change in any of the scenarios as the transition criteria relies only on observable evidence of default and not on macroeconomic scenarios. For individual cases with ECL greater than £10m, three scenarios are assessed taking into account the macroeconomic scenarios and alternative recovery strategies. For these specific cases, the less favourable scenario is assumed to occur in the UK/ US Downward scenario (and the more favourable scenario is assumed to occur in the UK/US Upward scenario) which is a conservative upper estimate as certain recovery strategies are idiosyncratic in nature and independent of the macroeconomic economy. Changes to coverage ratios are expressed against the exposures in scope of the sensitivity analysis and not the entire portfolio.

Risk review

Risk performance

Credit risk

ECL sensitivity analysis to UK economic forecasts for key principal portfolios

The table below shows the estimated ECL impact on key principal portfolios for both a positive growth (Upward scenario) and a downturn (Downward scenario) of UK consensus macroeconomic variables. The inputs for the Downward scenario have been modelled by replacing the Baseline macroeconomic variables by the Downside 1 variables (with no changes to US and other non-UK macroeconomic variables, as highlighted below). Similarly, the Upward scenario uses Upside 1 UK macroeconomic variables for the Baseline scenario. The Downside 2, Downside 1, Upside 1 and Upside 2 macroeconomic variables are held constant but the probability weights have been re-calibrated.

Barclays impairment as at 31 December 2018 includes an adjustment of £150m representing a charge for the estimated impact of anticipated economic uncertainty in the UK. This adjustment was estimated broadly on the output of the UK Downward scenario below.

Scenario probability weighting

	Upside 2	Upside 1	Baseline	Downside 1	Downside 2
	%	%	%	%	%
UK Upward scenario	18	33	36	11	2
UK Downward scenario	8	18	40	28	6

Macroeconomic variables

	Upside 2	Upside 1	Baseline	Downside 1	Downside 2
	%	%	%	%	%
As at 31 December 2018					
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	Δ UK	Δ UK	Δ UK	Δ UK	Δ UK	Δ UK	Δ UK
Gross Exposure (£m)								
Home loans	506	(889)	(506)	889				
Credit cards, unsecured loans and other retail lending	294	(252)	(294)	252				
Corporate loans	79	(13)	(79)	13				
ECL (£m)								
Home loans			(3)	6	(1)	2	(4)	8
Credit cards, unsecured loans and other retail lending	(4)	4	(102)	104	(15)	15	(121)	123
Corporate loans	1	7	(4)	13	(46)	28	(49)	48

Home loans: Total ECL increases by £8m in the Downward scenario, driven by the increase in the probability weight attributed to the Downside 2 scenario. This represents a greater likelihood of the UK economy entering into a severe downturn than under the current consensus.

Credit cards, unsecured loans and other retail lending: Total ECL decreases by £121m in the Upward scenario driven by £294m of balance migration as assets transition from Stage 2 to Stage 1 and lower coverage on Stage 2 assets driven by the more favourable consensus forecast. Total ECL increases by £123m in the Downward scenario, mainly driven by the UK cards portfolio.

Corporate loans: Total ECL decreases by £49m in the Upward scenario predominately driven by more favourable recovery outcomes for large single names in Stage 3. The Downward scenario results in total ECL impact of £48m, driven by higher coverage in Stage 2 and less favourable recovery outcomes for large single names in Stage 3.

ECL sensitivity analysis to US economic forecasts for key principal portfolios

The table below shows the estimated ECL impact on key principal portfolios for both a positive growth (Upward scenario) and a downturn (Downward scenario) of US consensus macroeconomic variables. The inputs for the Downward scenario have been modelled by replacing the Baseline macroeconomic variables by the Downside 1 variables (with no changes to UK and other non-US macroeconomic variables, as highlighted below). Similarly, the Upward scenario uses Upside 1 US macroeconomic variables for the Baseline scenario. The Downside 2, Downside 1, Upside 1 and Upside 2 macroeconomic variables are held constant but the probability weights have been re-calibrated.

Scenario probability weighting

	Upside 2	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

	Upside 2	Upside 1	Baseline	Downside 1	Downside 2
	%	%	%	%	%
As at 31 December 2018					
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 Downward scenario					
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	
	D	US	D	US	D	US	D	US
	Downward scenario	Upward scenario	Downward scenario	Upward scenario	Downward scenario	Upward scenario	Downward scenario	Upward scenario
Gross Exposure (£m)								
Credit cards, unsecured loans and other retail lending	214	(312)	(214)	312				
Corporate loans	83	(46)	(83)	46				
ECL (£m)								
Credit cards, unsecured loans and other retail lending	(4)	6	(76)	144	(6)	7	(86)	157
Corporate loans	(3)	10	(15)	34	(35)	54	(53)	98

Credit cards, unsecured loans and other retail lending: Total ECL decreases by £86m in Upward scenario driven by £214m of balance migration as assets transition from Stage 2 to Stage 1 and lower coverage on Stage 2 assets driven by the more favourable consensus forecast. Total ECL impact of £157m in Downward scenario, greater than the Upward scenario, driven by non-linearity effects and the relative severity of the Downward scenario.

Corporate loans: Total ECL increases by £98m in the Downward scenario driven by a less favourable recovery outcome for one large single name in Stage 3, where Barclays estimated additional losses of £39m in addition to the loss estimated under the Baseline scenario, and higher coverage in Stage 2 assets driven by the less favourable consensus forecast. There is a greater impact on coverage ratios (Stage 2 in particular) than the UK scenarios driven largely by the underlying portfolio quality, with the US portfolio possessing a higher proportion of unsecured leveraged lending.

Risk review

Risk performance

Credit risk

Analysis of the concentration of credit risk

A concentration of credit risk exists when a number of counterparties are located in a common geographical region or are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Barclays Group implements limits on concentrations in order to mitigate the risk. The analyses of credit risk concentrations presented below are based on the location of the counterparty or customer or the industry in which they are engaged.

Geographic concentrations

As at 31 December 2018, the geographic concentration of Barclays Group's assets remained broadly consistent with 2017. Exposure is concentrated in the UK 41% (2017: 42%), in the Americas 34% (2017: 33%) and Europe 21% (2017: 21%).

Credit risk concentrations by geography (audited)

	United Kingdom £m	Europe £m	Americas £m	Africa and Middle East £m	Asia £m	Total £m
As at 31 December 2018						
On-balance sheet:						
Cash and balances at central banks	64,343	66,887	36,045	718	9,076	177,069
Cash collateral and settlement balances	27,418	22,316	22,184	376	4,928	77,222
Loans and advances at amortised cost	240,116	27,913	49,592	3,414	5,371	326,406
Reverse repurchase agreements and other similar secured lending	724	113	68	1,320	83	2,308
Trading portfolio assets	12,444	13,375	34,369	713	3,616	64,517
Financial assets at fair value through the income statement	33,842	20,984	73,489	1,758	13,556	143,629
Derivative financial instruments	69,798	80,003	58,699	1,866	12,172	222,538
Financial assets at fair value through other comprehensive income	11,494	23,298	13,953	163	2,786	51,694
Other assets	780	125	100	1		1,006
Total on-balance sheet	460,959	255,014	288,499	10,329	51,588	1,066,389
Off-balance sheet:						
Contingent liabilities	5,910	3,572	8,996	536	1,289	20,303
Loan commitments	108,506	34,524	175,995	1,852	3,346	324,223
Total off-balance sheet	114,416	38,096	184,991	2,388	4,635	344,526
Total	575,375	293,110	473,490	12,717	56,223	1,410,915

Credit risk concentrations by geography (audited)

	United Kingdom £m	Europe £m	Americas £m	Africa and Middle East £m	Asia £m	Total £m
As at 31 December 2017						
On-balance sheet:						
Cash and balances at central banks	53,068	57,179	56,034	63	4,738	171,082
Cash collateral and settlement balances	23,852	24,311	23,440	870	4,695	77,168
Loans and advances at amortised cost	240,102	27,223	47,850	3,385	5,488	324,048
Reverse repurchase agreements and other similar secured lending	203	375	10,521	32	1,415	12,546
Trading portfolio assets	10,603	13,620	25,680	473	3,964	54,340
Financial assets at fair value through the income statement	33,922	23,725	46,288	1,611	6,065	111,611
Derivative financial instruments	81,656	81,566	57,858	2,792	13,797	237,669
Financial investments – debt securities	17,470	23,598	14,110	114	1,836	57,128
Other assets	1,579	1,179	148	33	83	3,022
Total on-balance sheet	462,455	252,776	281,929	9,373	42,081	1,048,614
Off-balance sheet:						
Contingent liabilities	7,603	3,039	6,708	529	1,133	19,012
Loan commitments	105,912	36,084	168,003	1,608	3,966	315,573
Total off-balance sheet	113,515	39,123	174,711	2,137	5,099	334,585
Total	575,970	291,899	456,640	11,510	47,180	1,383,199

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Comprehensive												
Assets	580	426										
-balance	198,545	256,896	15,488	35,681	282,365	12,926	13,533	28,232	150,689	55,298	16,736	1,000,000
Balance sheet:												
Liabilities	939	3,840	3,470	626	1,890	3,491	952	3,455		116	1,524	
Commitments	1,267	42,890	39,978	14,362	1,629	26,519	14,566	22,142	8,900	126,640	25,330	
-balance	2,206	46,730	43,448	14,988	3,519	30,010	15,518	25,597	8,900	126,756	26,854	
	200,751	303,626	58,936	50,669	285,884	42,936	29,051	53,829	159,589	182,054	43,590	1,000,000

Risk review

Risk performance

Credit risk

Credit concentrations by industry (audited)

	Banks	Other financial institutions	Manufacturing	Construction and property	Government and central bank	Energy and water	Wholesale and retail distribution and leisure	Business and other services	Home loans	Cards, unsecured loans and other personal lending	Other
December 2017	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Assets					171,082						
General and special balances	18,395	48,611	124	233	8,219	585	75	577			349
Advances at cost	9,386	26,312	9,125	23,473	9,097	5,519	12,375	19,906	147,002	54,205	7,648
Purchase and other											
Secured lending	7,241	4,844		153	307			1			
Portfolio assets	4,682	10,672	3,311	807	26,030	3,900	598	3,324	128		888
Assets at fair value											
Through the income statement	21,468	78,506	38	4,666	4,812	2	3	2,083	28		5
Financial investments	126,248	87,272	2,383	2,103	5,811	8,179	576	2,972			2,125
Equities	10,145	1,379			44,827	103		674			
Debt	2,300	701			21						
Balance sheet	199,865	258,297	14,981	31,435	270,206	18,288	13,627	29,537	147,158	54,205	11,015
Liabilities	1,572	3,556	3,236	675	8	2,605	969	4,947	4	389	1,051
Commitments	1,550	31,427	38,105	12,956	384	31,702	14,507	34,415	10,785	126,169	13,573
Balance sheet	3,122	34,983	41,341	13,631	392	34,307	15,476	39,362	10,789	126,558	14,624
	202,987	293,280	56,322	45,066	270,598	52,595	29,103	68,899	157,947	180,763	25,639

The approach to management and representation of credit quality

Asset credit quality

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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%	Satisfactory
9-11	0.30 to <0.60%	
12-14	0.60 to <2.15%	
15-19	2.15 to <11.35%	Higher Risk
20-21	11.35 to <100%	
22	100%	Credit Impaired

For retail clients, a range of analytical tools is used to derive the probability of default of clients at inception and on an ongoing basis.

For loans that are not past due, these descriptions can be summarised as follows:

Strong: there is a very high likelihood of the asset being recovered in full.

Satisfactory: while there is a high likelihood that the asset will be recovered and therefore, of no cause for concern to the Barclays Group, the asset may not be collateralised, or may relate to unsecured retail facilities. At the lower end of this grade there are customers that are being more carefully monitored, for example, corporate customers which are indicating some evidence of deterioration, mortgages with a high loan to value, and unsecured retail loans operating outside normal product guidelines.

Higher risk: there is concern over the obligor's ability to make payments when due. However, these have not yet converted to actual delinquency.

There may also be doubts over the value of collateral or security provided. However, the borrower or counterparty is continuing to make payments when due and is expected to settle all outstanding amounts of principal and interest.

Loans that are past due are monitored closely, with impairment allowances raised as appropriate and in line with the Barclays Group's impairment policies. These loans are all considered higher risk for the purpose of this analysis of credit quality.

Debt securities

For assets held at fair value, the carrying value on the balance sheet will include, among other things, the credit risk of the issuer. Most listed and some unlisted securities are rated by external rating agencies. The Barclays Group mainly uses external credit ratings provided by Standard & Poor's, Fitch or Moody's. Where such ratings are not available or are not current, the Barclays Group will use its own internal ratings for the securities.

Balance sheet credit quality

The following tables present the credit quality of Barclays Group assets exposed to credit risk.

Overview

As at 31 December 2018, the ratio of the Barclays Group on-balance sheet assets classified as strong (0.0 to <0.60%) remained stable at 86% (2017: 87%) of total assets exposed to credit risk.

Further analysis of debt securities by issuer and issuer type and netting and collateral arrangements on derivative financial instruments is presented on pages 128 and 129 respectively.

Balance sheet credit quality (audited)

	PD range			Total £m	PD range			Total %
	0.0 to <0.60% £m	0.60 to <11.35% £m	11.35 to 100% £m		0.0 to <0.60% %	0.60 to 11.35% %	11.35 to 100% %	
As at 31 December 2018								
Cash and balances at central banks	177,069			177,069	100			100
Cash collateral and settlement balances	70,455	6,763	4	77,222	91	9		100
Loans and advances at amortised cost								
Home loans	137,449	9,701	3,134	150,284	92	6	2	100
Credit cards, unsecured and other retail lending	21,786	31,664	2,981	56,431	39	56	5	100
Corporate loans	86,271	30,108	3,312	119,691	72	25	3	100
Total loans and advances at amortised cost	245,506	71,473	9,427	326,406	75	22	3	100
Reverse repurchase agreements and other similar secured lending	1,820	444	44	2,308	79	19	2	100

Trading portfolio assets:								
Debt securities	51,896	4,998	389	57,283	90	9	1	100
Traded loans	1,903	4,368	963	7,234	27	60	13	100
Total trading portfolio assets	53,799	9,366	1,352	64,517	83	15	2	100
Financial assets at fair value through the income statement:								
Loans and advances	13,177	6,295	52	19,524	68	32		100
Debt securities	4,380	81	61	4,522	97	2	1	100
Reverse repurchase agreements	85,887	31,813	1,341	119,041	72	27	1	100
Other financial assets	524	18		542	97	3		100
Total financial assets at fair value through the income statement	103,968	38,207	1,454	143,629	72	27	1	100
Derivative financial instruments	211,695	10,791	52	222,538	95	5		100
Financial assets at fair value through other comprehensive income	51,546	148		51,694	100			100
Other assets	723	283		1,006	72	28		100
Total on-balance sheet	916,581	137,475	12,333	1,066,389	86	13	1	100

Risk review

Risk performance

Credit risk

Balance sheet credit quality (audited)

	PD range			PD range				
	0.0 to <0.60%	0.60 to <11.35%	11.35 to 100%	Total <0.60%	0.60 to <11.35%	11.35 to 100%	Total	
	£m	£m	£m	£m	%	%	%	%
As at 31 December 2017								
Cash and balances at central banks	171,082			171,082	100			100
Cash collateral and settlement balances	72,277	4,619	272	77,168	94	6		100
Loans and advances at amortised cost								
Home loans	135,576	5,781	5,645	147,002	92	4	4	100
Credit cards, unsecured and other retail lending ^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	69	23	8	100
Reverse repurchase agreements and other similar secured lending	11,430	1,101	15	12,546	91	9		100
Trading portfolio assets:								
Debt securities	48,489	2,085	626	51,200	95	4	1	100
Traded loans	1,432	1,189	519	3,140	45	38	17	100
Total trading portfolio assets	49,921	3,274	1,145	54,340	92	6	2	100
Financial assets designated at fair value:								
Loans and advances	9,457	817	763	11,037	86	7	7	100
Debt securities		15		15		100		100
Reverse repurchase agreements	82,263	17,692	85	100,040	82	18		100
Other financial assets	482	37		519	93	7		100
Total financial assets designated at fair value	92,202	18,561	848	111,611	82	17	1	100
Derivative financial instruments	229,262	7,863	544	237,669	96	4		100
Financial investments debt securities	57,106	18	4	57,128	100			100
Other assets	2,570	411	41	3,022	85	14	1	100
Total on-balance sheet	910,440	109,618	28,556	1,048,614	87	10	3	100

Note

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a2017 figures have been restated to more accurately reflect the credit quality distribution within credit cards, unsecured and retail lending.

122 Barclays PLC 2018 Annual Report on Form 20-F

Credit exposures by internal PD grade

Credit risk profile by internal PD grade for loans and advances at amortised cost (audited)

Credit quality description	PD range	Gross carrying amount				Allowance for ECL				Net exposure	EC coverage
		Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total		
	%	£m	£m	£m	£m	£m	£m	£m	£m	£m	%
Strong	0.0 to <0.60%	232,163	13,556		245,719	146	67		213	245,506	0
Satisfactory	0.60 to <11.35%	48,730	24,768		73,498	508	1,517		2,025	71,473	2
Higher Risk	11.35 to <100%	333	5,123		5,456	34	1,131		1,165	4,291	21
Unpaired	100%			8,503	8,503			3,367	3,367	5,136	39
Total		281,226	43,447	8,503	333,176	688	2,715	3,367	6,770	326,406	2

Credit risk profile by internal PD grade for contingent liabilities (audited)^a

Credit quality description	PD range	Gross carrying amount				Allowance for ECL				Net exposure	EC coverage
		Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total		
	%	£m	£m	£m	£m	£m	£m	£m	£m	£m	%
Strong	0.0 to <0.60%	15,000	443		15,443	6	3		9	15,434	0
Satisfactory	0.60 to <11.35%	3,541	964		4,505	10	14		24	4,481	0
Higher Risk	11.35 to <100%	49	228		277		10		10	267	3
Unpaired	100%			74	74			2	2	72	2
Total		18,590	1,635	74	20,299	16	27	2	45	20,254	0

Credit risk profile by internal PD grade for loan commitments (audited)^a

Credit quality description	PD range	Gross carrying amount				Allowance for ECL				Net exposure	EC coverage
		Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total		
	%	£m	£m	£m	£m	£m	£m	£m	£m	£m	%
Strong	0.0 to <0.60%	206,511	5,440		211,951	21	5		26	211,925	0
Satisfactory	0.60 to <11.35%	84,141	11,806		95,947	59	80		139	95,808	0
Higher Risk	11.35 to <100%	747	3,245		3,992	3	38		41	3,951	1
Unpaired	100%			610	610			20	20	590	3

291,399	20,491	610	312,500	83	123	20	226	312,274	0
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Note

a Excludes loan commitments and financial guarantees of £11.7bn carried at fair value.

Stage 1 higher risk assets, presented gross of associated collateral held, are of weaker credit quality but have not significantly deteriorated since origination. Examples would include leveraged corporate loans or non-prime credit cards.

IFRS 9 Stage 1 and Stage 2 classification is not dependent solely on the absolute probability of default but on elements that determine a Significant Increase in Credit Risk (see Note 7 on page 223), including relative movement in probability of default since initial recognition. There is therefore no direct relationship between credit quality and IFRS 9 stage classification.

Analysis of specific portfolios and asset types

This section provides an analysis of principal portfolios and businesses, in particular, home loans, credit cards, unsecured loans and other retail lending.

Secured home loans

The UK home loans portfolio comprises first lien home loans and accounts for 91% (2017: 90%) of Barclays Group's total home loan balances.

Home loans principal portfolios

As at 31 December

	Barclays UK	
	2018	2017
Gross loans and advances (£m)	136,517	132,132
30-day arrears rate, excluding recovery book (%)	0.4	0.4
90-day arrears rate, excluding recovery book (%)	0.1	0.1
Annualised gross charge-off rates 180 days past due (%)	0.3	0.2
Recovery book proportion of outstanding balances (%)	0.2	0.3
Recovery book impairment coverage ratio (%)	7.1	11.2

Despite the proposed UK withdrawal from the European Union creating large levels of uncertainty in the housing market and competitor pricing putting pressure on new flow, portfolio stock has increased year on year. However, delinquencies remain very low and stable and recovery stock has reduced. Recovery book coverage rate reduced to 7.1% (2017: 11.2%) reflecting the new impairment methodology following the transition to IFRS 9.

Within the UK home loans portfolio:

Owner-occupied interest-only home loans comprised 26% (2017: 28%) of total balances. The average balance weighted LTV on these loans decreased to 38.8% (2017: 39.7%). The 90-day arrears rate excluding recovery book remained steady at 0.3% (2017: 0.3%)

Buy to Let (BTL) home loans comprised 12% (2017: 11%) of total balances. The average balance weighted LTV increased to 55.4% (2017: 53.7%) driven by the volume of new business written. Whilst the average balance

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weighted LTV of new business remained stable during 2018, it is higher than for the existing book and increased the total book average figure as a result. This increase was partially offset by increases in house prices applied during the second half of the year with positive movements in HPI reported. The BTL 90-day arrears rate excluding recovery book remained steady at 0.1% (2017: 0.1%).

Risk review

Risk performance

Credit risk

Home loans principal portfolios distribution of balances by LTV

	Distribution of balances %	Distribution of impairment allowance %	Coverage ratio %
As at 31 December 2018			
Barclays UK			
<=75%	90.6	50.9	
>75% and <=90%	8.6	22.1	0.1
>90% and <=100%	0.7	7.7	0.5
>100%	0.1	19.3	10.8
Note			

aPortfolio mark to market based on the most updated valuation including recovery book balances. Updated valuations reflect the application of the latest HPI available as at 31 December 2018.

Home loans principal portfolios average LTV

	Barclays UK	
	2018	2017
As at 31 December		
Overall portfolio LTV (%):		
Balance weighted	48.9	47.6
Valuation weighted	35.8	35.2
>100% LTVs:		
Balances (£m)	147	215
Mark to market collateral (£m)	130	188
Average LTV: balance weighted (%)	134.0	127.7
Average LTV: valuation weighted (%)	119.1	118.6
Balances in recovery book (%)	5.5	5.9

The reduction in home loans that have LTV >100% to £147m (2017: £215m) was driven by increases in HPI through the second half of the year.

Home loans principal portfolios new lending

	Barclays UK	
	2018	2017
As at 31 December		
New bookings (£m)	23,008	22,665
New home loan proportion above 90% LTV (%)	1.8	2.1
Average LTV on new home loans: balance weighted (%)	65.4	63.8

Average LTV on new home loans: valuation weighted (%) 57.4 56.0

Head Office: Italian home loans and advances at amortised cost reduced to £7.9bn (1 January 2018: £8.8bn) and continue to run-off since new bookings ceased in 2016. The portfolio is secured on residential property with an average balance weighted mark to market LTV of 61.8% (2017: 61.0%). 90-day arrears and gross charge-off rates remained stable at 1.4% (2017: 1.4%) and 0.8% (2017: 0.8%) respectively.

Credit cards, unsecured loans and other retail lending

The principal portfolios listed below accounted for 87% (2017: 87%) of Barclays Group's total credit cards, unsecured loans and other retail lending.

Credit cards, unsecured loans and other retail lending principal portfolios

	Gross loans and advances	30-day arrears, excluding recovery book	90-day arrears, excluding recovery book	Annualised gross charge-off rate
	£m	%	%	%
As at 31 December 2018				
Barclays UK				
UK cards	17,285	1.8	0.9	4.7
UK personal loans	6,335	2.3	1.1	3.7
Barclays International				
US cards	22,178	2.7	1.4	5.7
Barclays partner finance	4,216	1.1	0.4	2.3
Germany consumer lending	3,545	1.9	0.8	2.9
As at 31 December 2017				
Barclays UK				
UK cards	17,686	1.8	0.8	5.0
UK personal loans	6,255	2.5	1.2	3.3
Barclays International				
US cards	21,350	2.6	1.3	5.0
Barclays partner finance	3,814	1.3	0.5	2.6
Germany consumer lending	3,384	2.3	1.0	3.2

UK cards: 30- and 90-day arrears rates remained stable. The annualised gross charge-off rate reduced to 4.7% (2017: 5.0%) as a result of charge-offs returning to stabilised levels in 2018 following one-off accelerated charge-offs in 2017.

UK personal loans: 30- and 90-day arrears rates reduced slightly, whilst the annualised charge-off rate increased. These movements were as a result of accounts that had remained in collections longer than expected in 2017 being moved to charge-off following resolution of collections performance issues.

US cards: The annualised gross charge-off rate increased to 5.7% (2017: 5.0%) broadly in line with trends across the industry and change in portfolio mix reflecting a one-off asset sale benefiting 2017.

Barclays partner finance: 30- and 90-day arrear rates reduced driven by improved quality of new business and better arrears management.

Germany consumer lending: Arrears and charge-off rates reduced due to improved performance in collections along with booking lower risk business.

Forbearance

Forbearance measures consist of concessions towards a debtor that is experiencing or about to experience difficulties in meeting their financial commitments (financial difficulties).

Analysis of forbearance programmes

	Balances	Impairment Allowances
As at 31 December 2018		
Barclays UK	647	172
Barclays International	233	190
Head Office	165	10
Total retail	1,045	372
Barclays UK	671	45
Barclays International	2,284	241
Head Office		
Total wholesale	2,955	286
Group total	4,000	658
As at 31 December 2017		
Barclays UK	847	226

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Barclays International	210	86
Head Office	186	11
Total retail	1,243	323
Barclays UK	606	31
Barclays International	2,347	519
Head Office		
Total wholesale	2,953	550
Group total	4,196	873

Balances on forbearance programmes decreased 5% driven by better portfolio performance.

Retail balances on forbearance reduced 16% to £1.0bn, reflecting a decrease in Barclays UK partially offset by an increase in Barclays International portfolios.

Barclays UK: continued to reduce reflecting the ongoing improvements in operational effectiveness over the past two years along with improving arrears rates and accounts completing and exiting plans.

Barclays International: US cards forbearance balances increased to £177m (2017: £148m) in line with book size but as a percentage of total balance remained low (<1%).

Wholesale balances on forbearance remained stable at £3.0bn (2017: £3.0bn) with a reduction in CIB of £280m offset by an increase in Wealth BI of £211m. Impairment allowance reduced to £286m (2017: £550m) reflecting significant write-offs and single name releases within CIB. Barclays International accounted for 77% of Wholesale forbearance with corporate cases representing 72% of all forborne balances.

Risk review

Risk performance

Credit risk

Retail forbearance programmes

Forbearance on Barclays Group's principal retail portfolios is presented below. The principal portfolios account for 84% (2017: 75%) of total retail forbearance balances.

Analysis of key portfolios in forbearance programmes

	Balances on forbearance programmes		Mark	Mark	Impairment	Total
	% of gross retail loans and advances		to market LTV of	to market LTV of	allowances marked against balances on forbearance programmes	balances on forbearance programmes coverage ratio
	£m	%	balance weighted %	valuation weighted %	£m	%
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.

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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

	UK home loans		Barclays UK UK cards		UK personal loans		Barclays International US cards	
	2018	2017	2018	2017	2018	2017	2018	2017
As at 31 December	£m	£m	£m	£m	£m	£m	£m	£m
Payment concession	80	94	69	84				
Interest-only conversion	60	75						
Term extension	154	184			9	8		
Fully amortising Repayment plan ^a			89	96	52	54	160	135
Interest rate concession	2	2	131	122	1	15	17	13
Total	296	355	289	302	62	77	177	148
Note								

^aRepayment 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			Total impairment allowances	Total balances on forbearance programmes	coverage ratio
	Total balances	% of gross wholesale loans and advances	Total balances	marked against balances on forbearance programmes	coverage ratio	
	£m	%	£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	Personal and trusts	Other	Total
	£m	£m	£m	£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

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As at 31 December 2017

Restructure: reduced contractual cash flows	5			5
Restructure: maturity date extension	373	26		399
Restructure: changed cash flow profile (other than extension)	297			297
Restructure: payment other than cash	16			16
Change in security	9			9
Adjustments or non-enforcement of covenants	1,477	101	1	1,579
Other (e.g. capital repayment holiday; restructure pending)	474	174		648
Total	2,651	301	1	2,953

Risk review

Risk performance

Credit risk

Wholesale forbearance reporting split by business unit

	Barclays UK £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 121 to 122.

Debt securities

As at 31 December	2018		2017	
	£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		2017
	Fair value	£m	Fair value
United States	31,199	£m	21,570
United Kingdom	19,555	£m	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		
	Balance sheet assets £m	Counterparty netting £m	Net exposure £m	Balance sheet assets £m	Counterparty netting £m	Net exposure £m
As at 31 December						
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

Notional contract amount	2018		Notional contract amount	2017	
	Fair value Assets £m	Fair value Liabilities £m		Fair value Assets £m	Fair value Liabilities £m

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	£m			£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 review

Risk performance

Market risk

	Page
Summary of contents	
Outlines key measures used to summarise the market risk profile of the bank such as value at risk (VaR). A distinction is made between management and regulatory measures.	131
Provides a Barclays Group-wide overview of where assets and liabilities on Barclays Group's balance sheet are managed within regulatory traded and non-traded books.	132
Barclays Group discloses details on management measures of market risk. Total management VaR includes all trading positions and is presented on a diversified basis by risk factor.	133
	133
	133
	133
	134
	134
This section also outlines the macroeconomic conditions modelled as part of Barclays Group's risk management framework.	134
Barclays Group's regulatory measures of market risk under the approved internal models approach are also disclosed.	

130 Barclays PLC 2018 Annual Report on Form 20-F

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 pages 130 to 134 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.

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 marked to market values as at the reporting date

VaR measures also take account of current marked 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 132, 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.

Barclays PLC 2018 Annual
Report on Form 20-F 131

Risk review

Risk performance

Market risk

Balance sheet view of trading and banking books

As defined by regulatory rules, a trading book consists of positions held for trading intent or to hedge elements of the trading book. Trading intent must be evidenced in the basis of the strategies, policies and procedures set up by the firm to manage the position or portfolio. The table below provides a Group-wide overview of where assets and liabilities on the Barclays Group's balance sheet are managed within regulatory traded and non-traded books.

The balance sheet split by trading book and banking books is shown on an IFRS accounting scope of consolidation.

Balance sheet split by trading and banking books

	Banking book ^a	Trading book	Total
	£m	£m	£m
As at 31 December 2018			
Cash and balances at central banks	177,069		177,069
Cash collateral and settlement balances	60,309	16,913	77,222
Loans and advances at amortised cost	326,406		326,406
Reverse repurchase agreements and other similar secured lending	2,260	48	2,308
Trading portfolio assets	6,479	97,708	104,187
Financial assets designated at fair value	12,656	136,992	149,648
Derivative financial instruments	688	221,850	222,538
Financial assets at fair value through other comprehensive income	52,816		52,816
Investments in associates and joint ventures	762		762
Goodwill and intangible assets	7,973		7,973
Property, plant and equipment	2,535		2,535
Current tax assets	798		798
Deferred tax assets	3,828		3,828
Retirement benefit assets	1,768		1,768
Other assets	3,425		3,425
Total assets	659,772	473,511	1,133,283
Deposits at amortised cost	393,492	1,346	394,838
Cash collateral and settlement balances	43,883	23,639	67,522
Repurchase agreements and other similar secured borrowing	17,009	1,569	18,578
Debt securities in issue	82,286		82,286
Subordinated liabilities	20,559		20,559
Trading portfolio liabilities		37,882	37,882
Financial liabilities designated at fair value	7,592	209,242	216,834
Derivative financial instruments	734	218,909	219,643

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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

aThe primary risk factors for banking book assets and liabilities are interest rates and to a lesser extent, foreign exchange rates. Credit spreads and equity prices will also be factors where Barclays Group holds debt and equity securities respectively, either as financial assets designated at fair value (see Note 13) or as financial assets at fair value through other comprehensive income (see Note 13) of the financial statements.

Included within the trading book are assets and liabilities which are included in the market risk regulatory measures.

Traded market risk review

Review of management measures

The following disclosures provide details on management measures of market risk.

The table below shows the total management VaR on a diversified basis by risk factor. Total management VaR includes all trading positions in CIB and Head Office.

Limits are applied against each risk factor VaR as well as total Management VaR, which are then cascaded further by risk managers to each business.

The daily average, maximum and minimum values of management VaR

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

For the year ended 31 December ^a	2018			2017		
	Average £m	High ^b £m	Low ^b £m	Average £m	High ^b £m	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

^aExcludes BAGL from 23 July 2018.

^bDiversification 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

^aExcludes BAGL from 23 July 2018.

Business scenario stresses

As part of Barclays Group's risk management framework, on a regular basis the performance of the trading business in hypothetical scenarios characterised by severe macroeconomic conditions is modelled. Up to seven global scenarios are modelled on a regular basis, for example, a sharp deterioration in liquidity, a slowdown in the global economy, global recession, and a sharp increase in economic growth.

In 2018, the scenario analyses showed that the largest market risk related impacts would be due to a severe deterioration in financial liquidity and global recession.

Risk review

Risk performance

Market risk

Review of regulatory measures

The following disclosures provide details on regulatory measures of market risk.

Barclays Group's market risk capital requirement comprises of two elements:

the market risk of trading book positions booked to legal entities are measured under a PRA approved internal models approach, including Regulatory VaR, Stressed Value at Risk (SVaR), Incremental Risk Charge (IRC) and Comprehensive Risk Measure (CRM) as required

the trading book positions that do not meet the conditions for inclusion within the approved internal models approach are calculated using standardised rules.

The table below summarises the regulatory market risk measures, under the internal models approach.

Analysis of Regulatory VaR, SVaR, IRC and Comprehensive Risk Measure^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				

^aExcludes BAGL from 23 July 2018.

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bThe 10 day VaR is based on scaling of 1-day VaR model output since VaR is currently not modelled for a 10-day holding period.

Overall, there was an increase in SVaR and a decrease in IRC in 2018, with no significant movements in other internal model components:

Regulatory VaR: Average VaR was broadly unchanged compared to the previous year

SVaR: Average SVaR increase was due to the date range selected for the one-year stressed period changing

IRC: Decrease mainly driven by decrease in Rates and Fixed Income Financing, offset by the Foreign Exchange business

CRM: Remained at zero throughout the year.

Breakdown of the major regulatory risk measures by portfolio^a

	Macro £m	Equities £m	Credit £m	Barclays International Treasury £m	Banking £m	Barclays Group Treasury £m	Financial Resource Management ^b £m
per							
y)	10	19	14		10	5	10
ay)	31	60	45	1	30	17	31
ay)	64	59	30	1	20	13	20
	203	187	95	2	63	40	64
	154	7	209		14	9	84
per							
y)	13	6	19		5	6	8
ay)	42	20	59		16	18	25
ay)	23	11	41		10	11	20
	72	35	130	1	30	35	64
	203	5	270		1	10	65

Notes

aExcludes BAGL.

bA 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 review

Risk performance

Treasury and capital risk

Summary of contents Page

Liquidity risk performance

	Liquidity overview and summary of performance	137
	Liquidity risk stress testing	137
The risk that the firm is unable to meet its	Liquidity risk appetite	138
	Liquidity regulation	138
	Liquidity coverage ratio	139

contractual or contingent obligations or that it

does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets.

This section provides an overview of Barclays

Group's liquidity risk.

	Liquidity pool	139
	Composition of the liquidity pool	139
The liquidity pool is held unencumbered and	Liquidity pool by currency	139
	Management of the liquidity pool	139
	Contingent liquidity	140

is not used to support payment or clearing

requirements. The liquidity pool is intended

to offset stress outflows, and
comprises the

following cash and unencumbered
assets.

The basis for sound liquidity risk	Funding structure and funding relationships	140
management is a solid funding	Deposit funding	140
structure that	Wholesale funding	141

reduces the probability of a liquidity
stress

leading to an inability to meet
funding

obligations as they fall due.

	Encumbrance	142
Asset encumbrance arises from	On-balance sheet	143
collateral	Off-balance sheet	143
pledged against secured funding and	Repurchase agreements and reverse repurchase agreements	144
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.

In addition to monitoring and managing key	Credit ratings	146
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metrics related to the financial strength of

Barclays Group, Barclays Group solicits independent credit ratings.

These ratings assess the creditworthiness of Barclays Group, its subsidiaries and branches and are based on reviews of a broad range of business and financial attributes including risk management processes and procedures, capital strength, earnings, funding, asset quality, liquidity, accounting and governance.

Provides details on the contractual maturity

Contractual maturity of financial assets and liabilities

147

of all financial instruments and other assets and liabilities.

Risk review

Risk performance

Treasury and capital risk

Page

Capital risk performance

Capital risk is the risk that the firm has an

insufficient level or composition of capital to

support its normal business activities and to

meet its regulatory capital requirements

under normal operating environments or stressed conditions (both actual and as defined for internal planning or regulatory testing purposes). This also includes the risk from the firm's pension plans.

This section details Barclays Group's capital position providing information on both capital resources and capital requirements. It also provides details of the leverage ratios and exposures.

Capital risk overview and summary of performance
 Regulatory minimum capital and leverage requirements
 Capital
 Leverage

151
 152

This section outlines Barclays Group's capital

Analysis of capital resources
 Capital ratios
 Capital resources
 Movement in CET1 capital

152
 152
 153
 153

ratios, capital composition, and provides

information on significant movements in

CET1 capital during the year.

This section outlines risk weighted assets by risk type, business and macro drivers.	Analysis of risk weighted assets	154
	Risk weighted assets by risk type and business	154
	Movement analysis of risk weighted assets	154

This section outlines Barclays Group's leverage ratios, leverage exposure composition, and provides information on significant movements in the IFRS and leverage balance sheet.	Analysis of leverage ratios and exposures	155
	Leverage ratios and exposures	155

Barclays Group discloses the two sources of foreign exchange risk that it is exposed to.	Foreign exchange risk	156
	Transactional foreign currency exposure	
	Translational foreign exchange exposure	
	Functional currency of operations	

A review focusing on the UK retirement fund, which represents the majority of Barclays Group's total retirement benefit obligation. requirement for own funds and Eligible Liabilities (MREL) position and ratios.	Pension risk review	157
	Assets and liabilities	157
	IAS19 position	157
	Risk measurement	157

This section outlines Barclays Group's Minimum	Minimum Requirement for own funds and Eligible Liabilities	158
Interest rate risk in the banking book performance		
		159
A description of the non-traded market risk framework is provided.	Interest rate risk in the banking book overview and summary of performance	
	Net interest income sensitivity	160
	by business unit	160
	by currency	160
Barclays Group discloses a sensitivity analysis on pre-tax net interest income for non-trading financial assets and liabilities. The analysis is carried out by business unit and currency.	Analysis of equity sensitivity	
	Volatility of the FVOCI portfolio in the liquidity pool	160
		161
Barclays Group discloses the overall impact of a parallel shift in interest rates on other comprehensive income and cash flow hedges.		
Barclays Group measures the volatility of the value of the FVOCI instruments in the liquidity pool through non-traded market risk VaR.		

Liquidity risk

The risk that the firm is unable to meet its contractual or contingent obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets.

All disclosures in this section (pages 137 to 150) are unaudited unless otherwise stated.

Key metrics

Liquidity Coverage Ratio

169%

Overview

The Barclays Group has a comprehensive key risk control framework for managing liquidity risk. The Liquidity Framework meets the PRA's standards and is designed to maintain liquidity resources that are sufficient in amount and quality, and a funding profile that is appropriate to meet the liquidity risk appetite. The Liquidity Framework is delivered via a combination of policy formation, review and governance, analysis, stress testing, limit setting and monitoring.

This section provides an analysis of the Barclays Group's: (i) summary of performance, (ii) liquidity risk stress testing, (iii) liquidity pool, (iv) funding structure and funding relationships, (v) encumbrance, (vi) credit ratings, and (vii) contractual maturity of financial assets and liabilities.

Summary of performance

The liquidity pool increased to £227bn (December 2017: £220bn) driven largely by net deposit growth across businesses. The Liquidity Coverage Ratio (LCR) increased to 169% (December 2017: 154%), equivalent to a surplus of £90bn (December 2017: £75bn) to 100% regulatory requirement. The Barclays Group also continued to maintain surpluses to its internal liquidity requirements. The strong liquidity position reflects the Barclays Group's prudent approach given the continued macroeconomic uncertainty.

During the year, the Barclays Group issued £12.2bn of minimum requirement for own funds and eligible liabilities (MREL) instruments in a range of tenor and currencies.

Barclays Bank PLC continued to issue in the shorter-term markets and Barclays Bank UK PLC issued in the shorter-term and secured markets, helping to maintain their stable and diversified funding bases.

The overall funding structure has improved further. Barclays Group has continued to reduce its reliance on short-term wholesale funding, where the proportion maturing in less than 1 year fell to 30% (December 2017: 31%).

Liquidity risk stress testing

Under the Liquidity Framework, the Barclays Group has established a liquidity risk appetite (LRA) together with the appropriate limits for the management of the liquidity risk. This is the level of liquidity risk the Barclays Group chooses to take in pursuit of its business objectives and in meeting its regulatory obligations. The Barclays Group sets its internal liquidity risk appetite (LRA) based on internal liquidity risk assessments and, external regulatory requirements namely the CRD IV Delegated Act Liquidity Coverage Ratio (LCR).

Risk review

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

Wholesale Secured and Unsecured

Funding Risk

LRA Combined stress key assumptions

- Zero rollover of maturing wholesale unsecured funding
- Loss of repo capacity on extremely liquid repos at contractual maturity date
- Roll of repo for extremely liquid repo at wider haircut at contractual maturity date
- Withdrawal of contractual buyback 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	<p>Drawdown on committed facilities based on facility and counterparty type</p> <p>Collateral outflows due to notch credit rating downgrade</p> <p>Increase in the Barclays Group's initial margin requirement across all major exchanges</p> <p>Variation margin outflows from collateralised risk positions</p> <p>Outflow of collateral owing but not called</p> <p>Loss of internal sources of funding within the PB synthetics business</p>
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 buybacks)
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 Ratio (NSFR). The EU is implementing the NSFR regulations as part of the Risk Reduction Measures package, on

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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.

138 Barclays PLC 2018 Annual Report on Form 20-F

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	2017
	£bn	£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				2017
	pool	Cash	Level 1	Level 2A eligible ^c	Liquidity pool
	£bn	£bn	£bn	£bn	£bn
Cash and deposits with central banks ^a	181	176			173
Government bonds ^b					

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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

aIncludes 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.

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

cThe 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.

Risk review

Risk performance

Treasury and capital risk

Contingent liquidity

In addition to the Group liquidity pool, the Barclays Group has access to other unencumbered assets which provide a source of contingent liquidity. While these are not relied on in the Group's LRA, a portion of these assets may be monetised in a stress to generate liquidity through use as collateral for secured funding or through outright sale.

In a Barclays-specific, market-wide or combined liquidity stress, liquidity available via market sources could be severely disrupted. In circumstances where market liquidity is unavailable or available only at heavily discounted prices, the Barclays Group could generate liquidity via central bank facilities. The Barclays Group maintains a significant amount of collateral positioned at central banks and available to raise funding.

For more detail on the Barclays Group's other unencumbered assets, see pages 142 to 144.

Funding structure and funding relationships

The basis for sound liquidity risk management is a solid funding structure that reduces the probability of a liquidity stress leading to an inability to meet funding obligations as they fall due. The Barclays Group's overall funding strategy is to develop a diversified funding base (geographically, by type and by counterparty) and maintain access to a variety of alternative funding sources, to provide protection against unexpected fluctuations, while minimising the cost of funding.

Within this, the Barclays Group aims to align the sources and uses of funding. As such, retail and corporate loans and advances are largely funded by customer deposits in the relevant entities, with the surplus primarily funding the liquidity pool. Other assets, together with other loans and advances, are funded by wholesale debt and equity. The majority of reverse repurchase agreements are matched by repurchase agreements. Derivative liabilities and assets are largely matched. A substantial proportion of balance sheet derivative positions qualify for counterparty netting and the remaining portions are largely offset once netted against cash collateral received and paid.

These funding relationships are summarised below:

	2018	2017 ^b		2018	2017 ^b
Assets	£bn	£bn	Liabilities	£bn	£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

aOther assets include fair value assets that are not part of reverse repurchase agreements or trading portfolio assets, and other asset categories.

bDecember 2017 comparatives have been updated for balance sheet presentation changes.

Deposit funding (audited)

	2018		2017	
	Loans and advances at amortised cost	Deposits at amortised cost	Loan: deposit ratio ^a	Loan to deposit ratio
	£bn	£bn	%	%
As at 31 December 2018				
Barclays UK	189	197	96%	95%
Barclays International Head Office	127	197	65%	68%
Barclays Group	326	395	83%	81%

aThe 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)											

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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.

Risk review

Risk performance

Treasury and capital risk

Currency composition of wholesale debt

As at 31 December 2018, the proportion of wholesale funding by major currencies was as follows:

Currency composition of wholesale funding

	USD	EUR	GBP	Other
	%	%	%	%
Certificates of deposit and commercial paper	48	49	3	
Asset backed commercial paper	86	9	5	
Senior unsecured (Public benchmark)	61	19	12	8
Senior unsecured (Privately placed)	54	24	9	13
Covered bonds/Asset backed securities	33	35	32	
Subordinated liabilities	46	24	28	2
Total as at 31 December 2018	53	27	13	7
Total as at 31 December 2017	50	28	10	12

To manage cross currency refinancing risk, the Barclays Group manages to foreign exchange cash flow limits, which limit risk at specific maturities.

Encumbrance

Asset encumbrance arises from collateral pledged against secured funding and other collateralised obligations. Barclays funds a portion of trading portfolio assets and other securities via repurchase agreements and other similar borrowing, and pledges a portion of loans and advances as collateral in securitisation, covered bond and other similar secured structures. Barclays monitors the mix of secured and unsecured funding sources and seeks to efficiently utilise available collateral to raise secured funding and meet other collateral requirements.

Encumbered assets have been defined consistently with the Barclays Group's reporting requirements under Article 100 of the CRR. Securities and commodities assets are considered encumbered when they have been pledged or used to secure, collateralise or credit enhance a transaction which impacts their transferability and free use. This includes external repurchase or other similar agreements with market counterparties.

Excluding assets positioned at central banks, as at 31 December 2018, £165.9bn (2017: £193.2bn) of the Barclays Group's assets were encumbered, primarily due to firm financing of trading portfolio assets, posting of cash collateral, funding secured against loans and advances, and other assets at fair value.

Assets may also be encumbered under secured funding arrangements with central banks. In advance of such encumbrance, assets are often positioned with central banks to facilitate efficient future draw down. £78.6bn (2017: £70.0bn) of on-balance sheet assets were positioned at the central banks, consisting of encumbered assets and collateral available for use in secured financing transactions.

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£350.6bn (2017: £341.9bn) of on and off balance sheet assets not positioned at the central bank were identified as readily available assets for use in secured financing transactions. Additionally, they include cash and securities held in the Barclays Group's liquidity pool as well as unencumbered assets which provide a source of contingent liquidity. While these additional assets are not relied upon in the Barclays Group's liquidity pool, a portion of these assets may be monetised to generate liquidity through use as collateral for secured funding or through outright sale. Loans and advances to customers are only classified as readily available if they are already in a form, such that, they can be used to raise funding without further management actions. This includes excess collateral already in secured funding vehicles.

£216.3bn (2017: £198.0bn) of assets not positioned at the central banks were identified as available as collateral. These assets are not subject to any restrictions on their ability to secure funding, to be offered as collateral, or to be sold to reduce potential future funding requirements, but are not immediately available in the normal course of business in their current form. They primarily consist of loans and advances which would be suitable for use in secured funding structures but are conservatively classified as not readily available because they are not in a transferable form.

Not available as collateral consists of assets that cannot be pledged or used as security for funding due to restrictions that prevent their pledge or use as security for funding in the normal course of business.

Derivatives and reverse repos are shown separately as these on-balance sheet assets cannot be pledged. However, these assets can give rise to the receipt of non-cash assets which are held off-balance sheet, and can be used to raise secured funding or meet additional funding requirements.

In addition, £529.0bn (2017: £547.6bn) of the total £598.3bn (2017: £608.4bn) securities accepted as collateral, and held off-balance sheet, were on-pledged, the significant majority of which related to matched-book activity where reverse repurchase agreements are matched by repurchase agreements entered into to facilitate client activity. The remainder relates primarily to reverse repurchase agreements used to settle trading portfolio liabilities as well as collateral posted against derivatives margin requirements.

**Asset
encumbrance**

On-balance sheet	Assets encumbered as a result of transactions with counterparties other than central banks				Other assets (comprising assets encumbered at the central bank and unencumbered assets) Assets not positioned at the central bank						
	Assets	bonds	As a result of covered operations	Other	Total	Assets positioned at the central banks	Readily available assets	Available as collateral	Derivatives available as collateral	Reverse repos	Total
As at 31 December 2018	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£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	149.6			7.4	7.4	0.5	4.2	18.5		119.0	142.2

statement												
Derivative financial instruments												
Financial assets at fair value through other comprehensive income	222.5										222.5	222.5
Other assets	52.8	10.4	10.4	41.7	0.7						42.4	
Total on-balance sheet	21.2										21.2	21.2
	1,133.3	11.6	9.7	144.6	165.9	78.6	286.9	216.3	41.8	343.8	967.4	

Off-balance sheet

	Collateral received of which Readily Available as collateral	Collateral pledged on-available assets	Not available as collateral
	£bn	£bn	£bn
Fair value of securities accepted as collateral	598.3	529.0	63.7
Total unencumbered collateral			350.6
Note			216.3
			47.5

aIncludes both encumbered and unencumbered assets. Assets within this category that have been encumbered are disclosed as assets pledged in Note 38 to the financial statements on page 292.

Risk review

Risk performance

Treasury and capital risk

Asset encumbrance

	Assets encumbered as a result of transactions with counterparties other than central banks				Other assets (comprising assets encumbered at the central bank and unencumbered assets) Assets not positioned at the central bank						
	As a result of securitisation			Other	Assets positioned at the central bank ^a		Derivatives and		Reverse repos		Total
On-balance sheet	As a result of covered bonds	of securitisation	£bn		Total	Readily available assets	Available collateral	Not available collateral	Not available collateral	Reverse repos	
As at 31 December 2017	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£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	58.9			15.5	15.5		43.0	0.4			43.4

Investments											
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 of which Collateral received £bn	Collateral pledged £bn	Readily available assets £bn	Available 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

a Includes both encumbered and unencumbered assets. Assets within this category that have been encumbered are disclosed as assets pledged in Note 38 to the financial statements on page 292.

Repurchase agreements and reverse repurchase agreements

Barclays enters into repurchase and other similar secured borrowing agreements to finance its trading portfolio assets. The majority of reverse repurchase agreements are matched by offsetting repurchase agreements entered into to facilitate client activity. The remainder are used to settle trading portfolio liabilities.

Due to the high quality of collateral provided against secured financing transactions, the liquidity risk associated with this activity is significantly lower than unsecured financing transactions. Nonetheless, Barclays manages to gross and net secured mismatch limits to limit refinancing risk under a severe stress scenario and a portion of the Barclays Group's liquidity pool is held against stress outflows on these positions. The Barclays Group secured mismatch limits are calibrated based on market capacity, liquidity characteristics of the collateral and risk appetite of the Barclays Group.

The cash value of repurchase and reverse repurchase transactions will typically differ from the market value of the collateral against which these transactions are secured by an amount referred to as a haircut (or overcollateralisation). Typical haircut levels vary depending on the quality of the collateral that underlies these transactions. For transactions secured against extremely liquid fixed income collateral, lenders demand relatively small haircuts (typically ranging from 0-2%). For transactions secured against less liquid collateral, haircuts vary by asset class (typically ranging from 5-10% for corporate bonds and other less liquid collateral).

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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.

144 Barclays PLC 2018 Annual Report on Form 20-F

Net matched-book activity^{a,b}

	Less than one month £bn	One month to three months £bn	Over three months £bn
Net match-book repurchase agreements/(Reverse repurchase agreements)			
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

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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.

Risk review

Risk performance

Treasury and capital risk

Credit ratings

In addition to monitoring and managing key metrics related to the financial strength of the Barclays Group, Barclays also solicits independent credit ratings from Standard & Poor's Global (S&P), Moody's, Fitch and Rating and Investment Information (R&I). These ratings assess the creditworthiness of the Barclays Group, its subsidiaries and branches and are based on reviews of a broad range of business and financial attributes including capital strength, profitability, funding, liquidity, asset quality, strategy and governance.

Credit ratings

As at 31 December 2018	Standard & Poor's	Moody's	Fitch
Barclays Bank PLC			
Long-term	A	A2	A+
Short-term	A-1	P-1	F1
Outlook	Stable	Stable	Stable
Barclays Bank UK PLC			
Long-term	A	A1	A+
Short-term	A-1	P-1	F1
Outlook	Stable	Stable	Stable
Barclays PLC			
Long-term	BBB	Baa3	A
Short-term	A-2	P-3	F1
Outlook	Stable	Stable	Stable

All credit rating agencies took rating actions during the year to convert their respective initial ratings of Barclays Bank UK PLC to final ratings in April 2018, following the setting up of the ring-fenced bank.

In March 2018, S&P finalised their rating of Barclays Bank UK PLC, aligning it to Barclays Bank PLC's rating of A. Both entities are on stable outlooks. Barclays PLC continues to be rated BBB with a stable outlook.

In April 2018, Moody's assigned a rating to Barclays Bank UK PLC of A1, whilst Barclays Bank PLC and Barclays PLC's ratings were downgraded by one notch to A2 and Baa3 respectively due to their assessment of the entities' profitability and, for Barclays Bank PLC, the impact of ring-fencing. All entities carry stable outlooks.

Fitch assigned a rating to Barclays Bank UK PLC of A, aligning it to Barclays Bank PLC's rating in April 2018. In December 2018, both entities were upgraded by one notch to A+ due to the sufficient amount of junior debt both entities hold, referred to as qualifying junior debt (QJD). Barclays PLC continues to be rated A on stable outlook.

Barclays also solicits issuer ratings from R&I and the ratings of A- for Barclays PLC and A for Barclays Bank PLC were affirmed in July 2018 with stable outlooks.

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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.

146 Barclays PLC 2018 Annual Report on Form 20-F

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)

	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
December 2018										
Balances at										
Loans	175,534	1,353	118		64					
General and										
balances	2,389	74,786	19		22	2		4		
Advances										
and cost	12,506	11,171	7,938	5,416	7,072	26,336	25,559	39,604	48,606	142,198
Purchase										
and										
or secured	31	1,245				586	446			
Portfolio										
	104,187									
Assets at										
through										
	13,606	112,297	7,174	3,124	2,312	4,677	165	311	829	5,153
Financial										
	222,384		6	1	4	14	11	11	86	21

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Assets at through prehensive	11	3,120	2,784	1,696	2,719	6,080	2,765	7,818	18,659	7,164
cial	761	182	56		7					
cial	531,409	204,154	18,095	10,237	12,200	37,695	28,946	47,748	68,180	154,536
ts ^a										
s										
ost	342,967	30,029	7,282	3,672	3,237	3,983	2,053	520	349	746
eral and balances	3,542	63,973	5	2						
and r secured	1,331	5,542				3	10,017	1,201	484	
ties in	26	14,779	5,937	5,159	7,686	6,984	6,248	12,988	15,812	6,667
ed		306		78	45	860	5,156	3,387	6,968	3,759
rtfolio	37,882									
abilities at fair	14,280	143,635	6,809	9,051	3,577	10,383	5,689	7,116	4,415	11,879
financial	219,578	9				3	3	3	3	44
cial	277	2,984				554				
cial	619,883	261,257	20,033	17,962	14,545	22,770	29,166	25,215	28,031	23,095
ilities										
ilities										
e ap	(88,474)	(145,577)	(147,515)	(155,240)	(157,585)	(142,660)	(142,880)	(120,347)	(80,198)	51,243

Risk review

Risk performance

Treasury and capital risk

Maturity of financial assets and liabilities (audited)

	On demand	Not more than three months	Over three months but not more than six months	Over six months but not more than nine months	Over nine months but not more than one year	Over one year but not more than two years	Over two years but not more than three years	Over three years but not more than five years	Over five years but not more than ten years	Over ten years
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
December 2017										
Balances at										
banks	170,236	846								
interbank and										
balances	1,794	75,323	32	2	14	3				
advances										
and cost	13,667	25,720	9,735	5,594	7,733	36,213	26,244	39,446	48,382	111,314
repurchase										
agreements and										
collateral secured	7,522	4,446	578							
portfolio										
	113,760									
Assets at										
through										
the										
	14,800	77,288	8,828	4,570	1,252	2,095	160	196	557	6,535
of financial										
assets	237,504	41				71	22	15	1	15
	30	2,378	2,717	97	504	5,675	3,928	16,162	17,059	10,365
Assets at										
through										
comprehensive										
Financial										
	2,153	759				110				
Financial										
	561,466	186,801	21,890	10,263	9,503	44,167	30,354	55,819	65,999	128,229

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Assets										
at cost	337,881	39,586	8,083	3,820	3,823	2,754	634	1,198	266	656
net and										
balances	2,047	66,052	16	4	19	4	1			
and										
secured										
	3,550	17,841	4,516	2,136	1,396	310	93	10,006	490	
in										
	907	17,120	8,395	5,107	1,562	8,136	3,883	12,819	10,983	4,402
		2,402	791	7	23	57	1,959	8,751	5,466	4,370
portfolio	37,351									
liabilities										
at fair										
	13,298	102,860	10,570	5,918	3,139	10,515	7,281	5,879	4,923	9,335
financial										
instruments	237,235	10	3			10	5	4	41	1,037
financial										
	446	3,793				781				
financial	632,715	249,664	32,374	16,992	9,962	22,567	13,856	38,657	22,169	19,800
liabilities										
liabilities										
gap	(71,249)	(134,112)	(144,596)	(151,325)	(151,784)	(130,184)	(113,686)	(96,524)	(52,694)	55,735

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
	26	14,810	5,976	12,914	13,849	13,351	17,639	10,254	88,819

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Debt securities in issue									
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	237,235	9	3		15	5	48	1,755	239,070

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instruments									
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

Barclays PLC 2018 Annual Report on Form 20-F **149**

Risk review

Risk performance

Treasury and capital risk

Maturity of off-balance sheet commitments received and given

The table below presents the maturity split of the Barclays Group 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)

	Not more than three months demand	Over three months but not more than nine months	Over six months but not more than one year	Over nine months but not more than one year	Over one year but not more than two years	Over two years but not more than three years	Over three years but not more than five years	Over five years but not more than ten years	Over ten years	Total	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£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 151-158) are unaudited unless otherwise stated.

Key metrics

Common Equity Tier 1 ratio

13.2%

UK leverage ratio

5.1%

Average UK leverage ratio

4.5%

Overview

The CET1 ratio, among other metrics, is a measure of the capital strength and resilience of Barclays. Maintenance of our capital resources is vital in order to meet the minimum capital requirements, and to cover the Barclays Group's current and forecast business needs, and associated risks in order to provide a viable and sustainable business offering.

This section provides an overview of the Barclays Group's: (i) regulatory minimum capital and leverage requirements; (ii) capital resources; (iii) risk weighted assets (RWAs); and (iv) leverage ratios and exposures.

Summary of performance in the period

Barclays continues to be in excess of minimum transitional and fully loaded capital requirements, and regulatory minimum leverage requirements.

The CET1 ratio ended the year at 13.2% (December 2017: 13.3%), at our end state target of c.13%.

CET1 capital decreased £0.5bn to £41.1bn as underlying profit generation of £4.2bn, was more than offset by £2.1bn of litigation and conduct charges as the Barclays Group resolved legacy matters, £1.7bn for ordinary dividends and Additional Tier 1 coupons paid and foreseen, £1.0bn from the redemption of capital instruments and £0.5bn of pensions contributions.

RWAs remained broadly stable at £311.9bn (December 2017: £313.0bn). The Barclays Group continued to actively manage capital allocation to businesses during the year, including the redeployment of RWAs within CIB to higher returning businesses and clients, while targeting growth in selected consumer businesses in Barclays UK and Consumer, Cards and Payments. Within Barclays UK, the increase in RWAs included the impact of a change in the regulatory methodology for the Education, Social Housing and Local Authority (ESHLA) portfolio which was partly offset by a reduction in Head Office due to the regulatory deconsolidation of Barclays Africa Group Limited (BAGL).

The UK leverage ratio remained flat at 5.1%

(December 2017: 5.1%). The leverage exposure increased marginally to £999bn (December 2017: £985bn) including securities financing transactions (SFTs), due to the CIB utilising leverage balance sheet more efficiently within high returning financing businesses. The average UK leverage ratio decreased to 4.5% (December 2017: 4.9%).

Risk review

Risk performance

Treasury and capital risk

Regulatory minimum capital requirements

Barclays' fully loaded CET1 regulatory requirement is 11.7% comprising a 4.5% Pillar 1 minimum, a 2.5% Capital Conservation Buffer (CCB), a 1.5% Global Systemically Important Institution (G-SII) buffer, a 2.7% Pillar 2A requirement applicable from 1 January 2019, and a 0.5% Countercyclical Capital Buffer (CCyB).

The CCB and the G-SII buffer, determined by the PRA in line with guidance from the Financial Stability Board (FSB), are subject to phased implementation at 25% per annum from 2016 with full effect from 2019. The CCB has been set at 2.5% with 1.9% applicable for 2018. The G-SII buffer for 2018 has been set at 1.5% with 1.1% applicable for 2018. The FSB confirmed that the G-SII buffer will remain at 1.5% applicable for 2019 and 2020.

The Barclays CCyB is based on the buffer rate applicable for each jurisdiction in which Barclays has exposures. On 28 November 2018, the Financial Policy Committee (FPC) increased the CCyB rate for UK exposures from 0.5% to 1%. The buffer rates set by other national authorities for our non-UK exposures are not currently material. Overall, this results in a 0.5% CCyB for Barclays for Q418.

Barclays' Pillar 2A requirement as per the PRA's Individual Capital Requirement for 2018 is 4.3% of which at least 56.25% needs to be met in CET1 form, equating to approximately 2.4% of RWAs. Certain elements of the Pillar 2A requirement are a fixed quantum whilst others are a proportion of RWAs and are based on a point in time assessment. The Pillar 2A requirement is subject to at least annual review.

The CET1 transitional minimum capital requirement for December 2018 was 10.4% comprising a 4.5% Pillar 1 minimum, a 1.9% CCB, a 1.1% G-SII buffer, a 0.5% CCyB and a 2.4% Pillar 2A requirement.

Regulatory minimum leverage requirements

Barclays is subject to a leverage ratio requirement that is implemented on a phased basis, with a transitional requirement of 3.8% as at 31 December 2018; this comprised the 3.25% minimum requirement, a transitional G-SII additional leverage ratio buffer (G-SII ALRB) of 0.39% and a countercyclical leverage ratio buffer (CCLB) of 0.2%. Although the leverage ratio is expressed in terms of T1 capital, 75% of the minimum requirement, equating to 2.4375%, needs to be met with CET1 capital. In addition, the G-SII ALRB and CCLB must be covered solely with CET1 capital. The CET1 capital held against the 0.39% transitional G-SII ALRB was £4.4bn and the 0.2% CCLB was £2.2bn. The fully loaded UK leverage requirement is expected to be 4.0%.

Capital resources

The CRR and Capital Requirements Directive (CRD) implemented Basel III within the EU (collectively known as CRD IV) on 1 January 2014. The rules are supplemented by Regulatory Technical Standards and the PRA's rulebook, including the implementation of transitional rules. However, rules and guidance are still subject to change as certain aspects of CRD IV are dependent on final technical standards and clarifications to be issued by the EBA and adopted

by the European Commission and the PRA.

Capital ratios^{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)

	2018	2017
	£bn	£bn
As at 31 December		
Total equity excluding non-controlling interests per the balance sheet	62.6	63.9
Less: other equity instruments (recognised as AT1 capital)	(9.6)	(8.9)
Adjustment to retained earnings for foreseeable dividends	(0.7)	(0.4)
Other regulatory adjustments and deductions		
Additional value adjustments (PVA)	(1.7)	(1.4)
Goodwill and intangible assets	(8.0)	(7.9)
Deferred tax assets that rely on future profitability excluding temporary differences	(0.5)	(0.6)
Fair value reserves related to gains or losses on cash flow hedges	(0.7)	(1.2)
Excess of expected losses over impairment		(1.2)
Gains or losses on liabilities at fair value resulting from own credit	(0.1)	0.1
Defined benefit pension fund assets	(1.3)	(0.7)
Direct and indirect holdings by an institution of own CET1 instruments	(0.1)	(0.1)
Adjustment under IFRS 9 transitional arrangements	1.3	
CET1 capital	41.1	41.6
AT1 capital		
Capital instruments and related share premium accounts	9.6	8.9
Qualifying AT1 capital (including minority interests) issued by subsidiaries	2.4	3.5
Other regulatory adjustments and deductions	(0.1)	(0.1)
AT1 capital	11.9	12.3
T1 capital	53.0	53.9
T2 capital		
Capital instruments and related share premium accounts	6.6	6.5
Qualifying T2 capital (including minority interests) issued by subsidiaries	5.3	7.0
Other regulatory adjustments and deductions	(0.3)	(0.3)
Total regulatory capital	64.6	67.2

Movement in CET1 capital

	2018
	£bn
Opening balance as at 1 January	41.6

Effects of changes in accounting policies	(2.2)
Profit/Loss for the period attributable to equity holders	2.1
Own credit relating to derivative liabilities	(0.1)
Dividends paid and foreseen	(1.7)
Increase in retained regulatory capital generated from earnings	0.4
Net impact of share schemes	0.1
Fair value through other comprehensive income reserve	(0.5)
Currency translation reserve	0.8
Other reserves	(1.0)
Decrease in other qualifying reserves	(0.6)
Pension remeasurements within reserves	0.3
Defined benefit pension fund asset deduction	(0.6)
Net impact of pensions	(0.3)
Additional value adjustments (PVA)	(0.4)
Goodwill and intangible assets	(0.1)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences	0.1
Excess of expected loss over impairment	1.2
Adjustment under IFRS 9 transitional arrangements	1.3
Increase in regulatory capital due to adjustments and deductions	2.2
Closing balance as at 31 December	41.1

Risk review

Risk performance

Treasury and capital risk

CET1 capital decreased £0.5bn to £41.1bn (December 2017: £41.6bn).

£4.2bn of organic capital generated from profits was more than offset by £2.1bn of litigation and conduct charges, as the Barclays Group resolved legacy matters, as well as the following significant items:

£1.7bn of dividends paid and foreseen for ordinary dividends and AT1 coupons

A £1bn decrease in other qualifying reserves following the redemption of the legacy \$2.65bn 8.125% Series Non-Cumulative Callable Dollar Preference Shares and \$2bn 8.25% AT1 securities due to these instruments being held on the balance sheet at historical FX rates

A £0.3bn decrease as a result of movements relating to pensions, largely due to deficit contribution payments of £0.25bn in April 2018 and £0.25bn in September 2018.

The implementation of IFRS 9 resulted in a net increase in CET1 capital as the initial decrease in shareholders' equity of £2.2bn on implementation was more than offset by the transitional relief of £1.3bn and the removal of £1.2bn of regulatory deduction for the excess of expected loss over impairment.

Risk weighted assets

Risk weighted assets (RWAs) by risk type and business

As at 31 December 2018	Credit risk		Counterparty credit risk Settlement Risk			Market risk		Operational risk total RWAs		
	Std £bn	IRB £bn	Std £bn	IRB £bn	£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 Barclays	3.8	55.0							12.2	70.9
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

	Credit risk	counterparty credit risk^a	Market risk	Operational risk	Total RWAs
Risk weighted assets	£bn	£bn	£bn	£bn	£bn
As at 31 December 2017	190.0	38.0	28.3	56.7	313.0
Book size	6.8	(0.6)	2.2		8.4
Acquisitions and disposals	(3.6)	(0.3)	(0.2)		(4.1)
Book quality	(2.9)	(0.5)			(3.4)
Model updates					
Methodology and policy	2.2	(7.8)	0.5		(5.1)
Foreign exchange movement ^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}

	2018	2017
	£bn	£bn
As at 31 December		
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

	2018	2017
	£bn	£bn
As at 31 December		
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/annualreport.

Risk review

Risk performance

Treasury and capital risk

Foreign exchange risk (audited)

The Barclays Group is exposed to two sources of foreign exchange risk.

a) Transactional foreign currency exposure

Transactional foreign currency exposures represent exposure on banking assets and liabilities, denominated in currencies other than the functional currency of the transacting entity.

The Barclays Group's risk management policies prevent the holding of significant open positions in foreign currencies outside the trading portfolio managed by Barclays International which is monitored through VaR.

Banking book transactional foreign exchange risk outside of Barclays International is monitored on a daily basis by the market risk function and minimised by the businesses.

b) Translational foreign exchange exposure

The Barclays Group's investments in overseas subsidiaries and branches create capital resources denominated in foreign currencies, principally USD and EUR. Changes in the GBP value of the net investments due to foreign currency movements are captured in the currency translation reserve, resulting in a movement in CET1 capital.

The Barclays Group's strategy is to minimise the volatility of the capital ratios caused by foreign exchange movements, by matching the CET1 capital movements to the revaluation of the Barclays Group's foreign currency RWA exposures.

Functional currency of operations (audited)

	Foreign currency investments net £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

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JPY	489		489		489	
Other	2,021		(37)	1,984	1,984	
Total	34,044	(12,325)	(2,968)	18,751	(6,973)	11,778

As at 31 December 2017

USD	27,848	(12,404)	(540)	14,904	(6,153)	8,751
EUR	2,489	(3)		2,486	(2,127)	359
ZAR	8			8		8
JPY	467	(152)	(301)	14		14
Other	2,475		(1,299)	1,176		1,176
Total	33,287	(12,559)	(2,140)	18,588	(8,280)	10,308

The economic hedges primarily represent the USD and EUR preference shares and Additional Tier 1 (AT1) instruments that are held as equity. These are accounted for at historical cost under IFRS and do not qualify as hedges for accounting purposes.

During 2018, total structural currency exposure net of hedging instruments increased by £1.5bn to £11.8n (2017: £10.3bn). Foreign currency net investments increased by £0.76bn to £34bn (2017: £33.3bn) driven predominantly by a £1bn increase in US Dollars and a £0.2bn increase in Euro offset by a £0.5bn decrease in other currencies. The hedges associated with these investments increased by £0.6bn 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.

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.

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.

Risk review

Risk performance

Treasury and capital risk

Minimum Requirement for own funds and Eligible Liabilities (MREL)

Under the Bank of England's statement of policy on MREL, the Bank of England will set MREL for UK Global Systemically Important Banks (G-SIBs) as necessary to implement the total loss-absorbing capacity (TLAC) standard. Institution or group-specific MREL requirements will depend on the preferred resolution strategy for that institution or group.

The MREL requirements will be phased in from 1 January 2019 and will be fully implemented by 1 January 2022, at which time G-SIBs with resolution entities incorporated in the UK, including Barclays, will be required to meet an MREL equivalent to the higher of either: (i) two times the sum of its Pillar 1 and Pillar 2A requirements or; (ii) the higher of two times its leverage ratio requirement or 6.75% of leverage exposures. However, the PRA will review the MREL calibration by the end of 2020, including assessing the proposal for Pillar 2A recapitalisation which may drive a different 1 January 2022 MREL requirement than currently proposed. In addition, it is proposed that CET1 capital cannot be counted towards both MREL and the combined buffer requirement (CBR), meaning that the CBR will effectively be applied above both the Pillar 1 and Pillar 2A requirements relating to own funds and MREL.

Barclays' indicative MREL requirement is currently expected to be 30.0% of RWAs from 1 January 2022 consisting of the following components:

Loss absorption and recapitalisation amounts consisting of 8% Pillar 1 and 4.7% Pillar 2A buffers respectively

Regulatory buffers including a 1.5% G-SII buffer, 2.5% CCB and 0.5% from the planned introduction of a 1% CCyB for the UK^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

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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		

a2022 requirements subject to Bank of England review by the end of 2020.

bCET1 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.

cIncludes other AT1 capital regulatory adjustments and deductions of £0.1bn (December 2017: £0.1bn), and other T2 credit risk adjustments and deductions of £0.3bn (December 2017: £0.3bn).

Interest rate risk in the banking book

The risk that the firm is exposed to capital or income volatility because of a mismatch between the interest rate exposures of its (non-traded) assets and liabilities.

All disclosures in this section (pages 159 to 161) are unaudited unless otherwise stated.

Key metrics

AEaR
+£213m

across Barclays Group from a positive 100bps shock in interest rates.

Overview

The non-traded market risk framework covers exposures in the banking book, mostly relating to accrual accounted and FVOCI instruments. The potential volatility of net interest income is measured by an Annual Earnings at Risk (AEaR) metric which is monitored regularly and reported to senior management and the BRC as part of the limit monitoring framework.

Summary of performance in the period

Annual Earnings at Risk (AEaR), is a key measure of interest rate risk in the banking book (IRRBB).

Risk review

Risk performance

Treasury and capital risk

Net interest income sensitivity

The table below shows a sensitivity analysis on pre-tax net interest income for non-trading financial assets and financial liabilities, including the effect of any hedging. The sensitivity has been measured using the Annual Earnings at Risk (AEaR) methodology. Note that this metric assumes an instantaneous parallel change to interest rate forward curves. The model floors shocked market rates at zero; changes in Net Interest Income (NII) sensitivity are only observed where forward rates are greater than zero. The main model assumptions are: (i) one-year time horizon; (ii) balance sheet is held constant; (iii) balances are adjusted for assumed behavioural profiles (i.e. considers that customers may remortgage before the contractual maturity); and (iv) behavioural assumptions are kept unchanged in all rate scenarios.

Net interest income sensitivity (AEaR) by business unit^{abc} (audited)

	Barclays		
	Barclays UK	International	Total
	£m	£m	£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			

aExcludes investment banking business.

bExcludes Treasury operations, which are driven by the firm's investments in the liquidity pool, which are risk managed using value-based risk measures. Treasury's NII (AEaR) sensitivity to a +25/-25bps move is +£23m / -£29m respectively.

cExpected 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	
	+25 basis points	-25 basis points	+25 basis points	-25 basis points
As at 31 December	£m	£m	£m	£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				

^aBarclays UK and Barclays International sensitivity (excluding Investment Banking business and Treasury).

Analysis of equity sensitivity

Equity sensitivity table measures the overall impact of a +/- 25bps movement in interest rates on retained earnings, fair value through other comprehensive income (FVOCI) and cash flow hedge reserves. This data is captured using DV01 metric which is an indicator of the shift in value for a 1 basis point in the yield curve.

Analysis of equity sensitivity (audited)

	2018		2017	
	+25 basis points	-25 basis points	+25 basis points	-25 basis points
As at 31 December	£m	£m	£m	£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%)	6.52%
Effect on profit for the year (per above)	40	(81)	14	(58)
Fair value through other comprehensive income reserve	(143)	256	(164)	219
Cash flow hedge reserve	(574)	544	(616)	598
Taxation effects on the above	179	(200)	195	(204)
Effect on equity	(498)	519	(571)	555
As percentage of equity	(0.78%)	0.81%	(0.87%)	0.84%

As discussed in relation to the net interest income sensitivity table on page 160, the increase in impact of a 25bps movement in rates as a result of maturity of hedging.

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

Volatility of the FVOCI portfolio in the liquidity pool

Changes in value of FVOCI exposures flow directly through capital via the FVOCI reserve. The volatility of the value of the FVOCI investments in the liquidity pool is captured and managed through a value measure rather than an earning measure, i.e. the non-traded market risk VaR.

Although the underlying methodology to calculate the non-traded VaR is identical to the one used in traded management VaR, the two measures are not directly comparable. The non-traded VaR represents the volatility to capital driven by the FVOCI exposures. These exposures are in the banking book and do not meet the criteria for trading book treatment.

Non-traded value at risk (£m)

Analysis of volatility of the FVOCI portfolio in the liquidity pool

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

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

Risk review

Risk performance

Operational risk

Operational risk

The risk of loss to the firm from inadequate or failed processes or systems, human factors or due to external events (for example fraud) where the root cause is not due to credit or market risks

All disclosures in this section are unaudited unless otherwise stated.

Key metrics

84%

of Barclays Group's net reportable operational risk events had a loss value of £50,000 or less

61%

of events by number are due to External Fraud

Overview

Operational risks are inherent in Barclays Group's business activities and it is not always cost effective or possible to attempt to eliminate all operational risks. The Operational Risk Management Framework is therefore focused on identifying operational risks, assessing them and managing them within Barclays Group's approved risk appetite.

The operational risk principal risk comprises the following risks: data management and information, financial reporting, fraud, payments process, people, physical security, premises, prudential regulation, supplier, tax, technology and transaction operations.

For definitions of these risks see page 88. In order to provide complete coverage of the potential adverse impacts on Barclays Group arising from operational risk, the operational risk taxonomy extends beyond the risks listed above to cover operational risks associated with other principal risks too.

This section provides an analysis of Barclays Group's operational risk profile, including events above Barclays Group's reportable threshold, which have had a financial impact in 2018.

Summary of performance in the period

During 2018, total operational risk losses decreased to £220m (2017: £291m) and the number of recorded events for 2018 decreased to 1,995 from 2,770 events recorded during the prior year. The total operational risk losses for the year were primarily driven by events falling within the Execution, Delivery and Process Management and External Fraud categories, which tend to be high volume but low impact events.

Operational risk profile

Within operational risk, a high proportion of risk events have a low financial impact whilst a very small proportion of operational risk events will have a material impact on the financial results of Barclays Group. In 2018, 84% of Barclays Group's reportable operational risk events by volume had a value of less than £50,000 (2017: 86%), although this type of event accounted for only 14% (2017: 16%) of Barclays Group's total net operational risk losses.

The analysis below presents Barclays Group's operational risk events by Basel event category:

Execution, Delivery and Process Management impacts decreased to £127m (2017: £216m) and accounted for 58% (2017: 74%) of total operational risk losses. The events in this category are typical of the banking industry as a whole where high volumes of transactions are processed on a daily basis. Whilst the overall frequency of events in this category increased in 2018 to 31% of total events by volume (2017: 24%), the decrease in total impacts was due to a lower number of events with high loss values compared to the prior year.

External Fraud remains the category with the highest frequency of events at 61% of total events in 2018, although down from 72% in prior year. In this category, high volume, low value events are driven by transactional fraud often related to debit and credit card usage.

Business Disruption and System Failures impacts decreased to £13m (2017: £20m), although count of events increased slightly year-on-year to 93 (73 for 2017) accounting for 4.7% of total events by volume in 2018 (2017: 2.6%). The decrease in total impacts was due to a lower number of events with high loss values compared to the prior year.

Employment Practices and Workplace Safety impacts show a significant increase to £35m (2017: £0.3m) accounting for 16% of total operational risk losses in 2018. This resulted from a low number of events with significant impacts (three single legacy events relating to closed businesses accounted for 91% of these impacts) although the number of events in this category also increased to 48 for 2018 (11 for 2017).

Barclays Group's operational risk profile is informed by bottom-up risk assessments undertaken by each business unit and top-down qualitative review by the Operational Risk specialists for each risk type. Fraud, Transaction Operations and Technology continue to be highlighted as key operational risk exposures. The operational risk profile is also informed by a number of risk themes: Cyber, Data, Execution and Resilience. These represent threats to Barclays Group that extend across multiple risk types, and therefore require an integrated risk management approach.

Investment continues to be made in improving the control environment across Barclays Group. Particular areas of focus include new and enhanced fraud prevention systems and tools to combat the increasing level of fraud attempts being made and to minimise any disruption to genuine transactions. Fraud remains an industry wide threat and Barclays Group continues to work closely with external partners on various prevention initiatives. Technology, resilience and cyber security risks evolve rapidly so Barclays Group maintains continued focus and investment in our control environment to manage these risks, and actively partners with peers and relevant organisations to understand and disrupt threats originating outside Barclays Group.

Cyber threats, which are evolving and increasing in sophistication and frequency, continue to be a threat across multiple industries globally. Barclays Group recognizes the potential impact of cyber security threats on all areas of its business. This extends to third party suppliers and service providers which also presents a potential source of cyber security threats, leading to the need for increased scrutiny of Barclays Group's relationships with third parties. The potential impact of cyber security threats includes the potential for operational disruption, reputational harm, and costs associated with possible litigation, regulatory investigation, and remediation. The Regulators in Europe and the US have been increasingly focused on cyber security risk management and operational resilience for banking organisations given the complexity of the transactions they process, the number of jurisdictions in which they operate, and the quantities of sensitive data they hold and process. This has resulted in a number of proposed laws, regulations and other

requirements that necessitate implementation of a variety of increased controls and enhancement activities for regulated Barclays Group entities. These include, among others, the adoption of cyber security policies and procedures meeting specified criteria, minimum required security measures, controls and procedures for enhanced reporting and public disclosures, compliance certification requirements, and other cyber and information risk governance measures. Further to this, Barclays Group continues to use an intelligence-driven defence approach, analysing external events for current and emerging cyber threats which allows the delivery of proactive counter measures; Barclays Group also completes cyber threat scenarios and incident playbooks to assess our security posture and business impacts and runs an internal adversarial capability which simulates hackers to proactively test controls and responses. The increased control environment has enhanced and will continue to enhance our security posture and our ability to better protect the organisation and our customers. Cyber-attacks however are increasingly sophisticated and there can be no assurance that the measures implemented will be fully effective to prevent or mitigate future attacks, the consequences of which could be significant to Barclays Group. Furthermore, such measures have resulted and will result in increased technology and other costs in connection with cyber security mitigation and compliance for Barclays Group. Barclays Group currently incurs an additional cost in mitigating its cyber risk via insurance.

Risk review

Risk performance

Operational risk

Note

aThe 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.

164 Barclays PLC 2018 Annual Report on Form 20-F

Risk review

Risk performance

Model risk

Model risk

The risk of the potential adverse consequences from financial assessments or decisions based on incorrect or misused model outputs and reports.

All disclosures in this section are unaudited unless otherwise stated.

Overview

Model risk is a focus area for management and the Barclays Group Board. It is an important component of regulators assessment of Barclays' risk management capabilities. Models are used to support a broad range of business and risk management activities, including informing business decisions and strategies, measuring and limiting risks, valuing exposures, conducting stress testing, assessing capital adequacy, supporting new business acceptance and risk/reward evaluation, managing client assets, or meeting reporting requirements.

Summary of performance in the period

The principal risk framework for model risk was established in 2016. In 2017, the framework was enhanced and governance and controls capabilities were established. In 2018 the framework was embedded further in the organisation and governance was improved by:

strengthening of the Barclays Group-wide Model Risk Management (MRM) framework, policy and associated standards, validation templates and procedures;

broadening governance of models to include qualitative estimation approaches called 'non-modelled methods', which cover material decision making and financial and regulatory reporting functions of Barclays Group, such as the primary stress testing programmes and impairment estimations;

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enhancement of Board oversight of model risk, through the reporting of the model risk tolerance framework and periodic updates to the Board on the progress of the MRM implementation;

improved collection and attestation of Barclays Group's global inventory of models;

reporting metrics on policy adherence and breaches;

enhancement of model development and model identification processes, with the areas of model ownership throughout Barclays Group embedding and improving their own model control functions.

In addition to the governance outlined above, which details how new models are validated and existing models are internally controlled and assessed, models have been classified based on their materiality (the level of reliance placed on the model output for decision making or reporting), and their complexity. A strengthened programme of review and validation for such material models commenced during 2017 and has made significant progress in 2018. In 2019 through to 2020, model risk governance will continue with the programme of model documentation and reviews, targeting prioritised models across Barclays Group as well as focusing on performance monitoring of models already brought into governance to assess compliance with the framework.

Risk review

Risk performance

Conduct risk

Conduct risk

The risk of detriment to customers, clients, market integrity, effective competition or Barclays from the inappropriate supply of financial services, including instances of wilful or negligent misconduct

All disclosures in this section are unaudited unless otherwise stated.

Overview

Barclays strives to create and maintain mutually beneficial long-term relationships with its customers and clients. This means taking appropriate steps to understand their needs and providing them with products and services that meet those needs appropriately and help them manage their financial affairs.

As a transatlantic consumer, corporate and investment bank, Barclays also plays a critical role in promoting fair, open and transparent markets, as well as fostering shared growth for all.

Summary of performance in the period

Barclays is committed to continuing to drive the right culture throughout all levels of the organisation. Barclays will continue to enhance effective management of conduct risk and appropriately consider the relevant tools, governance and management information in decision-making processes. Focus on management of conduct risk is ongoing and amongst other relevant business and control management information the Barclays Group Conduct Dashboards are a key component of this.

Barclays Group continues to review the role and impact of conduct issues in the remuneration process at both the individual and business level.

Businesses have continued to assess the potential customer, client and market impacts of strategic change and structural reform. As part of the 2018 Medium-Term Planning Process, material conduct risks associated with strategic and financial plans were assessed.

Throughout 2018, conduct risks were raised by businesses for consideration by the Board Reputation Committee. The Committee reviewed the risks raised and whether management's proposed actions were appropriate to mitigate the risks effectively. The Board Reputation Committee received regular updates with regards to key risks and issues including those relating to structural reform and regulatory change.

Although certain legacy litigation and conduct issues have been resolved, the Barclays Group continued to incur costs in relation to litigation and conduct matters, refer to Note 27 Legal, competition and regulatory matters and Note 25 Provisions, for further details. Costs include customer redress and remediation, as well as fines and settlements. Resolution of these matters remains a necessary and important part of delivering Barclays Group's strategy and an ongoing commitment to improve oversight of culture and conduct.

The Board Reputation Committee and Senior Management received Barclays Group Conduct Dashboards setting out key indicators in relation to conduct, financial crime, culture, citizenship and complaints. These continue to be evolved and enhanced to allow effective oversight and decision-making. Barclays has operated at the overall set tolerance for conduct risk throughout 2018. The tolerance is assessed by the business through Key Indicators which are aggregated and provide an overall rating which is reported to the Board Reputation Committee as part of the Conduct Dashboard.

Barclays remained focused on the continuous improvements being made to manage risk effectively, with an emphasis on enhancing governance and management information to help identify risks at earlier stages.

Risk review

Risk performance

Reputation risk

The risk that an action, transaction, investment or event will reduce trust in the firm's integrity and competence by clients, counterparties, investors, regulators, employees or the public.

All disclosures in this section are unaudited unless otherwise stated.

Overview

Reputation risk may arise from any business decision or activity. It may also arise as a result of issues and incidents relevant to other principal risks, in particular other non-financial risks e.g. conduct or operational risk. Reputation risks and issues are identified via regular information gathering from within the business and from external stakeholders. Some risks and issues are specific to Barclays Group, while others are also relevant to the banking sector more generally.

Barclays has set tolerances for reputation risk, which take into account the risks arising from specific events or decisions and longer-term strategic themes. The primary responsibility for managing reputation risk lies with each business and function, where there are processes in place to identify, assess and manage reputation risks and issues.

There are circumstances, however, where it is necessary to escalate to Barclays Group level the evaluation of the reputation risk associated with particular decisions beyond an individual, business or function. The GRC is the most senior executive body responsible for reviewing and monitoring the effectiveness of Barclays' management of reputation risk.

Summary of performance in the period

Barclays is committed to identifying reputation risks and issues as early as possible and managing them appropriately. At a Barclays Group level throughout 2018, reputation risks and issues were overseen by the Board Reputation Committee (RepCo), which reviews the processes and policies by which Barclays identifies and manages reputation risk. Within Barclays Bank UK Group and Barclays Bank Group oversight of reputation risks and issues was overseen by the respective Risk and Board Risk committees. The top live and emerging reputation risks and issues within Barclays Bank UK Group and Barclays Bank Group are included within an over-arching quarterly report to RepCo.

RepCo reviewed risks escalated by the businesses and considered whether management's proposed actions, for example attaching conditions to proposed client transactions or increased engagement with impacted stakeholders, were appropriate to mitigate the risks effectively. RepCo also received regular updates with regard to key reputation risks and issues, including: legacy conduct issues; Barclays' association with sensitive sectors; cyber and data security; consumer and household debt; fraud and scams that could impact Barclays customers and the resilience of key Barclays systems and processes.

Barclays Group continued to incur significant costs in relation to litigation and conduct matters, refer to Note 27 Legal, competition and regulatory matters and Note 25 Provisions for further details. Costs include customer redress and remediation, as well as fines and settlements. Resolution of these matters remains a necessary and important part of delivering Barclays Group's strategy and an ongoing commitment to improve oversight of culture and conduct and management of reputation.

In 2018, the central reputation management team received 486 referrals from across the businesses (581 referrals in 2017) for consideration. These referrals covered a variety of sectors including, but not limited to, defence, fossil fuels and mining.

As part of Barclays 2018 Medium Term Planning process, material reputation risks associated with strategic and financial plans were also assessed.

Risk review

Risk performance

Legal risk

Legal risk

The risk of loss or imposition of penalties, damages or fines from the failure of the firm to meet its legal obligations including regulatory or contractual requirements.

All disclosures in this section are unaudited unless otherwise stated.

Overview

Barclays conducts diverse activities in a highly regulated global market and therefore is exposed to the risk of loss or imposition of penalties, damages, fines and sanctions relating to a failure to meet its legal obligations in the conduct of its business. Legal risk encompasses the failure of Barclays to appropriately seek legal advice, escalate or manage contractual arrangements, litigation, intellectual property, competition/anti-trust issues, its use of law firms and its contact with regulators. Barclays has limited tolerance for legal risk, however the multitude of laws and regulations across the globe are highly dynamic and their application to particular circumstances is often unclear. A Legal Risk Management Framework (LRMF) includes Group-wide requirements covering how legal risks are identified, managed and measured to support effective management of legal risk.

Summary of performance in the period

In 2018, Barclays remained focused on continuous improvements to manage legal risk effectively, with an emphasis on enhancing and establishing processes to help identify risks at earlier stages and escalate as appropriate.

This is supported by the LRMF, which was reviewed and enhanced to clarify Group-wide requirements relating to the identification, management and measurement of legal risk. The LRMF is supported by legal risk policies and associated standards covering areas of identified legal risk and mandatory minimum control requirements. An additional legal risk policy has been created and implemented in relation to the engagement of the Legal Function with respect to key business decisions. For further information on the legal risk policies, see legal risk management on page 102. Refreshed legal risk mandatory training was also implemented across Barclays, reinforced by ongoing engagement and education of Barclays businesses and functions.

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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.

168 Barclays PLC 2018 Annual Report on Form 20-F

Risk review

Supervision and regulation

Supervision of Barclays Group

Barclays Group's operations, including its overseas branches, subsidiaries and associates, are subject to a large number of rules and regulations that are a condition for authorisations to conduct banking and financial services business in each of the jurisdictions in which Barclays Group operates. These apply to business operations, impact financial returns and include capital, leverage and liquidity requirements, authorisation, registration and reporting requirements, restrictions on certain activities, conduct of business regulations and many others. These requirements are set in legislation and by the relevant central banks and regulatory authorities that authorise, regulate and supervise Barclays Group in the jurisdictions in which it operates. Often, the requirements may reflect global standards developed by international bodies such as the G20, the Financial Stability Board (FSB), the Basel Committee on Banking Supervision (BCBS), and the International Organisation of Securities Commissions (IOSCO). Various bodies, such as central banks and self-regulatory organisations (SROs), also create voluntary Codes of Conduct which affect the way Barclays Group does business.

Regulatory developments impact Barclays Group globally. We focus particularly on EU, UK and US regulation due to the location of Barclays Group's principal areas of business. Regulations elsewhere may also have a significant impact on Barclays Group due to the location of its branches, subsidiaries and, in some cases, clients. For more information on the risks related to the supervision and regulation of Barclays Group, including regulatory change, see the Risk Factor entitled "Regulatory Change agenda and impact on Business Model" on page 86.

Supervision in the UK and EU

Financial regulation in the UK is to a significant degree shaped and influenced by EU legislation. This provides the structure of the European Single Market, an important feature of which is the framework for the regulation of authorised firms in the EU. This framework is designed to enable a credit institution or investment firm authorised in one EU member state to conduct banking or investment business in another member state through the establishment of branches or by the provision of services on a cross-border basis without the need for local authorisation. Barclays Group's operations in Europe are authorised and regulated by a combination of both home and host regulators. The impact of the UK's departure from the EU in this respect and, more broadly, its impact on the UK domestic regulatory framework, is yet to be finally determined. In the UK, the Bank of England (BoE) has responsibility for monitoring the UK financial system as a whole, including by way of conducting annual stress tests on UK banks. The day-to-day regulation and supervision of Barclays Group is divided between the Prudential Regulation Authority (PRA) (a division of the BoE) and the Financial Conduct Authority (FCA).

In addition, the Financial Policy Committee (FPC) of the BoE has influence on the prudential requirements that may be imposed on the banking system through its powers of direction and recommendation.

Barclays Bank PLC and Barclays Bank UK PLC are authorised and subject to prudential supervision by the PRA and subject to conduct regulation and supervision by the FCA. Barclays Group is also subject to prudential supervision by the PRA on a group consolidated basis. Barclays Services Limited is an appointed representative of Barclays Bank PLC and Clydesdale Financial Services Limited (the principals). This status enables Barclays Services Limited to undertake activities which would otherwise require authorisation, with the principals assuming regulatory

responsibility for the conduct of Barclays Services Limited as their appointed representative.

Barclays Bank Ireland PLC is licensed as a credit institution by the Central Bank of Ireland and has recently been designated as a significant institution falling under direct supervision on a solo basis by the European Central Bank (ECB) from 1 January 2019. Barclays Bank Ireland PLC has recently acquired an extension of its current licence to support Barclays Group's ability to provide services to EU clients after Brexit. Barclays Bank Ireland PLC's German branch is supervised by the ECB as part of Barclays Bank Ireland PLC and is also subject to direct supervision for local conduct purposes by the German Federal Financial Supervisory Authority (BaFIN) in accordance with EU credit institution branch passporting rules. It is expected that all the remaining EU branches of Barclays Bank PLC will have been transferred to Barclays Bank Ireland PLC by the end of Q1 2019 and will, following such transfer, be supervised by the ECB as part of Barclays Bank Ireland PLC and also be subject to direct supervision for local conduct purposes in accordance with EU credit institution branch passporting rules, by national supervisory authorities in the jurisdiction where they are established. Barclays Group is also subject to regulatory initiatives undertaken by the UK Payment Systems Regulator (PSR), as a participant in payment systems regulated by the PSR.

In its role as supervisor, the PRA seeks to maintain the safety and soundness of financial institutions with the aim of strengthening, but not guaranteeing, the protection of customers and the financial system. The PRA's continuing supervision of financial institutions is conducted through a variety of regulatory tools, including the collection of information by way of prudential returns, reports obtained from skilled persons, visits to firms and regular meetings with management and non-executive directors to discuss issues such as strategy, operational resilience, risk management, and recovery and resolution.

The regulation and supervision of market conduct matters is the responsibility of the FCA. The FCA's regulation of the UK firms in Barclays Group is carried out through a

combination of proactive engagement, regular thematic work and project work based on the FCA's sector assessments, which analyse the different areas of the market and the risks that may lie ahead.

Both the PRA and the FCA have continued to develop and apply a more pre-emptive approach to supervision and the application of existing standards. This may include the application of standards that either anticipate or go beyond requirements established by global or EU standards, whether in relation to capital, leverage and liquidity, resolvability and resolution or matters of conduct.

The FCA has retained an approach to enforcement based on credible deterrence that has seen significant growth in the size of regulatory fines. The approach appears to be trending towards a more US model of enforcement including vigorous enforcement of criminal and regulatory breaches, heightened fines and proposed measures related to increased corporate criminal liability.

The FCA has focused strongly on conduct risk and on customer outcomes and will continue to do so. This has included a focus on the design and operation of products, the behaviour of customers and the operation of markets. Recently, the FCA has increased its focus on fair pricing in financial services. The FCA is also reviewing whether vulnerable customers pay more for financial services products. These initiatives may affect both the incidence of conduct costs and increase the cost of remediation.

The FCA and the PRA have also increasingly focused on individual accountability within firms. This focus is reflected in the Senior Managers and Certification Regime (the SMCR) which came into force in 2016. The SMCR, which implements the recommendations in the final report of the Parliamentary Commission on Banking Standards relating to individual accountability in banks, imposes a regulatory approval, accountability and fitness and propriety framework in respect of senior or key individuals within relevant firms.

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The UK Serious Fraud Office (SFO) has played an active role in recent years in investigating and prosecuting complex fraud, bribery and corruption. If, as a result of an investigation, the SFO determines that it has sufficient evidence to support a realistic prospect of conviction, and to prosecute would be in the public interest, the SFO may bring forward a prosecution. Alternatively, the SFO may consider using a Deferred Prosecution Agreement (DPA). DPAs, which were introduced in February 2014, are judicially supervised agreements between the SFO and organisations that could be prosecuted whereby the SFO suspends prosecution while the organisation in question complies with conditions imposed on it by the DPA, such as the payment of fines.

Risk review

Supervision and regulation

Supervision in the US

Barclays Group's US activities and operations are subject to umbrella supervision by the Board of Governors of the Federal Reserve System (FRB), as well as additional supervision, requirements and restrictions imposed by other federal and state regulators and SROs. Barclays PLC, Barclays Bank PLC and their US branches and subsidiaries are subject to a comprehensive regulatory framework involving numerous statutes, rules and regulations, including the International Banking Act of 1978, the Bank Holding Company Act of 1956 (BHC Act), the USA PATRIOT Act of 2001, the Commodity Exchange Act, the federal securities laws, and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (DFA), which comprehensively amended the regulation of financial institutions in the US in response to the financial crisis, including by amending the other aforementioned statutes. In some cases, US requirements may impose restrictions on Barclays Group's global activities in addition to its activities in the US.

Barclays PLC and Barclays Bank PLC, along with Barclays US LLC (BUSL), Barclays Group's top-tier US holding company that holds substantially all of Barclays Group's US subsidiaries (including Barclays Capital Inc. and Barclays Bank Delaware), are regulated as bank holding companies (BHCs) by the FRB. BUSL is subject to requirements that are similar to those applicable to large US domestic bank holding companies, including in respect of capital adequacy, capital planning and stress testing (including FRB non-objection to proposed capital distributions), risk management and governance, liquidity, leverage limits and financial regulatory reporting. Barclays Bank PLC's US branches are also subject to enhanced prudential supervision requirements relating to, among others, liquidity and risk management.

Because the BHC Act generally restricts the activities of BHCs to banking and activities closely related to banking, Barclays PLC, Barclays Bank PLC and BUSL have elected to be treated as financial holding companies under the BHC Act. Financial holding company status allows these entities to engage in a variety of financial and related activities, directly or through subsidiaries, including underwriting, dealing and market making in securities. Failure to maintain financial holding company status could result in increasingly stringent penalties and ultimately, in the closure or cessation of certain operations in the US. To qualify as a financial holding company, Barclays PLC and Barclays Bank PLC, as foreign banking organisations and BHCs, and BUSL, as a BHC, must maintain certain regulatory capital ratios above minimum requirements and must be deemed to be well managed for US bank regulatory purposes. In addition, any US depository institution subsidiaries of the foreign banking organisation or BHC must also maintain certain regulatory capital ratios above minimum requirements and be deemed

to be well managed and must have at least a satisfactory rating under the Community Reinvestment Act of 1977.

In addition to umbrella oversight by the FRB (and applicable Federal Reserve Banks), certain of Barclays Group's branches and subsidiaries are regulated by additional authorities based on the location or activities of those entities. The New York and Florida branches of Barclays Bank PLC are subject to extensive supervision and regulation by, as applicable, the New York State Department of Financial Services (NYSDFS) and the Florida Office of Financial Regulation. Barclays Bank Delaware, a Delaware chartered commercial bank, is subject to supervision and regulation by the Delaware Office of the State Bank Commissioner. The deposits of Barclays Bank Delaware are insured by the

Federal Deposit Insurance Corporation (FDIC) pursuant to the Federal Deposit Insurance Act, which also provides for FDIC supervisory authority over Barclays Bank Delaware and requires that Barclays PLC, Barclays Bank PLC and BUSL act as a source of strength for the insured bank. This could, among other things, require these entities to inject capital into Barclays Bank Delaware if it fails to meet applicable regulatory capital requirements.

Barclays Group's US securities broker/dealer and investment banking operations, primarily conducted through Barclays Capital Inc., are also subject to ongoing supervision and regulation by the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA) and other government agencies and SROs as part of a comprehensive scheme of regulation of all aspects of the securities and commodities business under US federal and state securities laws.

Similarly, Barclays Group's US commodity futures, commodity options and swaps-related and client clearing operations are subject to ongoing supervision and regulation by the Commodity Futures Trading Commission (CFTC), the National Futures Association and other SROs. Barclays Bank PLC is also prudentially regulated as a swaps dealer and is subject to the FRB swaps rules with respect to margin and capital requirements.

Barclays Group's US retail and consumer activities, including the US credit card operations of Barclays Bank Delaware, are subject to direct supervision and regulation by the Consumer Financial Protection Bureau (CFPB). The CFPB has the authority to examine and take enforcement action related to compliance with federal laws and regulations regarding the provision of consumer financial services and the prohibition of unfair, deceptive or abusive acts and practices.

Supervision in Asia Pacific

Barclays Group's operations in Asia Pacific are supervised and regulated by a broad range of national regulators including: the Japan Financial Services Agency, the Bank of Japan,

the Hong Kong Monetary Authority, the Securities and Futures Commission of Hong Kong, the Monetary Authority of Singapore, the Reserve Bank of India, the Securities and Exchange Board of India, the People's Bank of China, the State Administration of Foreign Exchange of the People's Republic of China and the China Banking and Insurance Regulatory Commission. Such supervision and regulation extends to activities conducted through branches of Barclays Bank PLC in the Asia Pacific region as well as subsidiaries of Barclays Group as applicable.

Global regulatory developments

Regulatory change continues to affect all large financial institutions. Such change emanates from global institutions such as the G20, FSB, BCBS and IOSCO, the EU regionally, and national regulators, especially in the UK and US. The level of regulatory and supervisory uncertainty faced by Barclays Group, and the financial markets more broadly, continues to remain elevated in our primary markets. In the EU, the legislative and regulatory bodies have been implementing, and continue to propose, multiple financial regulatory reforms.

There remains much uncertainty regarding the state of the future relationship between the UK and the EU and therefore the potential impact of the UK's withdrawal from the EU on the financial regulatory framework in the UK. There are several possible outcomes.

First, the UK could leave the EU with no deal or arrangement covering financial services in place. At the time of writing, this will happen on 29 March 2019. Under such a scenario, with no ability to passport, and no third country equivalence-based recognition in place, Barclays Group entities in the UK would no longer be able to provide certain of their services from the UK into the EU27 in the way in which these services are currently provided. As a result of the onshoring of EU legislation in the UK, UK firms would (at least initially) be subject to substantially the same rules and regulations as before Brexit, albeit with EU entities, exposures and assets ceasing to enjoy preferential treatment

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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

170 Barclays PLC 2018 Annual Report on Form 20-F

services to and from the UK. In either case, such a deal would likely permit the provision of certain services between the UK and the EU. In this scenario, firms incorporated and authorised in the UK would be able to continue to provide services into the EU27, and firms incorporated and authorised in the EU27 would be able to continue to provide services into the UK in accordance with the terms of such agreement. UK firms would again be subject to substantially the same rules and regulations as before Brexit as a result of the onshoring of EU legislation in the UK. There would likely be less scope for regulatory change in the UK as continued access to the EU27 would depend on the UK maintaining equivalence with the EU (and vice versa) and other constraints as may be agreed in such an agreement.

Thirdly, the UK could decide to delay its withdrawal. This would require the unanimous consent of all other EU member states. In this scenario, UK firms would continue to be subject to EU27 law and services could continue to be provided between the UK and EU on the basis of the existing passporting arrangements until such time as the UK finally withdraws from the EU in which case one of the two scenarios described above will apply unless it revokes its intention to do so.

Finally, the UK could decide to revoke its intention to withdraw from the EU. This would likely only happen for the purposes of holding a second referendum, if a delay is not agreed to unanimously by the EU member states. In this scenario, the status quo in relation to the financial regulatory framework would prevail until the result of that referendum was known and action taken to implement such result.

In the US, the financial regulatory environment continues to evolve due to political developments and the ongoing implementation of regulations arising from the DFA and recent amendments to the DFA. Furthermore, the application of various regional rules on a cross-border basis increases regulatory complexity for global financial institutions. For more information, see the Risk Factor entitled "Regulatory Change agenda and impact on Business Model" on page 86.

The programme of reform of the global regulatory framework previously agreed by the G20 Heads of Government in April 2009 has continued to be taken forward throughout 2018. The G20 continues to monitor emerging risks and vulnerabilities in the financial system and has stated that it will take action to address them if necessary.

The FSB has been designated by the G20 as the body responsible for co-ordinating the delivery of the global reform programme in relation to the financial services industry. It has focused particularly on the risks posed by systemically important financial institutions. In

2011, the G20 Heads of Government adopted FSB proposals to reform the regulation of global systemically important financial institutions (G-SIFIs), including global systemically important banks (G-SIBs), such

as Barclays Group. In December 2017, the BCBS finalised Basel III (the BCBS international regulatory framework for banks), with the majority of the December 2017 changes expected to be implemented by 1 January 2022, including by regulators in many jurisdictions where Barclays Group operates. Various other measures have been agreed at FSB and BCBS level on capital, including those relating to recovery and resolution planning of CCPs, the identification and management of step-in risk, and TLAC (discussed in detail below).

In December 2018, the Council of the EU and the European Parliament announced they had reached a provisional political agreement on the proposed Risk Reduction Measures package, which includes the CRD V Directive and CRR II Regulation and will transpose many of the Basel III measures into EU law.

Financial regulatory framework

Financial services regulation can broadly be categorised as follows: (a) prudential regulation, which aims to promote safety and soundness of financial institutions and reduce risk in the financial system; (b) recovery and resolution, a key aspect of which is to ensure that G-SIFIs are capable of being resolved without recourse to taxpayer support and minimising market disruption; (c) structural reform and the Volcker rule, aimed at structurally separating certain wholesale activities (such as proprietary trading) from retail-focused activities (such as taking retail deposits); (d) market infrastructure regulation, aimed at enhancing client protection, financial stability and market integrity; and (e) conduct, culture and other regulation, which includes regulatory initiatives designed to pursue any other aims not falling within the previous categories (such as improving standards of conduct within financial services firms, ensuring the right culture in firms, and protecting personal data).

(a) Prudential regulation

Certain Basel III standards were implemented in EU law through the Capital Requirements Directive IV (CRD IV), which came into effect in 2014 and included new or enhanced requirements for the quality and quantity of capital, liquidity and leverage. Beyond the minimum standards required by CRD IV, the PRA has expected Barclays Group, in common with other major UK banks and building societies, to meet a 7% Common Equity Tier 1 (CET1) ratio at the level of the consolidated group since 1 January 2016.

G-SIBs are subject to a number of additional prudential requirements, including the requirement to hold additional loss-absorbing capacity and additional capital buffers above the level required by Basel III standards. The level of the G-SIB buffer is set by the FSB according to a bank's systemic importance and can range from 1% to 3.5% of risk-weighted assets. The G-SIB buffer must be met with common equity.

In November 2018, the FSB published an update to its list of G-SIBs, maintaining the 1.5% G-SIB buffer that applies to Barclays

Group. The additional G-SIB buffer was subject to phase-in arrangements, with 50% of the buffer requirement applying in 2017, 75% in 2018 and 100% in January 2019. Barclays Group is also subject to, among other buffers, a countercyclical capital buffer (CCyB) based on rates determined by the regulatory authorities in each jurisdiction in which Barclays Group maintains exposures. These rates may vary in either direction. On 27 June 2017, the FPC raised the UK CCyB rate from 0% to 0.5% with binding effect from 27 June 2018. In November 2017, the FPC raised the UK CCyB rate from 0.5% to 1% with binding effect from 28 November 2018.

The FPC has a framework for determining a systemic risk buffer at rates between 0% and 3% of risk-weighted assets for ring-fenced bodies and large building societies (SRB firms). The systemic risk buffer is a firm-specific buffer, that is designed to increase the capacity of SRB firms to absorb stress, and which must be met solely with CET1. The framework has applied from 1 January 2019. In the UK, the PRA has implemented the systemic risk buffer framework and requires ring-fenced banks whose groups are already required to meet the requirements under the leverage ratio framework on a consolidated basis, such as Barclays Bank UK PLC, to also meet the requirements on a sub-consolidated basis. The PRA has also recently announced that the systemic risk buffer will be incorporated in the calculation of banks' stress test hurdle rates, which are the target capital ratios set by the regulator, with a view to capturing domestic systemic importance as well as global systemic importance.

Final BCBS standards on securitisation have been implemented under EU law from 1 January 2019, with a one-year grandfathering period for existing transactions. Final BCBS standards on counterparty credit risk, leverage, large

exposures and a Net Stable Funding Ratio (NSFR) are being implemented under EU law via the Risk Reduction Measures package. The Risk Reduction Measures package also requires certain credit institutions or investment firms established in the EU with a common parent undertaking established outside the EU to establish an intermediate parent undertaking, authorised and established in, and subject to the supervision of, an EU member state.

The BCBS's finalisation of Basel III, noted above, among other things, eliminated model-based approaches for certain categories of risk-weighted assets (RWAs), (for example, operational risk RWAs, CVA volatility and credit risk RWAs for equity exposures), revised the standardised approach's risk weights for a variety of exposure categories, replaced the four current approaches for operational risk (including the advanced measurement approach) with a single standardised measurement approach, established 72.5% of standardised approach RWAs for exposure categories as a floor for RWAs calculated under advanced approaches (referred to as the 'output floor'), and for

Risk review

Supervision and regulation

G-SIBs introduced a leverage ratio buffer in an amount equal to 50% of the applicable G-SIB buffer used for RWA purposes (meaning, for Barclays Group, a leverage ratio buffer of 0.75%). The majority of the final Basel III changes are expected to be implemented commencing 1 January 2022, with a five-year phase-in period for the output floor. The new market risk framework, including rules made as a result of the fundamental review of the trading book, is also expected to be implemented from 1 January 2022 (with a potential transitional period until 1 January 2023), following a recalibration of the requirements agreed in January 2019. Precise implementation details will be confirmed once the finalised Basel III requirements are transposed into national and EU law in the jurisdictions where Barclays Group operates.

IFRS 9 (an accounting standard that covers accounting for financial instruments) came into force under EU law on 1 January 2018. A separate EU regulation has provided transitional arrangements for mitigating the impact of the introduction of IFRS 9, largely in relation to CET1 capital arising from the expected credit loss accounting measures set out in IFRS 9. The BCBS is continuing to assess whether permanent changes to the recognition of expected credit loss provisions in regulatory capital are necessary, as well as any corresponding changes to the risk-weighting framework.

In the US, BUSL and Barclays Bank PLC's US branches are subject to enhanced prudential supervision requirements as required by the DFA and described above in [Supervision in the US](#).

In addition to prudential regulations already promulgated under the DFA, the FRB has issued proposed regulations for NSFR implementation. The NSFR, as originally proposed by the FRB and other US regulatory agencies, would have applied to US bank holding companies with more than \$250bn in total assets or \$10bn or more in on-balance sheet foreign exposures, including BUSL, and consolidated depository institution subsidiaries of such banking organisations with more than \$10bn in assets, including Barclays Bank Delaware. Under the proposed rule, such entities would be required to maintain a minimum level of available stable funding that equals or exceeds the amount of required stable funding over a one-year period. In October 2018, the FRB and other US regulatory agencies released proposals to tailor the applicability of prudential requirements, including the proposed NSFR, for large domestic US banking organisations. The FRB has stated that it is working to develop a separate proposal relating to the application of prudential requirements to foreign banks, including Barclays Group. Although the NSFR proposal provided for an effective date of 1 January 2018, the FRB has not finalised its NSFR proposal and the schedule for finalisation is uncertain.

In June 2018, the FRB finalised rules regarding single counterparty credit limit (SCCL). The SCCL applies single counterparty credit limits to the largest US bank holding companies (BHCs) and foreign banks (including Barclays Group) US operations. The SCCL creates two separate limits for foreign banks, the first on combined US operations (CUSO) and the second on the US intermediate holding company (BUSL). The SCCL requires that no counterparty of BUSL can exceed 25% of BUSL's total regulatory capital plus the balance of its allowance for loan and lease losses not included in tier 2 capital. With respect to the CUSO, the SCCL rule allows foreign banks to comply with the rule by certifying to the Federal Reserve that they comply with comparable home country regulation.

[Stress testing](#)

Barclays Group and certain of its members are subject to supervisory stress testing exercises in a number of jurisdictions. These exercises currently include the annual stress testing programmes of the BoE and the FRB and the biennial stress testing programme of the EBA. These exercises are designed to assess the resilience of banks to adverse economic or financial developments and ensure that they have robust, forward-looking capital planning processes that account for the risks associated with their business profile. Assessment by regulators is on both a quantitative and qualitative basis, the latter focusing on Barclays Group's data provision, stress testing capability including model risk management and internal management processes and controls. Failure to meet requirements of regulatory stress tests, or the failure by regulators to approve the stress test results and capital plans of Barclays Group or its members subject to these exercises, could result in Barclays Group or certain of its members being required to enhance its capital position or limit capital distributions, to any external holders of its equity or capital or within Barclays Group.

In the US, BUSL participates in the FRB's Comprehensive Capital Analysis and Review (CCAR) process. In June 2018, the FRB issued its first public CCAR assessment of BUSL. The 2018 results indicated BUSL's capital ratios would remain above all regulatory minimum required levels and the FRB did not object to BUSL's capital plan on either a quantitative or qualitative basis.

In April 2018, the FRB proposed to amend its CCAR process to combine the CCAR quantitative assessment and the buffer requirements in the FRB's capital adequacy rules to create a single integrated capital requirement.

(b) Recovery and Resolution

Stabilisation and resolution framework

An important component of the EU legislative framework is the 2014 Bank Recovery and Resolution Directive (BRRD) which establishes a framework for the recovery and resolution of EU credit institutions and investment firms. The UK implemented the BRRD through the

Bank Recovery and Resolution Order 2014, which amended the Banking Act 2009 (the Banking Act) and the Financial Services and Markets Act 2000 (FSMA), and the Banks and Building Societies (Depositor Preference and Priorities) Order 2014, which amended the Insolvency Act 1986 (among other insolvency legislation).

In November 2016, the European Commission proposed a package of amendments to the BRRD, including the introduction of two new moratorium tools. Political agreement on this package was reached in December 2018. On 28 December 2017, an EU directive came into force harmonising the priority ranking of unsecured debt instruments under national insolvency laws. All member states were required to transpose the directive by 29 December 2018 and it has been transposed into national law in the UK under the Banks and Building Societies (Priorities on Insolvency) Order 2018.

Under the Banking Act, UK resolution authorities are empowered to intervene in and resolve a UK financial institution that is no longer viable. Pursuant to these laws, the BoE (in consultation with the PRA and HM Treasury as appropriate) has several stabilisation options where a banking institution is failing or likely to fail: (i) transfer some or all of the securities or business of the bank to a commercial purchaser; (ii) transfer some or all of the property, rights and liabilities of the bank to a 'bridge bank' wholly owned by the BoE or to a commercial purchaser; (iii) transfer the impaired or problem assets to an asset management vehicle to allow them to be managed over time; (iv) cancel or reduce certain liabilities of the institution or convert liabilities to equity to absorb losses and recapitalise the institution; and (v) transfer the banking institution into temporary public ownership. In addition, the BoE may apply for a court insolvency order in order to wind up or liquidate the institution or to put the institution into special administration. When exercising any of its stabilisation powers, the BoE must generally provide that shareholders bear first losses, followed by creditors in accordance with the priority of their claims under normal insolvency proceedings.

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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

172 Barclays PLC 2018 Annual Report on Form 20-F

retrospective effect. The Banking Act powers apply regardless of any contractual restrictions and compensation that may be payable.

The BoE's preferred approach for the resolution of Barclays Group is a bail-in strategy with a single point of entry at Barclays PLC. Under such a strategy, Barclays PLC's subsidiaries would remain operational while Barclays PLC's eligible liabilities would be written down or converted to equity in order to recapitalise Barclays Group and allow for the continued provision of services and operations throughout the resolution.

In July 2016, the PRA issued final rules on ensuring operational continuity in resolution. The rules apply from 1 January 2019 and require banks to ensure that their operational structures facilitate effective recovery and resolution planning and the continued provision of functions critical to the economy in a resolution scenario.

In June 2018 the BoE finalised its policy on Minimum Requirement for own funds and Eligible Liabilities (MREL) for UK banks and published indicative MREL levels for UK G-SIBs and D-SIBs, including Barclays Group, to be reached in 2019, 2020 and 2022 (see section on TLAC/ MREL below).

Additionally, the BoE finalised its policy on Valuations in Resolution in June 2018 with an expected compliance timeline of 1 January 2021.

The PRA has made rules that require authorised firms to draw up recovery plans and resolution packs, as required by the BRRD. Recovery plans are designed to outline credible actions that authorised firms could implement in the event of severe stress in order to restore their business to a stable and sustainable condition.

The resolution pack contains detailed information on the group, and its significant legal entities which will be used to develop resolution strategies for that firm, assess its current level of resolvability against the strategy, and to inform work on identifying barriers to the implementation of operational resolution plans. In the UK, recovery and resolution planning (RRP) work is considered part of continuing supervision. Removal of potential impediments to an orderly resolution of Barclays Group or one or more of its subsidiaries is considered as part of the BoE's and PRA's supervisory strategy for each firm, and the PRA can require firms to make significant changes in order to enhance resolvability. Barclays Group currently provides the PRA with a recovery plan annually and with a resolution pack as requested.

In December 2018, the BoE and PRA released a package of consultations setting out how they propose to increase transparency and accountability and clarify the responsibilities on firms with regards to resolution. The package comprises three main components: (i) a BoE Consultation Paper (CP) which proposes how the BoE, as resolution authority, intends to assess individual banks

resolvability; (ii) a PRA CP which contains proposed requirements for banks to assess their preparations for resolution, identifying any risks to implementation and their plans to address these; (iii) proposals for future public disclosures.

The final policy will apply to Barclays Group when published.

While regulators in many jurisdictions have indicated a preference for single point of entry resolution, additional resolution or bankruptcy provisions may apply to certain of Barclays Bank PLC's subsidiaries or branches. In the US, Title II of the DFA established the Orderly Liquidation Authority, a regime for the orderly liquidation of systemically important financial institutions, which could apply to BUSL. Specifically, when a systemically important financial institution is in default or in danger of default, the FDIC may be appointed as receiver under the Orderly Liquidation Authority instead of the institution being resolved through a voluntary or involuntary proceeding under the US Bankruptcy Code. In certain circumstances, including insolvency, violations of law and unsafe business practices, the licensing authorities of each US branch of Barclays Bank PLC and of Barclays Bank Delaware have the authority to take possession of the business and property of the applicable Barclays Group entity they license or to revoke or suspend such licence. Specific resolution regimes may apply to certain Barclays Group entities or branches in other jurisdictions in which Barclays Group does business.

In the US, Title I of the DFA and the implementing regulations issued by the FRB and the FDIC require each bank holding company with assets of \$50bn or more, including those within Barclays Group, to prepare and submit a plan for the orderly resolution of subsidiaries and operations in the event of future material financial distress or failure. Barclays Group submitted its US Resolution Plan in respect of its US operations on 1 July 2018. Barclays Group's next submission of the US Resolution Plan in respect of its US operations will be due on 1 July 2020.

Barclays Group's 2018 US Resolution Plan in respect of its US operations included two strategies. The first is the global preferred resolution strategy, which is the BoE's preferred resolution strategy of single point of entry with bail-in at Barclays PLC. The 2018 US Resolution Plan also included a US-specific resolution strategy, which would involve a single-point-of-entry resolution of Barclays Group's US operations with only BUSL entering bankruptcy or insolvency proceedings. The US-specific resolution strategy is intended as an additional option in case the global preferred resolution strategy is not successful.

In Ireland, as a result of the transfer of Barclays Group's European businesses to Barclays Bank Ireland PLC, that entity has been designated by the ECB as a significant institution coming under the direct supervision of the ECB for

prudential supervisory purposes. As a significant institution, Barclays Bank Ireland PLC now faces the Single Resolution Board (SRB) as the Eurozone resolution authority. The ECB has required Barclays Bank Ireland PLC to submit a standalone BRRD compliant recovery plan on an annual basis. The SRB has the power to require data submissions specific to Barclays Bank Ireland PLC under powers conferred upon it by the BRRD and the Single Resolution Mechanism Regulation (SRMR). The SRB will exercise these powers to determine the optimal resolution strategy for Barclays Bank Ireland PLC in the context of the BoE's preferred resolution strategy of single point of entry with bail-in at Barclays PLC. The SRB also has the power under the BRRD and the SRMR to develop a resolution plan for Barclays Bank Ireland PLC.

TLAC and MREL

The BRRD requires competent authorities to impose a Minimum Requirement for own funds and Eligible Liabilities (MREL) on financial institutions to facilitate their orderly resolution without broader financial disruption or recourse to public funds. In November 2015, the FSB finalised its proposals to enhance the loss-absorbing capacity of G-SIBs to ensure that there is sufficient loss-absorbing and recapitalisation capacity available in resolution to implement an orderly resolution which minimises the impact on financial stability, ensures the continuity of critical functions and avoids exposing taxpayers to losses. To this end, the FSB has set a new minimum requirement for total loss-absorbing capacity (TLAC). As the TLAC standard requires a certain amount of those loss-absorbing resources to be committed to subsidiaries or sub-groups that are located in host jurisdictions and deemed material for the resolution of the G-SIB as a whole, the FSB published guiding principles on internal TLAC on 6 July 2017. These provide guidance on the size and composition of the internal TLAC requirement, cooperation and co-ordination between home and host authorities and the trigger mechanism for internal TLAC.

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The EU is implementing the TLAC standard (including internal TLAC) via the MREL requirement and the relevant amendments are contained in the Risk Reduction Measures package. Under the BoE's statement of policy on MREL, the BoE will set MREL for UK G-SIBs as necessary to implement the TLAC standard and institution or group-specific MREL requirements will depend on the preferred resolution strategy for that institution or group. Internal MREL for operating subsidiaries will be scaled within a 75-90% range of the external requirement that would apply to the subsidiary if it were a resolution entity. The starting point for the scalar will be 90% for ring-fenced bank sub-groups.

The MREL requirements are being phased in as from 1 January 2019 and will be fully implemented by 1 January 2022, at which time G-SIBs with resolution entities incorporated in the UK, including Barclays Group, will be required to meet an MREL equivalent to the higher of: (i) two times the sum of its Pillar 1

Risk review

Supervision and regulation

and Pillar 2A requirements; or (ii) the higher of two times its leverage ratio or 6.75% of leverage exposures. However, the PRA plans to review the MREL calibration by the end of 2020, including assessing the proposal for Pillar 2A recapitalisation which may drive a different 1 January 2022 MREL requirement than currently proposed. In June 2018, the BoE published indicative MREL levels for UK G-SIBs, including Barclays Group, to be reached in 2020 and 2022.

Barclays Bank Ireland PLC is subject to the SRB's MREL policy, as issued in January 2019, in respect of the internal MREL that it will be required to issue to Barclays Bank Group. The SRB's MREL policy will be revised in the near future to reflect the implementation of the Risk Reduction Measures package in the EU. The SRB's current calibration of MREL is two times the sum of: (i) the firm's Pillar 1 requirement; (ii) its Pillar 2 requirement; and (iii) its combined buffer requirement, minus 125 basis points. The SRB's policy does not envisage the application of any scalar in respect of the internal MREL requirement.

In October 2016, the BCBS published its final standard on the prudential treatment of banks' investments in TLAC instruments issued by other institutions, confirming that internationally active banks (both G-SIBs and non-G-SIBs) must deduct their holdings of TLAC instruments that do not otherwise qualify as regulatory capital from their own Tier 2 capital. Where the investing bank owns less than 10% of the issuing bank's common shares, TLAC holdings are to be deducted from Tier 2 capital only to the extent that they exceed 10% of the investing bank's common equity (or 5% for non-regulatory capital TLAC holdings). Below this threshold, holdings would instead be subjected to risk-weighting. G-SIBs may only apply risk-weighting to non-regulatory capital TLAC holdings by the 5% threshold where those holdings are in the trading book and are sold within 30 business days. The EU's Risk Reduction Measures package requires firms to deduct external MREL holdings from equivalent MREL capital of the firm.

In December 2016, the FRB issued final regulations for TLAC, which apply to BUSL commencing 1 January 2019. The FRB's final TLAC rule, while generally following the FSB term sheet, contains a number of provisions that are more restrictive. For example, the FRB's TLAC rule includes provisions that require BUSL (the Barclays IHC) to have: (i) a specified outstanding amount of eligible long-term debt; (ii) a specified outstanding amount of TLAC (consisting of common and preferred equity regulatory capital plus eligible long-term debt); and (iii) a specified common equity buffer. In addition, the FRB's TLAC rule would prohibit BUSL, for so long as Barclays Group's overall resolution plan treats BUSL as a non-resolution entity, from issuing TLAC to entities other than Barclays Group and its non-US subsidiaries.

Bank Levy and FSCS

The BRRD requires EU member states to establish a pre-funded resolution financing arrangement with funding equal to 1% of covered deposits by 31 December 2024 to cover the costs of bank resolutions. Where the amount of such pre-funding is insufficient, the BRRD requires that EU member states raise subsequent contributions. The UK government raises both pre-funded and subsequent contributions that would be required were the pre-funded contributions not to cover costs or other expenses incurred by use of the resolution funds by way of a tax on the balance sheets of banks known as the Bank Levy.

In addition, the UK has a statutory compensation fund called the Financial Services Compensation Scheme (FSCS), which is funded by way of annual levies on most financial services firms authorised under FSMA. The levies consist of a management expenses levy (which funds the costs of running the FSCS) and a compensation costs levy (which funds the costs incurred by the FSCS in paying compensation).

Similar requirements, which include powers for competent authorities to adopt resolution measures, are in force or expected to come into force imminently in various other jurisdictions. These requirements will affect Barclays Group to the extent it has operations in a relevant jurisdiction.

(c) Structural reform

Recent developments in banking law and regulation in the UK have included legislation designed to ring-fence the retail and smaller deposit-taking businesses of large banks. The Financial Services (Banking Reform) Act 2013 put in place a framework for this ring-fencing and secondary legislation passed in 2014 elaborated on the operation and application of the ring-fence. Ring-fencing requires, among other things, the separation of the retail and smaller deposit-taking business activities of UK banks in the UK and branches of UK banks in the European Economic Area (EEA) into a legally distinct, operationally separate and economically independent entity, which is not permitted to undertake a range of activities. Ring-fencing rules have been published by the PRA, further determining how ring-fenced banks will be permitted to operate. Further rules published by the FCA set out the disclosures that non-ring-fenced banks are required to make to prospective account holders of non-ring-fenced banks who are individuals.

In the EU, following the publishing of the Liikanen Report in October 2012, the European Commission adopted a legislative proposal for a regulation on structural measures to improve the resilience of EU banks in January 2014. The reforms included ring-fencing of retail activities from risky trading activities and a ban on proprietary trading for certain banks. However, the legislative proposal was formally withdrawn in July 2018 as a result of the European Parliament and the Council of the EU failing to

reach a political agreement.

US regulation places further substantive limits on the activities that may be conducted by banks and holding companies, including foreign banking organisations such as Barclays Group. The Volcker Rule, which was part of the DFA and which came into effect in the US in 2015, prohibits banking entities from undertaking certain proprietary trading activities and limits such entities' ability to sponsor or invest in certain private equity funds and hedge funds (in each case broadly defined). As required by the rule, Barclays Group has developed and implemented an extensive compliance and monitoring programme addressing proprietary trading and covered fund activities (both inside and outside of the US). Proposed amendments to the Volcker Rule were published in the Federal Register in July 2018. The existing Volcker framework and implemented processes will remain unchanged until amendments to the regulations become effective. We do not expect any changes to the Volcker rule to be effective prior to Q4 2019.

(d) Market infrastructure regulation

In recent years, regulators as well as global-standard setting bodies such as IOSCO have focused on improving transparency and reducing risk in markets, particularly risks related to over-the-counter (OTC) transactions. This focus has resulted in a variety of new regulations across the G20 countries and beyond that require or encourage on-venue trading, clearing, posting of margin and disclosure of information related to many derivatives transactions. Some of the most significant developments are described below.

The European Market Infrastructure Regulation (EMIR) has introduced requirements designed to improve transparency and reduce the risks associated with the derivatives market, some of which are still to be fully implemented. EMIR requires that certain entities that enter into derivative contracts: report such transactions; clear

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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

174 Barclays PLC 2018 Annual Report on Form 20-F

jurisdiction in order to continue clearing for EU members. The changes proposed may have additional operational and financial impacts on Barclays Group's derivatives business.

CRD IV aims to complement EMIR by applying higher capital requirements for bilateral, uncleared OTC derivative trades. Lower capital requirements for cleared derivative trades are only available if the CCP through which the trade is cleared is recognised as a qualifying central counterparty (QCCP) which has been authorised or recognised under EMIR. Higher capital requirements may apply to Barclays Group following the UK's departure from the EU if UK CCPs are then no longer regarded as QCCPs and vice versa.

The Markets in Financial Instruments Directive and Markets in Financial Instruments Regulation (collectively referred to as MiFID II) have largely been applicable since 3 January 2018. MiFID II affects many of the investment markets in which Barclays Group operates, the instruments in which it trades and the way it transacts with market counterparties and other customers. Changes introduced by MiFID II include: the introduction of a new type of trading venue (the organised trading facility), capturing non-equity trading that falls outside the MiFID I regime; the strengthening of conduct of business requirements, including in relation to conflicts of interest; the expansion of the concept of, and requirements applicable to, firms which systematically trade against proprietary capital (systematic internalisers); and increased obligations on firms to secure best execution for their clients. Additionally, MiFID II mandates a trading obligation for certain types of cleared derivatives.

MiFID II strengthens investor protections, imposes new curbs on high frequency and commodity trading, increases pre- and post-trade transparency reporting and introduces a new regime for third country (non-EU) firms. MiFID II also includes new requirements relating to non-discriminatory access to trading venues, CCPs and benchmarks, research unbundling and harmonised supervisory powers and sanctions across the EU.

US regulators have imposed similar rules as the EU with respect to the mandatory on-venue trading and clearing of certain derivatives, and post-trade transparency, as well as in relation to the margining of OTC derivatives.

US regulators have addressed the applicability of certain of their regulations to cross-border transactions, and are continuing to review and consider their rules with respect to their application on a cross-border basis, including with respect to their registration requirements in relation to non-US swap dealers and security-based swap dealers. The regulators may adopt further rules, or provide further guidance, regarding the cross-border applicability of such rules. In December 2017, the CFTC and the European Commission recognised the trading venues of each other's

jurisdiction to allow market participants to comply with mandatory on-venue trading requirements while trading on certain venues recognised by the other jurisdiction.

The EU Benchmarks Regulation came into force in June 2016. Although some provisions have applied since 2016, the majority of provisions have applied since 3 January 2018, subject to transitional provisions. This regulation applies to the administration, contribution of data to and use of benchmarks within the EU. Financial institutions within the EU will be prohibited from using benchmarks unless their administrators are authorised, registered or otherwise recognised in the EU. This may impact the ability of Barclays Group to use certain benchmarks in the future. For example, EURIBOR will, as currently stands, no longer be compliant with the Benchmarks Regulation on 1 January

2020, and the FCA has stated that it does not intend to support LIBOR after the end of 2021. International initiatives are therefore underway to develop alternative benchmarks and backstop arrangements. However, adapting processes and systems to transition to these new benchmarks is likely to be a very time-consuming and costly task on an industry-wide basis.

In 2015, the European Commission launched work on establishing a Capital Markets Union (CMU) within the EU. The CMU aims to increase the availability of non-bank financing in the EU, deepen the EU single market for financial services and promote growth and financial stability. The CMU work programme is now being considered in light of Brexit. Recent proposals have therefore included considerably broadened central supervisory powers for the European Supervisory Authorities (ESAs) (including in relation to outsourcing, and delegation and risk transfer by entities authorised in the EU to entities or branches in third countries) and an increased focus by the ESAs on ongoing equivalence assessments in the context of third country regimes in various EU regulations and directives.

Certain participants in US swap markets are required to register with the CFTC as swap dealers or major swap participants and/or, following the compliance date for relevant SEC rules, with the SEC as security-based swap dealers or major security-based swap participants. Such registrants are subject to CFTC, and would be subject to SEC, regulation and oversight. Entities required to register as swap dealers are subject to business conduct, recordkeeping and reporting requirements under CFTC rules and will be subject to capital and margin requirements in connection with transactions with certain US and non-US counterparties. Barclays Bank PLC has provisionally registered with the CFTC as a swap dealer and is subject to CFTC rules on business conduct, record-keeping and reporting. With respect to margin and capital, Barclays Group is subject to the rules of the FRB in connection with its swap dealer business.

The CFTC has approved certain comparability determinations that permit substituted compliance with non-US regulatory regimes for certain swap regulations related to business conduct and other requirements, while other determinations remain pending. Substituted compliance is permitted, where applicable, only with respect to transactions between a non-US swap dealer and a non-US counterparty. In addition, the CFTC has issued proposed rules that would require a non-US swap dealer to comply with certain CFTC rules in connection with transactions that are arranged, negotiated or executed from the US. It is unclear whether the proposed rules will be adopted in the form proposed. Most recently, in October 2017, the CFTC issued an order permitting substituted compliance with EU margin rules for certain uncleared derivatives. However, as Barclays Group is subject to the margin rules of the FRB, it will not benefit from the CFTC's action unless the FRB takes a similar approach.

It is unclear whether further changes will be made to the CFTC's proposed rules or when they will become effective. In addition, it is uncertain whether and to what degree other US regulators, such as the FRB, will take an approach similar to the CFTC's regarding substituted compliance.

The SEC finalised the rules governing security based swap dealer registration in 2015 but clarified that registration timing is contingent upon the finalisation of certain additional rules under Title VII of DFA, several of which are still pending. In particular, the SEC has stated that registration will be required at the later of the SEC's adoption of final rules on capital and margin, or the compliance dates for the SEC's rules on recordkeeping and reporting, business conduct or employment of statutorily disqualified persons.

Therefore, there is currently no specific timetable for the effectiveness of the security-based swap dealer registration requirement. However, the SEC has recently proposed additional rules, and republished prior proposed rules, regarding security-based swap dealers, and has indicated that it may take the actions that will trigger the registration requirement in the near future.

When security-based swap dealer registration is required, it is anticipated that Barclays Bank PLC and/or one or more of its affiliates will be required to register in that capacity and thus will be required to comply with the SEC's rules for security-based swap dealers. These rules may impose costs and other requirements or restrictions that could impact

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our business. In addition, the SEC has provided some limited guidance regarding certain aspects of the cross-border applicability of its security-based swaps rules, including a final rule addressing transactions of a non-US person arranged, negotiated, or executed by personnel located in a US branch or office. However, it remains unclear as to how or when substituted compliance may be available, and which of the SEC's rules will be eligible.

Risk review

Supervision and regulation

(e) Conduct, culture and other regulation

Conduct and culture

On 7 March 2016, the PRA and FCA introduced measures to increase the individual accountability of senior managers and other covered individuals in the banking sector. The new regime comprises: the Senior Managers Regime, which applies to a limited number of individuals with senior management responsibilities within a firm; the Certification Regime, which is intended to assess and monitor the fitness and propriety of a wider range of employees who could pose a risk of significant harm to the firm or its customers; and conduct rules that individuals subject to either regime must comply with. From March 2017, the conduct rules have applied more widely to other staff of firms within the scope of the regime. The regime will be expanded to apply to all firms authorised under FSMA from 9 December 2019. The Financial Services Act 2010, among other things, requires the UK regulators to make rules about remuneration and to require regulated firms to have a remuneration policy that is consistent with effective risk management.

The Banking Act also amended FSMA to allow the FCA to make rules requiring firms to operate a collective consumer redress scheme to deal with cases of widespread failure by regulated firms to meet regulatory requirements that may have created consumer detriment.

Our regulators have also enhanced their focus on the promotion of cultural values as a key area for banks, although they generally view the responsibility for reforming culture as primarily sitting with the industry.

Strategic review of retail banking business models

The FCA conducted a strategic review of retail banking business models throughout 2017 and 2018 and published its final report in

December 2018. The FCA has used the analysis to inform its view of emerging scenarios in retail banking and their impact on business models and consumers. It concluded that increased competition has the scope to improve outcomes for many consumers but it takes time. As a result of this review the FCA will initiate work in payment services, SME banking and monitoring of retail banking business models which could impact Barclays Group over time.

Data protection and PSD2

Most countries in which Barclays Group has a presence already have privacy laws governing the collection, use and disclosure of personal data, or are considering their introduction. The harmonisation of the European privacy regime through the introduction of the General Data Protection Regulation (GDPR) was a major focus in 2018. However, new laws have also recently been introduced in California, the Cayman Islands, and Brazil, and existing laws in Japan, Guernsey, Jersey and the Isle of Man have been updated. The global nature of our business and IT infrastructure means personal information

may be made available or stored in countries other than where it was originally collected. The proper handling and protection of personal data is very important to our clients, employees and to regulators, and there can be considerable regulatory fines for breaches (for example, up to 4% of global turnover under GDPR).

A number of recent developments have indicated a clear political and regulatory desire to make customer account information and transactional services more easily accessible to customers and parties providing services to them, such as the revised Payment Services Directive (PSD2) and the Open Banking initiative. PSD2 replaced the previous Payment Services Directive and, with respect to certain requirements, has a wider scope, applying transparency and information requirements to payment transactions in all currencies where the provider of at least one leg of the payment service is located in the EU. PSD2 also requires banks which provide accounts to enable access to those accounts through dedicated technology to allow third parties to provide account information and payment initiation services. The requirements relating to this technology will come into effect in September 2019.

Cyber security and operational resilience

Regulators in Europe and the US have been increasingly focused on cyber security risk management and operational resilience for banking organisations. This has resulted in a number of proposed laws, regulations and other requirements that necessitate the implementation of a variety of increased controls and enhancement activities for regulated Barclays Group entities. These include, among others, the adoption of cyber security policies and procedures meeting specified criteria, minimum required security measures, controls and procedures for enhanced reporting and public disclosures, compliance certification requirements, and other cyber and information risk governance measures. These increased controls will enhance our security posture and increase our ability to protect the organisation and our customers. Such measures may result in increased technology and compliance costs for Barclays Group.

Sanctions and financial crime

The UK Bribery Act 2010 introduced a new form of corporate criminal liability focused broadly on a company's failure to prevent bribery on its behalf. The legislation has broad application and in certain circumstances may have extra-territorial impact on entities, persons or activities located outside the UK, including Barclays PLC and its subsidiaries. In practice, the legislation requires Barclays Group to have adequate procedures to prevent bribery which, due to the extra-territorial nature of the status, makes this both complex and costly.

On 30 September 2017, the Criminal Finances Act 2017 introduced new corporate criminal offences of failing to prevent the facilitation of UK and overseas tax evasion. The legislation

has very broad extra-territorial application and may impact entities, persons or activities located outside the UK, including Barclays PLC and its subsidiaries. It also requires Barclays Group to have reasonable prevention procedures in place to prevent the criminal facilitation of tax evasion by persons acting for, or on behalf of, Barclays Group.

In the US, the Bank Secrecy Act, the USA PATRIOT Act 2001 and regulations thereunder contain numerous anti-money laundering and anti-terrorist financing requirements for financial institutions. In addition, Barclays Group is subject to the US Foreign Corrupt Practices Act, which prohibits certain payments to foreign officials, as well as rules and regulations relating to economic sanctions and embargo programs administered by the US Office of Foreign Assets Control which restrict certain business activities with certain individuals, entities, groups, countries and territories.

Two significant new regulatory rules came into force in the US in 2018: the New York Department of Financial Services (DFS) Rule 504 and the US Department of Treasury's Financial Crime Enforcement Network (FinCEN) Customer Due Diligence (CDD) Rule. Rule 504 enumerates detailed transaction filtering and screening requirements for potential Bank Secrecy Act and anti-money laundering violations and transactions with sanctioned entities,

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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.

176 Barclays PLC 2018 Annual Report on Form 20-F

Financial review

A review of the performance of Barclays, including the key performance indicators, and the contribution of each of our businesses to the overall performance of the Barclays Group.

Financial review	Page
Key performance indicators	178
Consolidated summary income statement	180
Income statement commentary	181
Consolidated summary balance sheet	182
Balance sheet commentary	183
Analysis of results by business	184
Margins and balances	194
Non-IFRS performance measures	195

Financial review

Key performance indicators

In assessing the financial performance of the Group, management uses a range of KPIs which focus on the Group's financial strength, the delivery of sustainable returns and cost management. Barclays is on track in the execution of its strategy and continues to target RoTE of greater than 9% in 2019 and greater than 10% in 2020, excluding litigation and conduct, based on a CET1 ratio of c.13%, and operating expenses guidance in the range of £13.6–13.9bn in 2019, excluding litigation and conduct.

Non-IFRS performance measures

Barclays' management believes that the non-IFRS performance measures included in this document provide valuable information to the readers of the financial statements as they enable the reader to identify a more consistent basis for comparing the businesses performance between financial periods, and provide more detail concerning the elements

of performance which the managers of these businesses are most directly able to influence or are relevant for an assessment of the Barclays Group. They also reflect an important aspect of the way in which operating targets are defined and performance is monitored by Barclays' management. However, any non-IFRS performance measures in this document are not a substitute for IFRS

measures and readers should consider the IFRS measures as well. Refer to pages 195 to 200 for further information and calculations of non-IFRS performance measures included throughout this section, and the most directly comparable IFRS measures.

Definition

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

Why is it important and how the Group performed

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

CET1 ratio

13.2%

2017: 13.3%

2016: 12.4%

defined by the CRR.

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, £1.0bn from the redemption of capital instruments.

Barclays Group target: CET1 ratio of c.13%.

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.

Average UK leverage ratio

4.5%

2017: 4.9%

2016: 4.5%

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.

Definition**Return on average shareholders equity**

RoE is calculated as profit after tax attributable to ordinary shareholders, including an adjustment for the tax credit recorded in reserves in respect of other equity instruments, as a proportion of average shareholders equity excluding non-controlling interests and other equity instruments.

Why is it important and how the Group performed

This measure indicates the return generated by the management of the business based on shareholders equity. RoE for the Barclays Group was positive 3.1% (2017: negative 3.1%) reflecting an attributable profit of £1,394m (2017: loss of £1,922m) which included charges for litigation and conduct of £2.1bn, relating to RMBS settlement and PPI provisions.

Barclays Group RoE

3.1%
2017: (3.1%)
2016: 3.0%

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.

Barclays Group RoTE excluding litigation and conduct

8.5%
2017: (1.2%)
2016: 6.2%

Barclays Group RoTE

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%.
3.6%
2017: (3.6%)
2016: 3.6%

RoTE for the Barclays Group was positive 3.6% (2017: negative 3.6%) reflecting an attributable profit of

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£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%.

Operating expenses^a

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.

Statutory operating expenses

£16.2bn

2017: £15.5bn

2016: £16.3bn

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).

Operating expenses^a

£13.9bn

2017: £14.2bn

2016: £15.0bn

Barclays Group target: operating expenses, excluding litigation and conduct, of £13.6 to 13.9bn in 2019.

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.

Cost: income ratio

77%

2017: 73%

2016: 76%

Cost: income ratio

excluding litigation and conduct

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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.

66%
2017: 68%
2016: 70%

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.

Note

aGroup operating expenses, excluding litigation and conduct, and a GMP charge of £140m.

Financial review

Consolidated summary income statement

	2018	2017	2016	2015	2014
	£m	£m	£m	£m	£m
For the year ended 31 December					
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)
Dividend per ordinary share	6.5p	3.0p	4.5p	6.5p	6.5p
Return on average shareholders' equity	3.1%	(3.1%)	3.0%	(0.6%)	(0.2%)
Return on average tangible shareholders' equity	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					

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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

aThe 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

bRefer to pages 197 to 200 for further information and calculations of performance measures excluding litigation and conduct.

The financial information above is extracted from the published accounts. This information should be read together with the information included in the accompanying consolidated financial statements.

Financial review

Income statement commentary

2018 compared to 2017

Profit before tax was £3,494m (2017: £3,541m). Excluding litigation and conduct charges, profit before tax increased 20% to £5,701m driven by an improvement in credit impairment charges and a reduction in operating expenses. The 3% depreciation of average USD against GBP adversely impacted profits.

Total income was £21,136m (2017: £21,076m). Barclays UK income was stable as lower interest margins were offset by strong balance sheet growth. Barclays International income growth in Markets, which increased 9%, was offset by lower Banking income, primarily from a 20% decrease in Corporate lending income reflecting the strategy of redeploying RWAs to higher returning businesses. Consumer, Cards and Payments income growth was offset by the non-recurrence of prior year one-offs, from a US asset card sale and a valuation gain on Barclays preference shares in Visa Inc. Head Office income was a net expense of £273m (2017: £159m), and the Group benefited from the non-recurrence of negative income associated with the former Non-Core division, which was closed on 1 July 2017.

Credit impairment charges decreased 37% to £1,468m primarily driven by single name recoveries, updates to consensus-based macroeconomic forecasts in the UK and US during the year, the non-recurrence of single name charges in 2017, portfolio adjustments as IFRS 9 has continued to embed and the prudent management of credit risk, including the impact of repositioning the US cards portfolio towards a lower risk mix. This decrease was partially offset by a Q4 2018 £150m specific charge for the impact of the anticipated economic uncertainty in the UK. The Barclays Group loan loss rate was 44bps (2017: 57bps).

Operating expenses of £13,896m (2017: £14,249m) reduced 2% as continued investment to grow the business and improve future operating efficiency was more than offset by elimination of legacy costs, productivity savings and a lower bank levy charge due to a reduction in the levy rate and the impact of prior year adjustments. The cost: income ratio, excluding litigation and conduct, reduced to 66% (2017: 68%).

Total operating expenses of £16,243m (2017: £15,456m) included litigation and conduct charges of £2,207m (2017: £1,207m) and a £140m charge for GMP in relation to the equalisation of obligations for members of the Barclays Bank UK Retirement Fund (UKRF). There was no capital impact of the GMP charge as, at 31 December 2018, the UKRF remained in accounting surplus.

Other net income declined to £69m (2017: £257m) primarily reflecting the non-recurrence of gains on the sales of Barclays share in VocaLink and a joint venture in Japan in Q2 2017.

The Group's effective tax rate reduced to 32.1% (2017: 63.3%). This rate included one-off net charge due to the re-measurement of DTAs as a result of the reduction in the US federal corporate income tax rate. The underlying effective tax rate was 20.9% (2017: 29.4%), due to the lower US federal corporate income tax rate and the beneficial impact of adjustments to prior periods recognised in 2018.

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The Group's underlying effective tax rate for future periods, is expected to be in the low-to mid-20 percents, excluding the impact of the future accounting change that will require tax relief on payments in relation to AT1 instruments to be recognised in the income statement, as opposed to retained earnings.

Attributable profit was £1,394m (2017: loss of £1,922m). This reflected the non-recurrence of a £2.5bn loss related to the sell down of BAGL and a tax charge of £1,122m compared to a 2017 charge of £2,240m which included a one-off net charge of £0.9bn due to the re-measurement of US DTAs.

RoE was 3.1% (2017: negative 3.1%). RoTE was 8.5% (2017: negative 1.2%) and earnings per share was 21.9p (2017: loss per share of 3.5p), excluding litigation and conduct. Statutory RoTE was 3.6% (2017: negative 3.6%) and basic earnings per share was 9.4p (2017: loss per share 10.3p).

2017 compared to 2016

Profit before tax increased 10% to £3,541m driven by a 5% reduction in operating expenses, partially offset by a 2% reduction in income and lower other net income. Results were impacted by the appreciation of average USD and EUR against GBP of 5% and 7% respectively, compared to 2016, which positively impacted income and adversely affected impairment and operating expenses.

Following the closure of Barclays Non-Core on 1 July 2017, Group results for 2017 included a Barclays Non-Core loss before tax for the six months ended 30 June 2017 of £647m, compared to a loss before tax of £2,786m for the full year in 2016. From 1 July 2017, residual Barclays Non-Core assets and liabilities were reintegrated into, and associated financial performance subsequently reported in, Barclays UK, Barclays International and Head Office.

Total income decreased to £21,076m (2016: £21,451m) reflecting a £613m decrease in Barclays International and a £262m reduction in Head Office, partially offset by a reduction in losses related to Non-Core.

Credit impairment charges were broadly stable at £2,336m (2016: £2,373m) and reflected a charge of £168m in 2017 relating to deferred consideration from an asset sale in US Cards, and the non-recurrence of a £320m charge in 2016 following the management review of the UK and US cards portfolio impairment modelling. Impairment increased in Barclays International driven by an increase in underlying delinquency trends and business growth in US Cards. The Group loan loss rate increased 4bps to 57bps.

Operating expenses reduced 5% to £15,456m driven primarily by lower Non-Core related operating expenses. Excluding litigation and conduct charges, Group operating expenses were £14.2bn, in line with 2017 guidance.

Other net income of £257m (2016: £490m) primarily reflected a gain of £109m on the sale of Barclays' share in VocaLink to MasterCard and a gain of £76m on the sale of a joint venture in Japan.

The effective tax rate on profit before tax increased to 63.3% (2016: 30.7%) principally due to a one-off tax charge of £1,177m due to the remeasurement of US DTAs as a result of the US Tax Cuts and Jobs Act, partially offset by an unrelated £276m increase in US DTAs due to a remeasurement of Barclays Bank PLC's US branch DTAs.

Loss after tax in respect of the Africa Banking discontinued operation of £2,195m included a £1,090m impairment of Barclays' holding in BAGL and a £1,435m loss on the sale of 33.7% of BAGL's issued share capital, primarily due to recycling of currency translation reserve losses to the income statement on accounting deconsolidation.

RoE was negative 3.1% (2016: positive 3.0%). RoTE was negative 3.6% (2016: positive 3.6%) and basic loss per share was 10.3p (2016: earnings per share of 10.4p). Excluding litigation and conduct, losses related to the sell down of BAGL and the one-off net charge due to the remeasurement of US DTAs, RoTE was 5.6% and earnings per share was 16.2p.

Financial review

Consolidated summary balance sheet

	2018	2017 ^a	2016 ^a	2015 ^a	2014 ^a
As at 31 December	£m	£m	£m	£m	£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
	62,556	63,905	64,873	59,810	59,567

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Total equity excluding non-controlling interests					
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					

aBarclays introduced changes to the balance sheet presentation as at 31 December 2017 as a result of the adoption of new accounting policies on 1 January 2018. The comparatives for the prior years have been updated to reflect this presentation change. Further detail on the adoption of new accounting policies can be found in Note 1 on page 216 to 218, Note 42 on page 297 to 304 and the Credit risk disclosures on pages 103 to 129.

bDebt securities in issue include covered bonds of £8.5bn (2017: £12.4bn).

Financial review

Balance sheet commentary

Total assets

Total assets remained flat at £1,133bn.

Cash and balances at central banks increased £6bn to £177bn, as cash contributed more to the Group liquidity pool. Cash collateral and settlement balances remained flat at £77bn.

Loans and advances at amortised cost increased £2bn to £326bn as £10bn of new lending, principally in mortgages and corporate lending, and the reclassification £5bn of held to maturity securities from financial investments was offset by the effects of the transition to IFRS 9.

Reverse repurchase agreements and other similar secured lending decreased £10bn to £2bn reflecting the reclassification to financial assets at fair value through the income statement on transition to IFRS 9.

Trading portfolio assets decreased £10bn to £104bn. Financial assets at fair value through the income statement increased £34bn to £150bn primarily due to the impact arising from the transition to IFRS 9 and increased reverse repurchase agreements activity.

Derivative financial instrument assets decreased from £238bn to £223bn which is consistent with the movement in derivative financial instrument liabilities. The decrease in both was as a result of an increase in major interest rate forward curves and the adoption of daily settlement under the London Clearing House (LCH), partially offset by increased foreign exchange and equity derivative volumes.

Financial investments have been reclassified to financial assets at fair value through other comprehensive income following the implementation of IFRS 9. As part of the reclassification £5bn of held to maturity securities were classified as loans and advances at amortised cost.

Total liabilities

Total liabilities increased £3bn to £1,070bn.

Deposits at amortised cost decreased £4bn to £395bn as the effects of transition to IFRS 9 more than offset substantial and targeted increases in Barclays International deposits and strong deposit growth in Barclays UK.

Cash collateral and settlement balances remained flat at £68bn.

Repurchase agreements and other similar secured borrowing decreased £21bn to £19bn reflecting the reclassification to financial liabilities at fair value on transition to IFRS 9.

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Debt securities in issue increased from £73bn to £82bn due to net issuances of bonds, medium term notes and commercial paper used to manage the Group liquidity pool. Subordinated liabilities decreased by £3bn to £21bn as a result of various redemptions during the year.

Trading portfolio liabilities increased £1bn to £38bn. Financial liabilities designated at fair value increased £43bn to £217bn primarily as a result of the effects of transition to IFRS 9 and additional client margin deposits from the growth of the Equities business.

Derivative financial instruments decreased from £238bn to £220bn in line with the decrease in derivative financial instrument assets.

Total shareholders equity

Total shareholders equity decreased £1bn to £63bn.

Share capital and share premium decreased £17.7bn to £4.3bn. In September 2018, the High Court of Justice in England and Wales confirmed the cancellation of the share premium account of Barclays PLC, with the balance of £17.9bn credited to retained earnings.

Other equity instruments increased £0.7bn to £9.6bn primarily due the issuance of one USD AT1 security with a principal amount of \$2.5bn partially offset by a redemption of one USD AT1 security with a principal amount of \$2.0bn.

The fair value through other comprehensive income reserve represents the unrealised change in the fair value through other comprehensive income investments since initial recognition. Following the adoption of IFRS 9, accumulated fair value changes of £228m previously recognised in the available for sale reserve are now recorded in fair value through other comprehensive income.

The decrease in the year of £0.6bn was primarily driven by changes in the fair value of bonds held and a decrease in the Absa Group Limited share price.

The cash flow hedging reserve has decreased £0.5bn to £0.7bn as a result of the fair value movements of interest rate swaps held for hedging purposes as interest rate forward curves increased whilst gains transferred to net profit.

The currency translation reserve increased £0.8bn reflecting the increase in value of period end USD against GBP.

Excluding the impact on transition to IFRS 9 of £2bn, retained earnings increased £18bn as a result of the cancellation of the Group's share premium account and profits for the year.

Net asset value per share decreased to 309p (2017: 322p).

Tangible net asset value per share decreased to 262p (2017: 276p) as profit before tax was more than offset by the impact of implementing IFRS 9, the redemption of preference shares and dividends paid in the year.

Financial review

Analysis of results by business

Barclays UK

	2018	2017	2016
	£m	£m	£m
Income statement information			
Net interest income	6,028	6,086	6,048
Net fee, commission and other income	1,355	1,297	1,469
Total income	7,383	7,383	7,517
Credit impairment charges and other provisions	(826)	(783)	(896)
Net operating income	6,557	6,600	6,621
Operating costs	(4,075)	(4,030)	(3,792)
UK bank levy	(46)	(59)	(48)
Litigation and conduct	(483)	(759)	(1,042)
Total operating expenses	(4,604)	(4,848)	(4,882)
Other net income/(expenses)	3	(5)	(1)
Profit before tax	1,956	1,747	1,738
Attributable profit	1,158	853	828
Balance sheet information			
Loans and advances to customers at amortised cost	£187.6bn	£183.8bn	£166.4bn
Total assets	£249.7bn	£237.4bn	£209.6bn
Customer deposits at amortised cost	£197.3bn	£193.4bn	£189.0bn
Loan: deposit ratio	96%	95%	89%
Risk weighted assets	£75.2bn	£70.9bn	£67.5bn
Key facts			
Average LTV of mortgage portfolio	48%	48%	48%
Average LTV of new mortgage lending	65%	64%	63%
Number of branches	1,058	1,208	1,305
Mobile banking active customers	7.3m	6.4m	5.4m
30 day arrears rate - Barclaycard Consumer UK	1.8%	1.8%	1.9%
Number of employees (full time equivalent) ^a	22,600	22,800	36,000
Performance measures			

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Return on average allocated equity	8.8%	6.6%	6.4%
Average allocated equity	£13.6bn	£13.6bn	£13.4bn
Return on average allocated tangible equity	11.9%	9.8%	9.6%
Average allocated tangible equity	£10.0bn	£9.1bn	£8.9bn
Cost: income ratio	62%	66%	65%
Loan loss rate (bps) ^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 197 to 200 for further information and calculations of performance measures excluding litigation and conduct.

Analysis of Barclays UK

	2018	2017	2016
	£m	£m	£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			

aIn Q218, Wealth was reclassified from Wealth, Entrepreneurs & Business Banking (now named Business banking) to Personal Banking. Comparatives have been restated.

Financial review

Analysis of results by business

2018 compared to 2017

RoE was 8.8% (2017: 6.6%). RoTE excluding litigation and conduct was 16.7% (2017: 17.8%) reflecting the continuing strength of Barclays UK business. Including litigation and conduct charges of £483m (2017: £759m), RoTE increased to 11.9% (2017: 9.8%).

Total income was stable at £7,383m (2017: £7,383m) as lower interest margins were offset by strong balance sheet growth in secured lending and customer deposits.

Personal Banking income decreased 5% to £4,006m as continued momentum in mortgage lending and growth in customer deposits was more than offset by the non-recurrence of an update to effective interest rate modelling in Q4 2017, a valuation gain on Barclays preference shares in Visa Inc. in Q1 2017, and the realignment of clients from Barclays UK to Barclays International as part of structural reform. Barclaycard Consumer UK income increased 6% to £2,104m reflecting a focus on sustainable growth and the non-recurrence of remediation provisioning in H2 2017.

Business Banking income increased 7% to £1,273m driven by strong deposit growth and the realignment of clients from Barclays International to Barclays UK as part of structural reform.

Net interest margin decreased 26bps to 3.23% reflecting growth in secured lending at lower margins and the integration of the ESHLA portfolio.

Credit impairment charges increased 5% to £826m primarily due to a Q4 2018 £100m specific charge for the impact of the anticipated economic uncertainty in the UK. This was partially offset by improved consensus-based macroeconomic forecasts during the year and the continued prudent management of credit risk reflected in the broadly stable 30 and 90 day arrears rates in UK cards of 1.8% (2017: 1.8%) and 0.9% (2017: 0.8%) respectively.

Operating expenses excluding litigation and conduct increased 1% to £4,121m as continued investment to grow the business including digitisation of the bank and improvements to future operating efficiency, were partially offset by cost efficiencies and lower costs of setting up the ring-fenced bank. The cost: income ratio excluding litigation and conduct was 56% (2017: 55%).

Loans and advances to customers at amortised cost increased 2% to £187.6bn reflecting £4.6bn of mortgage growth.

Total assets increased 5% to £249.7bn reflecting increases in the liquidity pool including the transfer of treasury assets from Head Office and loans and advances to customers.

Customer deposits at amortised cost increased 2% to £197.3bn as strong deposit growth was partially offset by the net realignment of clients between Barclays UK and Barclays International as part of structural reform.

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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	2017	2016
	£m	£m	£m
Income statement information			
Net interest income	3,815	4,307	4,512
Net trading income	4,450	3,971	4,580
Net fee, commission and other income	5,761	6,104	5,903
Total income	14,026	14,382	14,995
Credit impairment charges and other provisions	(658)	(1,506)	(1,355)
Net operating income	13,368	12,876	13,640
Operating costs	(9,324)	(9,321)	(9,129)
UK bank levy	(210)	(265)	(284)
Litigation and conduct	(127)	(269)	(48)
Total operating expenses	(9,661)	(9,855)	(9,461)
Other net income	68	254	32
Profit before tax	3,775	3,275	4,211
Attributable profit	2,441	847	2,412
Balance sheet information			
Loans and advances at amortised cost	£ 127.2bn	£ 126.8bn	£ 153.7bn
Trading portfolio assets	£ 104.0bn	£ 113.0bn	£ 73.2bn
Derivative financial instrument assets	£ 222.1bn	£ 236.2bn	£ 156.2bn
Derivative financial instrument liabilities	£ 219.6bn	£ 237.8bn	£ 160.6bn
Financial assets at fair value through the income statement	£ 144.7bn	£ 104.1bn	£ 62.3bn
Total assets	£ 862.1bn	£ 856.1bn	£ 648.5bn
Deposits at amortised cost	£ 197.2bn	£ 187.3bn	£ 184.7bn
Loan: deposit ratio	65%	68%	83%
Risk weighted assets	£ 210.7bn	£ 210.3bn	£ 212.7bn
Key facts			
Number of employees (full time equivalent) ^a	12,400	11,500	36,900
Performance measures			
Return on average allocated equity	8.1%	3.2%	8.8%
Average allocated equity	£32.3bn	£30.5bn	£28.2bn
Return on average allocated tangible equity	8.4%	3.4%	9.8%
Average allocated tangible equity	£31.0bn	£28.1bn	£25.5bn
Cost: income ratio	69%	69%	63%
Loan loss rate (bps) ^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

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Attributable profit	2,547	1,107	2,457
Return on average allocated tangible equity	8.7%	4.4%	9.9%
Cost: income ratio	68%	67%	63%

Notes

- a As a result of the establishment of Barclays Execution Services in September 2017, employees who are now employed by Barclays Execution Services and who were previously allocated to, or were within, Barclays UK and Barclays International are now reported in Head Office.
- b Comparatives calculated based on gross loans and advances at amortised cost prior to the balance sheet presentation change and IAS 39 impairment charge.
- c Refer to pages 197 to 200 for further information and calculations of performance measures excluding litigation and conduct.

Financial review

Analysis of results by business

Analysis of Barclays International

	2018 £m	2017 £m	2016 £m
Corporate and Investment Bank			
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 equity	6.8%	1.1%	5.8%
Average allocated equity	£26.2bn	£24.9bn	£23.2bn
Return on average allocated tangible equity	6.9%	1.1%	6.1%
Average allocated tangible equity	£26.0bn	£24.0bn	£21.9bn
Performance measures excluding litigation and conduct^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

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Operating expenses	(2,253)	(2,111)	(1,834)
Litigation and conduct	(59)	(2)	(3)
Total operating expenses	(2,312)	(2,113)	(1,837)
Other net income	41	121	31
Profit before tax	1,182	1,219	1,561
Balance sheet information			
Loans and advances at amortised cost	£40.8bn	£38.6bn	£39.7bn
Deposits at amortised cost	£60.9bn	£59.3bn	£50.7bn
Risk weighted assets	£39.8bn	£34.1bn	£34.1bn
Key facts			
30 day arrears rates - Barclaycard US	2.7%	2.6%	2.6%
Total number of Barclaycard business clients	374,000	366,000	355,000
Value of payments processed	£344bn	£322bn	£296bn
Performance measures			
Return on average allocated equity	13.5%	12.5%	23.1%
Average allocated equity	£6.1bn	£5.6bn	£5.0bn
Return on average allocated tangible equity	16.5%	16.7%	31.4%
Average allocated tangible equity	£5.0bn	£4.2bn	£3.6bn
Performance measures excluding litigation and conduct^b			
Profit before tax	1,241	1,221	1,564
Return on average allocated tangible equity	17.3%	16.8%	31.5%

Notes

aFixed income, currencies and commodities (FICC) is composed of Credit and Macro income.

bRefer to pages 197 to 200 for more information and calculations of performance measures excluding litigation and conduct.

2018 compared to 2017

RoE was 8.1% (2017: 3.2%), CIB RoE was 6.8% (2017: 1.1%) and Consumer, Cards and Payments RoE was 13.5% (2017: 12.5%). 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^a, 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 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 4 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.

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Attributable profit increased to £2,441m (2017: £847m) as 2017 was impacted by the one-off tax charge due to the re-measurement 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 £3,275 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

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

Financial review

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.

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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.

190 Barclays PLC 2018 Annual Report on Form 20-F

Head Office

	2018	2017	2016
	£m	£m	£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
Key facts			
Number of employees (full time equivalent) ^a	48,500	45,600	100
Performance measures			
Average allocated equity	£6.2bn	£10.6bn	£8.0bn
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 197 to 200 for more information and calculations of performance measures excluding litigation and conduct.

2018 compared to 2017

Loss before tax excluding litigation and conduct was £640m (2017: £683m). Including litigation and conduct charges of £1,597m (2017: £151m) primarily related to the £1,420m settlement with the US DoJ relating to RMBS, loss before tax was £2,237m (2017: £834m).

Total income was an expense of £273m (2017: £159m) reflecting legacy capital instrument funding costs of £351m and hedge accounting expenses. This was partially offset by a one-off gain of £155m from the settlement of receivables relating to the Lehman Brothers acquisition in Q2 2018, lower net expenses from treasury operations, higher Absa Group

Limited dividend income and mark-to-market gains on legacy investments.

Operating expenses excluding litigation and conduct and a GMP charge, reduced to £241m (2017: £318m) driven by lower costs associated with legacy Non-Core assets and businesses, and reduced bank levy. Total operating expenses of £1,978m (2017: £469m) included litigation and conduct charges of £1,597m (2017: £151m) and a £140m charge for GMP in relation to the

equalisation of obligations for members of the Barclays Bank UKRF.

Other net expenses were £2m (2017: £189m) due to non-recurrence of a £180m expense in Q2 2017 on the recycling of the currency translation reserve to the income statement on the sale of Barclays Bank Egypt.

Total assets decreased to £21.5bn (December 2017: £39.7bn) reflecting the transfer of treasury assets to Barclays UK and Barclays International as part of structural reform.

RWAs decreased to £26.0bn (December 2017: £31.8bn) reflecting the net reduction due to BAGL regulatory deconsolidation.

2017 compared to 2016

Loss before tax was £834m (2016: profit of £67m).

Total income reduced to an expense of £159m (2016: income of £103m) primarily due to lower net income from treasury operations.

Operating expenses increased to £469m (2016: £164m) due to costs associated with Non-Core assets and businesses, which were integrated on 1 July 2017, and increased

litigation and conduct costs, including a settlement to resolve the civil action brought by the US Federal Energy Regulatory Commission's Office of Enforcement and provisions for other legacy redress.

Other net expenses were £189m (2016: income of £128m) driven by an expense of £180m on the recycling of the currency translation reserve to the income statement on the sale of Barclays Bank Egypt. 2016 included a gain due to

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recycling of the currency translation reserve on disposal of the Southern European cards business.

Total assets decreased to £39.7bn (December 2016: £75.2bn) primarily due to the accounting deconsolidation of BAGL, which accounted for £65bn of total assets on deconsolidation from the Barclays Group. This was partially offset by the integration of Non-Core assets on 1 July 2017, of which c.£9bn related to Italian mortgages.

RWAs decreased to £31.8bn (December 2016: £53.3bn) reflecting a £31.1bn reduction as a result of the proportional consolidation of BAGL, partially offset by the integration of Non-Core assets.

Financial review

Analysis of results by business

Barclays Non-Core

	2018 £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			

^aRepresents financial results for the six months ended 30 June 2017.

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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.

192 Barclays PLC 2018 Annual Report on Form 20-F

Discontinued Operation: Africa Banking

	2018	2017 ^a	2016
	£m	£m	£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			

aThe Africa Banking income statement represents five months of results as a discontinued operation to 31 May 2017.

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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.

Financial review

Margins and balances

Margins analysis

Net interest margin decreased 21bps to 3.53% primarily reflecting the full year impact of the integration of Education, Social Housing and Local Authority (ESHLA) portfolio on 1 July 2017, the mix shift given growth in secured lending and the recategorisation of certain treasury income following ring-fencing (from net interest income to non-interest income). Barclays Group net interest income decreased 8% to £9.1bn including gross structural hedge contributions of £1.7bn (2017: £1.7bn).

	Net interest income	2018 Average customer assets	Net interest margin	Net interest income	2017 Average customer assets	Net interest margin
	£m	£m	%	£m	£m	%
For the year ended 31 December						
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

aBarclays International margins include interest earning lending balances within the investment banking business.

bOther includes Head Office and non-interest earning lending balances within the investment banking business.

Barclays Non-Core is included in the first six months of the comparative period.

Financial review

Non-IFRS performance measures

Barclays' management believes that the non-IFRS performance measures included in this document provide valuable information to the readers of the financial statements as they enable the reader to identify a more consistent basis for comparing the businesses' performance between financial periods, and provide more detail concerning the elements of performance which the managers of these businesses are most directly able to influence

or are relevant for an assessment of the Barclays Group. They also reflect an important aspect of the way in which operating targets are defined and performance is monitored by Barclays' management.

However, any non-IFRS performance measures in this document are not a substitute for IFRS measures and readers should consider the IFRS measures as well.

Non-IFRS performance measures glossary

Measure

Loan: deposit ratio

Definition

Loans and advances at amortised cost divided by deposits at amortised cost. The components of the calculation have been included on page 140.

Period end allocated tangible equity

Allocated tangible equity is calculated as 13.0% (2017: 12.0%) of RWAs for each business, adjusted for capital deductions, excluding goodwill and intangible assets, reflecting the assumptions the Barclays Group uses for capital planning purposes. Head Office allocated tangible equity represents the difference between the Barclays Group's tangible shareholders' equity and the amounts allocated to businesses.

Average tangible shareholders' equity

Calculated as the average of the previous month's period end tangible equity and the current month's period end tangible equity. The average tangible shareholders' equity for the period is the average of the monthly averages within that period.

Average allocated tangible equity	Calculated as the average of the previous month's period end allocated tangible equity and the current month's period end allocated tangible equity. The average allocated tangible equity for the period is the average of the monthly averages within that period.
Return on average tangible shareholders' equity	Statutory profit after tax attributable to ordinary equity holders of the parent, including an adjustment for the tax credit in reserves in respect of other equity instruments, as a proportion of average shareholders' equity excluding non-controlling interests and other equity instruments adjusted for the deduction of intangible assets and goodwill. The components of the calculation have been included on page 196.
Return on average allocated tangible equity	Statutory profit after tax attributable to ordinary equity holders of the parent, including an adjustment for the tax credit in reserves in respect of other equity instruments, as a proportion of average allocated tangible equity. The components of the calculation have been included on pages 196.
Cost: income ratio	Total operating expenses divided by total income.
Loan loss rate	Quoted in basis points and represents total impairment charges divided by gross loans and advances held at amortised cost at the balance sheet date. The components of the calculation have been included on page 107.
Net interest margin	Net interest income divided by the sum of average customer assets. The components of the calculation have been included on page 194.
Tangible net asset value per share	Calculated by dividing shareholders' equity, excluding non-controlling interests and other equity instruments, less goodwill and intangible assets, by the number of issued ordinary shares. The components of the calculation have been included on page 199.
Performance measures excluding litigation and conduct	Calculated by excluding litigation and conduct charges from performance measures. The components of the calculations have been included on pages 197 to 200.

Financial review

Non-IFRS performance measures

Returns

Return on average tangible equity is calculated as profit for the period attributable to ordinary equity holders of the parent (adjusted for the tax credit recorded in reserves in respect of interest payments on other equity instruments) divided by average tangible equity for the period, excluding non-controlling and other equity interests for businesses.

Allocated tangible equity has been calculated as 13.0% (2017: 12.0%) of RWAs for each business, adjusted for capital deductions, excluding goodwill and intangible assets, reflecting the assumptions the Barclays Group uses for capital planning purposes. Head Office average allocated tangible equity represents the difference between the Barclays Group's average tangible shareholders' equity and the amounts allocated to businesses.

	Tax credit Profit/(loss) attributable in respect of interest payments on other equity instruments		Return on average tangible equity		
	Attributable profit/(loss) £m	£m	Average tangible equity £bn	%	
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

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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					
	Barclays UK	Corporate and Investment Bank	Consumer, and Cards and Payments	Barclays International	Barclays Head Office	Barclays Group
	£m	£m	£m	£m	£m	£m
Cost: income ratio						
Total operating expenses	(4,604)	(7,349)	(2,312)	(9,661)	(1,978)	(16,243)
Impact of litigation and conduct	483	68	59	127	1,597	2,207
Operating expenses	(4,121)	(7,281)	(2,253)	(9,534)	(381)	(14,036)
Total income	7,383	9,765	4,261	14,026	(273)	21,136
Cost: income ratio excluding litigation and conduct	56%	75%	53%	68%	n/m	66%
Profit before tax						
Profit/(loss) before tax	1,956	2,593	1,182	3,775	(2,237)	3,494
Impact of litigation and conduct	483	68	59	127	1,597	2,207
Profit/(loss) before tax excluding litigation and conduct	2,439	2,661	1,241	3,902	(640)	5,701
Profit attributable to ordinary equity holders of the parent						
Attributable profit/(loss)	1,158	1,641	800	2,441	(2,205)	1,394
Post-tax impact of litigation and conduct	472	62	44	106	1,558	2,136
Attributable profit/(loss) excluding litigation and conduct	1,630	1,703	844	2,547	(647)	3,530
Tax credit in respect of interest payments on other equity instruments	40	140	18	158	5	203
Profit/(loss) attributable to ordinary equity holders of the parent excluding litigation and conduct	1,670	1,843	862	2,705	(642)	3,733

Return on average tangible shareholders equity

Average shareholders equity	£13.6bn	£26.2bn	£6.1bn	£32.3bn	£6.2bn	£52.1bn
Goodwill and intangibles	(£3.6bn)	(£0.2bn)	(£1.1bn)	(£1.3bn)	(£3.1bn)	(£8.0bn)
Average tangible shareholders equity	£10.0bn	£26.0bn	£5.0bn	£31.0bn	£3.1bn	£44.1bn

Return on average tangible shareholders equity excluding litigation and conduct

	16.7%	7.1%	17.3%	8.7%	n/m	8.5%
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Barclays Group average tangible shareholders equity based on a CET1 ratio of 13%

£45.0bn

Barclays Group return on average tangible shareholders equity excluding litigation and conduct based on a CET1 ratio of 13%

8.3%

Basic earnings per ordinary share

Basic weighted average number of shares

17,075m

Basic earnings per ordinary share excluding litigation and conduct

21.9p

Financial review

Non-IFRS performance measures

	For the year ended 31 December 2017					
	Barclays UK	Corporate and Investment Bank	Consumer, Cards and Payments International	Barclays Head Office ^a	Barclays Group ^b	
	£m	£m	£m	£m	£m	£m
Cost: income ratio						
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						

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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%)
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Basic earnings per ordinary share

Basic weighted average number of shares						16,996m
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Basic loss per ordinary share excluding litigation and conduct						(3.5p)
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Notes

a Average tangible shareholders' equity for Africa is included within Head Office.

b Barclays Group results also included Barclays Non-Core and the Africa Banking discontinued operation.

	For the year ended 31 December 2016					
	Barclays UK	Corporate and Investment Bank	Consumer, Cards and Payments	Barclays International	Head Office ^a	Barclays Group ^b
	£m	£m	£m	£m	£m	£m
Cost: income ratio						
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						

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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
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Basic earnings per ordinary share excluding litigation and conduct

						18.0p
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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	2017	2016
	£m	£m	£m
Total equity excluding non-controlling interests	62,556	63,905	64,873
Other equity instruments	(9,632)	(8,941)	(6,449)
Shareholders' equity excluding non-controlling interests attributable to ordinary shareholders of the parent	52,924	54,964	58,424
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
Net asset value per share	309p	322p	334p
Tangible net asset value per share	262p	276p	290p

Note

a Comparative figures for 2016 include goodwill and intangibles in relation to Africa Banking.

Profit/(loss) attributable to ordinary equity holders of the parent

	2018 £m	2017 £m	2016 £m
Barclays UK	1,198	893	857
Corporate and Investment Bank	1,781	269	1,342
Consumer, Cards and Payments	818	698	1,153
Barclays International	2,599	967	2,495
Head Office	(2,200)	(864)	109
Barclays Non-Core	-	(409)	(1,899)
Africa Banking discontinued operation	-	(2,335)	189
Barclays Group	1,597	(1,748)	1,751

Average allocated equity^a

	2018 £bn	2017 £bn	2016 £bn
Barclays UK	13.6	13.6	13.4
Corporate and Investment Bank	26.2	24.9	23.2
Consumer, Cards and Payments	6.1	5.6	5.0

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Barclays International	32.3	30.5	28.2
Head Office ^b	6.2	10.6	8.0
Barclays Non-Core	-	2.4	7.8
Barclays Group	52.1	57.1	57.4

Return on average allocated equity^c	2018	2017	2016
	%	%	%
Barclays UK	8.8%	6.6%	6.4%
Corporate and Investment Bank	6.8%	1.1%	5.8%
Consumer, Cards and Payments	13.5%	12.5%	23.1%
Barclays International	8.1%	3.2%	8.8%
Barclays Group^d	3.1%	(3.1%)	3.0%

Notes

aThis table shows average equity for the Group and average allocated equity for both the IFRS and non-IFRS reporting segments.

bIncludes the Africa Banking discontinued operation.

cThis table shows return on average equity for the Group and return on average allocated equity for both the IFRS and non-IFRS reporting segments.

dIncludes Head Office and Barclays Non-Core.

Presentation of information

Barclays approach to disclosures

Barclays aims to continually enhance its disclosures and their usefulness to the readers of the financial statements in the light of developing market practice and areas of focus. Consequently Barclays' disclosures go beyond the minimum standards required by accounting standards and other regulatory requirements.

Barclays continues to support the recommendations and guidance made by the Financial Stability Board and its various taskforces which continue to promote a broadening of disclosures by global banks in a number of areas, including liquidity and funding, credit risk and market risk. Barclays has adopted the recommendations across the Annual Report and Pillar 3 Report.

In line with the Financial Reporting Council's guidance on Clear and Concise reporting, Barclays has focused reporting on material items and sought to present information in order to aid users' understanding such as including detail on relevant accounting policies within each note.

British Bankers' Association (BBA) Code for Financial Reporting Disclosure as adopted by UK Finance in 2017

Barclays has adopted the BBA Code for Financial Reporting Disclosure and has prepared the 2018 Annual Report and Accounts in compliance with the Code.

It is Barclays' view that best in class disclosures will continue to evolve in light of ongoing market and stakeholder engagement within the banking sector. Barclays is committed to continuously reflect the objectives of reporting set out in the BBA Code for Financial Reporting Disclosure. This code sets out five disclosure principles together with supporting guidance which states that UK banks will:

provide high quality, meaningful and decision-useful disclosures

review and enhance their financial instrument disclosures for key areas of interest

assess the applicability and relevance of good practice recommendations to their disclosures acknowledging the importance of such guidance

seek to enhance the comparability of financial statement disclosures across the UK banking sector and

clearly differentiate in their annual reports between information that is audited and information that is unaudited.

Statutory accounts

The consolidated accounts of Barclays PLC and its subsidiaries (set out on pages 205 to 211 along with the accounts of Barclays PLC itself on pages 212 to 213) have been prepared in accordance with the IFRSs as adopted by the European Union. The accounting policies on pages 214 to 217 and the notes commencing on page 218 apply equally to both sets of accounts unless otherwise stated.

Capital Requirements Country-by-Country Reporting

The Capital Requirements (Country-by-Country Reporting) Regulations 2013 require Barclays PLC to publish additional information in respect of the year ended 31 December 2018. This information is available on the Barclays website:

[barclays.com/citizenship/our-reporting-and-policy](https://www.barclays.com/citizenship/our-reporting-and-policy)

[-positions/country-snapshot](https://www.barclays.com/citizenship/our-reporting-and-policy)

Financial statements

Detailed analysis of our statutory accounts, independently audited and providing in-depth disclosure on the financial performance of the Barclays Group.

Consolidated financial statements

	Page	Note
Consolidated income statement	205	n/a
Consolidated statement of comprehensive income	206	n/a
Consolidated balance sheet	207	n/a
Consolidated statement of changes in equity	208	n/a
Consolidated cash flow statement	211	n/a
Parent company accounts	212	n/a

Notes to the financial statements

Significant accounting policies	214	1
		2

Performance/return

Segmental reporting	218	
Net interest income	220	3
Net fee and commission income	220	4
Net trading income	222	5
Net investment income	222	6
Credit impairment charges and other provisions	223	7
Operating expenses	227	8
Tax	228	9

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	Earnings per share	232	10
	Dividends on ordinary shares	232	11
Assets and liabilities held at fair value	Trading portfolio	233	12
	Financial assets at fair value through the income statement	233	13
	Derivative financial instruments	234	14
	Financial assets at fair value through other comprehensive income		
	and Financial investments	240	15
	Financial liabilities designated at fair value	240	16
	Fair value of financial instruments	241	17
	Offsetting financial assets and financial liabilities	255	18
Financial instruments held at amortised cost	Loans and advances and deposits at amortised cost	257	19
	Finance leases	258	20
Non-current assets and other investments	Property, plant and equipment	259	21
	Goodwill and intangible assets	260	22
	Operating leases	262	23
Accruals, provisions, contingent liabilities and legal proceedings	Other liabilities	263	24
	Provisions	263	25
	Contingent liabilities and commitments	265	26
	Legal, competition and regulatory matters	265	27
Capital instruments, equity and reserves	Subordinated liabilities	273	28
	Ordinary shares, share premium and other equity	276	29
	Reserves	277	30
	Non-controlling interests	278	31

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Employee benefits	Share-based payments	279	32
	Pensions and post-retirement benefits	281	33
Scope of consolidation	Principal subsidiaries	286	34
	Structured entities	287	35
	Investments in associates and joint ventures	290	36
	Securitisations	291	37
	Assets pledged	292	38
Other disclosure matters	Related party transactions and Directors' remuneration	293	39
	Auditors' remuneration	295	40
	Discontinued operations and assets included in disposal groups classified as held for sale and associated liabilities	295	41
	Transition disclosures	297	42
	Barclays PLC (the Parent company)	304	43

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors Barclays PLC:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheets of Barclays PLC and subsidiaries (the Group) as of December 31, 2018 and 2017, the related consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity, and consolidated cash flow statements for each of the years in the two year period ended December 31, 2018, and the related notes and specific disclosures described in Note 1 of the financial statements as being part of the consolidated financial statements (collectively, the consolidated financial statements). We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Group as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the two year period ended December 31, 2018, in conformity with International Financial Reporting Standards, as issued by the International Accounting Standards Board. Also, in our opinion, the Group maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018 based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Group has changed its method of accounting for financial instruments in 2018 due to the adoption of International Financial Reporting Standard 9 Financial Instruments.

Basis for Opinions

The Group's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Group in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

We have served as the Group's auditor since 2017.

London, United Kingdom

February 20, 2019

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Barclays PLC

In our opinion, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year ended December 31, 2016, present fairly, in all material respects, the results of operations and cash flows of Barclays PLC (the Company) and its subsidiaries for the year ended December 31, 2016, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

London, United Kingdom

February 22, 2017

Note that the report set out above is included for the purposes of Barclays PLC's Annual Report on Form 20-F for 2018 only and does not form part of Barclays PLC's Annual Report and Accounts for 2018.

Consolidated financial statements

Consolidated income statement

		2018	2017	2016
	Notes	£m	£m	£m
For the year ended 31 December				
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

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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				

aThe presentation of administration and general expenses has been amended to include provisions for litigation and conduct as a separate line item. The prior year comparatives within administration and general expenses categories have been adjusted accordingly.

Consolidated financial statements

Consolidated statement of comprehensive income

	2018	2017	2016
	£m	£m	£m
For the year ended 31 December			
Profit/(loss) after tax	2,372	(894)	2,828
Profit after tax in respect of continuing operations	2,372	1,301	2,237
(Loss)/profit after tax in respect of discontinued operation		(2,195)	591
Other comprehensive income/(loss) that may be recycled to profit or loss from continuing operations:			
Currency translation reserve			
Currency translation differences ^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

aIncludes £41m loss (2017: £189m loss; 2016: £101m gain) on recycling of currency translation differences.

bFollowing the adoption of IFRS 9, Financial Instruments on 1 January 2018, the fair value through other comprehensive income reserve was introduced replacing the available for sale reserve.

Consolidated financial statements

Consolidated balance sheet

		2018	2017 ^a	2016 ^a
As at 31 December	Notes	£m	£m	£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

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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 216 to 218, Note 42 on pages 297 to 304, and the Credit risk disclosures on pages 103 to 129.

The Board of Directors approved the financial statements on pages 205 to 385, on 20 February 2019.

John McFarlane

Group Chairman

James E Staley

Group Chief Executive

Tushar Morzaria

Group Finance Director

Consolidated financial statements

Consolidated statement of changes in equity

	Called up share capital and share premium ^a £m	Other equity instru- ments ^a £m	Fair value through other compre- hensive income reserve ^b £m	Cash flow hedging reserve ^b £m	Currency translation reserve ^b £m	Other reserves Own credit reserve ^b £m	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	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
	51							449	500		500

Issue of shares under employee share schemes											
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

aFor further details refer to Note 29.

bFor further details refer to Note 30.

cFollowing 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.

dFollowing 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 financial statements

Consolidated statement of changes in equity

	Called up share capital and share premium ^a £m	Available Other equity instru- ments ^a £m	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											

aFor further details refer to Note 29.

bFor further details refer to Note 30.

cAs a result of the early adoption of the own credit provisions of IFRS 9 on 1 January 2017, own credit which was previously recorded in the income statement is now recognised within other comprehensive income. The cumulative unrealised own credit net loss of £175m was therefore reclassified from retained earnings to a separate own credit reserve, within other reserves. During 2017, a £4m loss (net of tax) on own credit was booked in the reserve.

Consolidated financial statements

Consolidated statement of changes in equity

	Called up share capital and share premium ^a £m	Available Other equity instruments ^a £m	for sale reserve ^b £m	Cash flow hedging reserve ^b £m	Currency translation 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 1 January 2016	21,586	5,305	317	1,261	(623)	943	31,021	59,810	6,054	65,864
Profit after tax	-	457	-	-	-	-	1,434	1,891	346	2,237
Currency translation movements	-	-	-	-	3,022	-	-	3,022	2	3,024
Available for sale investments	-	-	(387)	-	-	-	-	(387)	-	(387)
Cash flow hedges	-	-	-	798	-	-	-	798	-	798
Pension remeasurement	-	-	-	-	-	-	(980)	(980)	-	(980)
Other	-	-	-	-	-	-	12	12	1	13
Total comprehensive income net of tax from continuing operations	-	457	(387)	798	3,022	-	466	4,356	349	4,705
Total comprehensive income net of tax from discontinued operation	-	-	(4)	46	652	-	183	877	1,234	2,111
Total comprehensive income for the year	-	457	(391)	844	3,674	-	649	5,233	1,583	6,816
Issue of new ordinary shares	68	-	-	-	-	-	-	68	-	68
Issue of shares under employee share schemes	188	-	-	-	-	-	668	856	-	856
	-	1,132	-	-	-	-	-	1,132	-	1,132

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Issue and exchange of other equity instruments										
Other equity instruments coupons paid	-	(457)	-	-	-	-	128	(329)	-	(329)
Redemption of preference shares	-	-	-	-	-	-	(417)	(417)	(1,170)	(1,587)
Increase in treasury shares	-	-	-	-	-	(140)	-	(140)	-	(140)
Vesting of shares under employee share schemes	-	-	-	-	-	166	(415)	(249)	-	(249)
Dividends paid	-	-	-	-	-	-	(757)	(757)	(575)	(1,332)
Net equity impact of partial BAGL disposal	-	-	-	-	-	-	(349)	(349)	601	252
Other reserve movements	-	12	-	-	-	-	3	15	(1)	14
Balance as at 31 December 2016	21,842	6,449	(74)	2,105	3,051	969	30,531	64,873	6,492	71,365

Notes

a For further details refer to Note 29.

b For further details refer to Note 30.

Consolidated financial statements

Consolidated cash flow statement

	Notes	2018 £m	2017 £m	2016 £m
For the year ended 31 December				
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

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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
Net cash from investing activities		677	3,502
Dividends paid and other coupon payments on equity instruments		(1,658)	(1,273)
Issuance of subordinated debt	28	221	3,041
Redemption of subordinated debt	28	(3,246)	(1,378)
Net issue of shares and other equity instruments		1,964	2,490
Repurchase of shares and other equity instruments		(3,582)	(1,339)
Net purchase of treasury shares		(486)	(580)
Net cash from financing activities		(6,787)	961
Effect of exchange rates on cash and cash equivalents		4,160	(4,773)
Net increase in cash and cash equivalents from continuing operations		6,554	60,401
Net cash from discontinued operation	41		101
Net increase in cash and cash equivalents		6,554	60,502
Cash and cash equivalents at beginning of year		204,612	144,110
Cash and cash equivalents at end of year		211,166	204,612
Cash and cash equivalents comprise:			
Cash and balances at central banks		177,069	171,082
Loans and advances to banks with original maturity less than three months		7,676	7,592
Cash collateral to banks with original maturity less than three months		25,504	25,228
Treasury and other eligible bills with original maturity less than three months		917	682
Trading portfolio assets with original maturity less than three months			28
Cash and cash equivalents held for sale			3,149
		211,166	204,612

Interest received was £25,755m (2017: £21,784m; 2016: £22,099m) and interest paid was £15,625m (2017: £10,310m; 2016: £8,850m).

The Barclays Group is required to maintain balances with central banks and other regulatory authorities and these amounted to £4,717m (2017: £3,360m; 2016: £4,254m).

For the purposes of the cash flow statement, cash comprises cash on hand and demand deposits and cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value with original maturities of three months or less. Repurchase and reverse repurchase agreements are not considered to be part of cash equivalents.

Financial statements of Barclays PLC

Parent company accounts

Statement of comprehensive income

		2018	2017	2016
	Notes	£m	£m	£m
For the year ended 31 December				
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

		2018	2017
	Notes	£m	£m
As at 31 December			
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

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Other assets		115	202
Total assets		93,976	68,469
Liabilities			
Deposits at amortised cost		576	500
Subordinated liabilities	43	6,775	6,501
Debt securities in issue	43	32,373	22,110
Other liabilities		72	153
Total liabilities		39,796	29,264
Equity			
Called up share capital	29	4,283	4,265
Share premium account	29	28	17,780
Other equity instruments	29	9,633	8,943
Other reserves		394	480
Retained earnings		39,842	7,737
Total equity		54,180	39,205
Total liabilities and equity		93,976	68,469

The financial statements on pages 212 to 213 and the accompanying note on page 304 were approved by the Board of Directors on 20 February 2019 and signed on its behalf by:

John McFarlane

Group Chairman

James E Staley

Group Chief Executive

Tushar Morzaria

Group Finance Director

Statement of changes in equity

	Notes	Called up	Other equity	Available		Retained	Total equity
		share capital and share premium	instruments	Capital for sale redemption reserve	reserve ^a		
		£m	£m	£m	£m	£m	£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

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Balance as at 1 January 2016	21,586	5,321	394	-	7,851	35,152
Profit after tax and other comprehensive income	-	457	-	26	417	900
Issue of new ordinary shares	68	-	-	-	-	68
Issue of shares under employee share schemes	188	-	-	-	-	188
Issue of other equity instruments	-	1,132	-	-	-	1,132
Dividends paid	11	-	-	-	(757)	(757)
Other equity instruments coupons paid	-	(457)	-	-	91	(366)
Other reserve movements	-	-	-	-	5	5
Balance as at 31 December 2016	21,842	6,453	394	26	7,607	36,322

Note

aAs a result of the adoption of IFRS 9 on 1 January 2018, the available for sale reserve of £86m has been transferred to retained earnings.

Cash flow statement

	2018	2017	2016
	£m	£m	£m
For the year ended 31 December			
Reconciliation of profit before tax to net cash flows from operating activities:			
Profit before tax	15,870	1,258	934
Adjustment for non-cash items:			
Dividends in specie	(14,294)		
Other non-cash items	653	76	62
Changes in operating assets and liabilities	55	102	37
Net cash generated from operating activities	2,284	1,436	1,033
Capital contribution to and investment in subsidiary	(2,680)	(2,801)	(1,250)
Net cash used in investing activities	(2,680)	(2,801)	(1,250)
Issue of shares and other equity instruments	1,953	2,581	1,388
Redemption of other equity instruments	(1,532)		
Net increase in loans and advances to subsidiaries of the Parent	(7,767)	(9,707)	(10,942)
Net increase in debt securities in issue	9,174	6,503	9,314
Proceeds of borrowings and issuance of subordinated debt		3,019	1,671
Dividends paid	(680)	(392)	(757)
Coupons paid on other equity instruments	(752)	(639)	(457)
Net cash generated from financing activities	396	1,365	217
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of year			
Cash and cash equivalents at end of year			
Net cash generated from operating activities includes:			
Dividends received	1,066	674	621
Interest (paid)/received	(101)	(10)	5

The Parent company's principal activity is to hold the investment in its wholly-owned subsidiaries, Barclays Bank PLC, Barclays Bank UK PLC and Barclays Services Limited. Dividends received are treated as operating income.

Notes to the financial statements

for the year ended 31 December 2018

This section describes Barclays Group's significant policies and critical accounting estimates that relate to the financial statements and notes as a whole. If an accounting policy or a critical accounting estimate relates to a particular note, the accounting policy and/or critical accounting estimate is contained with the relevant note.

1 Significant accounting policies

1. Reporting entity

These financial statements are prepared for Barclays PLC and its subsidiaries (the Barclays Group) under Section 399 of the Companies Act 2006. The Barclays Group is a major global financial services provider engaged in retail banking, credit cards, wholesale banking, investment banking, wealth management and investment management services. In addition, individual financial statements have been presented for the holding company.

2. Compliance with International Financial Reporting Standards

The consolidated financial statements of the Barclays Group, and the individual financial statements of Barclays PLC, have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations (IFRICs) issued by the Interpretations Committee, as published by the International Accounting Standards Board (IASB). They are also in accordance with IFRS and IFRIC interpretations endorsed by the European Union. The principal accounting policies applied in the preparation of the consolidated and individual financial statements are set out below, and in the relevant notes to the financial statements. These policies have been consistently applied with the exception of the adoption of IFRS 9 Financial Instruments including the early adoption of Prepayment Features with Negative Compensation (Amendments to IFRS 9), IFRS 15 Revenue from Contracts with Customers and the amendments to IFRS 2 Share-based Payment from 1 January 2018.

3. Basis of preparation

The consolidated and individual financial statements have been prepared under the historical cost convention modified to include the fair valuation of investment property, and particular financial instruments, to the extent required or permitted under IFRS as set out in the relevant accounting policies. They are stated in millions of pounds Sterling (£m), the functional currency of Barclays PLC.

The financial statements have been prepared on a going concern basis, in accordance with the Companies Act 2006 as applicable to companies using IFRS.

4. Accounting policies

The Barclays Group prepares financial statements in accordance with IFRS. The Barclays Group's significant accounting policies relating to specific financial statement items, together with a description of the accounting estimates and judgements that were critical to preparing them, are set out under the relevant notes. Accounting policies that affect the financial statements as a whole are set out below.

(i) Consolidation

Barclays Group applies IFRS 10 *Consolidated financial statements*.

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

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

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

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

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

As the consolidated financial statements include partnerships where the Barclays Group member is a partner, advantage has been taken of the exemption under Regulation 7 of the Partnership (Accounts) Regulations 2008 with regard to preparing and filing of individual partnership financial statements.

Details of the principal subsidiaries are given in Note 34.

(ii) Foreign currency translation

The Barclays Group applies IAS 21 *The Effects of Changes in Foreign Exchange Rates*. Transactions in foreign currencies are translated into Sterling at the rate ruling on the date of the transaction. Foreign currency monetary balances are translated into Sterling at the period end exchange rates. Exchange gains and losses on such balances are taken to the income statement. Non-monetary foreign currency balances are carried at historical transaction date exchange rates.

The Barclays Group's foreign operations (including subsidiaries, joint ventures, associates and branches) based mainly outside the UK may have different functional currencies. The functional currency of an operation is the currency of the main economy to which it is exposed.

Prior to consolidation (or equity accounting) the assets and liabilities of non-Sterling operations are translated at the period end exchange rate and items of income, expense and other comprehensive income are translated into Sterling at the rate on the date of the transactions. Exchange differences arising on the translation of foreign operations are included in currency translation reserves within equity. These are transferred to the income statement when the

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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.

214 Barclays PLC 2018 Annual Report on Form 20-F

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.

Notes to the financial statements

for the year ended 31 December 2018

1 Significant accounting policies continued

(iv) Issued debt and equity instruments

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

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

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

5. New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, with the exception of the adoption of IFRS 9 *Financial Instruments* including the early adoption of *Prepayment Features with Negative Compensation* (Amendments to IFRS 9), IFRS 15 *Revenue from Contracts with Customers* and the amendments to IFRS 2 *Share-based Payment* from 1 January 2018.

IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces key changes in the following areas:

Classification and measurement requiring asset classification and measurement based upon both business model and product characteristics

Impairment introducing an expected credit loss model using forward looking information which replaces an incurred loss model. The expected credit loss model introduces a three-stage approach to impairment as follows:
Stage 1 the recognition of 12 month expected credit losses (ECL), that is the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, if credit risk has not increased

significantly since initial recognition;

Stage 2 lifetime expected credit losses for financial instruments for which credit risk has increased significantly since initial recognition; and

Stage 3 lifetime expected credit losses for financial instruments which are credit impaired.

Refer to note 7 for further details regarding the impairment requirements of IFRS 9.

As required by IFRS 9 the Barclays Group applied IFRS 9 retrospectively by adjusting the opening balance sheet at the date of initial application, and comparative periods have not been restated; for more detail refer to Note 42.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 *Revenue from Contracts with Customers* replaces IAS 18 *Revenue* and IAS 11 *Construction Contracts*. IFRS 15 establishes a more systematic approach for revenue measurement and recognition by introducing a five-step model governing revenue recognition. The five-step model includes: 1) identifying the contract with the customer, 2) identifying each of the performance obligations included in the contract, 3) determining the amount of consideration in the contract, 4) allocating the consideration to each of the identified performance obligations and 5) recognising revenue as each performance obligation is satisfied. The Barclays Group elected the cumulative effect transition method with a transition adjustment calculated as of 1 January 2018, and recognised in retained earnings without restating comparative periods. There were no significant impacts from the adoption of IFRS 15 in relation to the timing of when the Barclays Group recognises revenues or when revenue should be recognised gross as a principal or net as an agent; for more detail refer to Note 42.

IFRS 2 Share-based Payment Amendments to IFRS 2

The IASB issued amendments to IFRS 2 *Share-based Payment* that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. The amendments are effective for annual periods beginning on or after 1 January 2018. Adoption of the amendments did not have a significant impact on the Barclays Group.

Future accounting developments

There have been and are expected to be a number of significant changes to the Barclays Group's financial reporting after 2018 as a result of amended or new accounting standards that have been or will be issued by the IASB. The most significant of these are as follows:

IFRS 16 Leases

In January 2016 the IASB issued IFRS 16 *Leases*, which was subsequently endorsed by the EU in November 2017, and will replace IAS 17 *Leases* for period beginning on or after 1 January 2019. IFRS 16 will apply to all leases with the exception of licenses of intellectual property, rights held by licensing agreement within the scope of IAS 38 *Intangible Assets*, service concession arrangements, leases of biological assets within the scope of IAS 41 *Agriculture*, and leases of minerals, oil, natural gas and similar non-regenerative resources. A lessee may elect not to apply IFRS 16 to remaining assets within the scope of IAS 38 *Intangible Assets*.

IFRS 16 will not result in a significant change to lessor accounting; however for lessee accounting there will no longer be a distinction between operating and finance leases. Lessees will be required to recognise both:

a lease liability, measured at the present value of remaining cash flows on the lease, and;

a right of use (ROU) asset, measured at the amount of the initial measurement of the lease liability, plus any lease payments made prior to commencement date, initial direct costs, and estimated costs of restoring the underlying asset to the condition required by the lease, less any lease incentives received.

There is a recognition exception for leases with a term not exceeding 12 months which allows the lessee to apply similar accounting as an operating lease under IAS 17.

216 Barclays PLC 2018 Annual Report on Form 20-F

1 Significant accounting policies continued

Subsequently the lease liability will increase for the accrual of interest, resulting in a constant rate of return throughout the life of the lease, and reduce when payments are made. The right of use asset will amortise to the income statement over the life of the lease. The Barclays Group IFRS 16 implementation and governance programme has been led by Finance with representation from all impacted departments. The project has identified the contracts impacted by IFRS 16, which are predominantly existing property leases. Other lease types are not material. The project has also established appropriate accounting policies, determined the appropriate transition options to apply, and updated Finance systems and processes to reflect the new accounting and disclosure requirements.

As permitted by the standard, the Barclays Group intends to apply IFRS 16 on a retrospective basis but to take advantage of the option not to restate comparative periods by applying the modified retrospective approach. The Barclays Group intends to take advantage of the following transition options available under the modified retrospective approach:

To calculate the right of use asset equal to the lease liability, adjusted for prepaid or accrued payments;

To rely on the previous assessment of whether leases are onerous in accordance with IAS 37 immediately before the date of initial application as an alternative to performing an impairment review. The Barclays Group will adjust the carrying amount of the ROU asset at the date of initial application by the previous carrying amount of its onerous lease provision;

Apply the recognition exception for leases with a term not exceeding 12 months; and

Use hindsight in determining the lease term if the contract contains options to extend or terminate the lease. The expected impact of adopting IFRS 16 is an increase in assets of £1.6bn, an increase in liabilities of £1.6bn with no material impact on retained earnings. This impact assessment has been estimated under an interim control environment. The implementation of the comprehensive end state control environment will continue as the Barclays Group introduces business as usual controls through 2019.

IFRS 17 Insurance contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts*, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* that was issued in 2005.

IFRS 17 applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The standard is currently effective from 1 January 2021, and the standard has not yet been endorsed by the EU. The Barclays Group is currently assessing the expected impact of adopting this standard.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

IFRIC 23 clarifies the application of IAS 12 to accounting for income tax treatments that have yet to be accepted by tax authorities, in scenarios where it may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept an entity's tax treatment. The effective date is 1 January 2019. The Barclays Group has considered the guidance included within the interpretation and concluded that the prescribed approach under IFRIC 23 is not expected to have a material impact on the Barclays Group's financial position.

IAS 12 Income Taxes Amendments to IAS 12

In December 2017, as part of the Annual Improvements to IFRS Standards 2015-2017 Cycle, the IASB amended IAS 12 in order to clarify the accounting treatment of the income tax consequences of dividends. Effective from 1 January 2019 the tax consequences of all payments on financial instruments that are classified as equity for accounting purposes, where those payments are considered to be a distribution of profit, will be included in, and will reduce, the income statement tax charge. Refer to note 9 for the expected impact of adopting the amendments of IAS 12.

IAS 19 Employee Benefits Amendments to IAS 19

In February 2018 the IASB issued amendments to the guidance in IAS 19 *Employee Benefits*, in connection with accounting for plan amendments, curtailments and settlements. The amendments must be applied to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019. The amendments have not yet been endorsed by the EU. Adoption of the amendments is not expected to have significant impact on the Barclays Group.

6. Critical accounting estimates and judgements

The preparation of financial statements in accordance with IFRS requires the use of estimates. It also requires management to exercise judgement in applying the accounting policies. The key areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the consolidated and individual financial statements are highlighted under the relevant note. Critical accounting estimates and judgements are disclosed in:

Credit impairment charges on page 223

Tax on page 228

Fair value of financial instruments on page 241

Pensions and post-retirement benefits obligations on page 281

Provisions including conduct and legal, competition and regulatory matters on page 263.

7. Other disclosures

To improve transparency and ease of reference, by concentrating related information in one place, certain disclosures required under IFRS have been included within the Risk review section as follows:

Credit risk on pages 91 to 92 and 104 to 129

Market risk on pages 93 and 130 to 134

Treasury and capital risk liquidity on pages 94 and 137 to 150

Treasury and capital risk capital on pages 95 and 151 to 161.

These disclosures are covered by the Audit opinion (included on pages 203 to 204) where referenced as audited.

8. Parent company accounts

The Parent Company's financial statements on pages 212 to 213 also form part of the notes to the consolidated financial statements.

Notes to the financial statements

Performance/return

The notes included in this section focus on the results and performance of the Barclays Group. Information on the income generated, expenditure incurred, segmental performance, tax, earnings per share and dividends are included here. For further detail on performance, see income statement commentary within Financial review (unaudited) on page 181.

2 Segmental reporting

Presentation of segmental reporting

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

Barclays Group is a transatlantic consumer and wholesale bank and for segmental reporting purposes it defines its two operating divisions as Barclays UK and Barclays International.

Barclays UK which offers everyday products and services to retail customers and small to medium sized enterprises based in the UK. The division includes the UK Personal banking, UK Business banking and the Barclaycard consumer UK business.

Barclays International which delivers products and services designed for our larger corporate, wholesale and international banking clients. The division includes the large UK Corporate business; the international Corporate and Wealth businesses; the Investment Bank; the international Barclaycard business; and Barclaycard Business Solutions.

The below table also includes Head Office which comprises head office and central support functions (including treasury) and businesses in transition.

Analysis of results by business

Barclays UK £m	Barclays	Head	Group
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	International	Office	results
	£m	£m	£m
For the year ended 31 December 2018			
Total income ^a	7,383	14,026	(273)
Credit impairment charges and other provisions	(826)	(658)	16
Net operating income/(expenses)	6,557	13,368	(257)
Operating costs	(4,075)	(9,324)	(228)
UK bank levy	(46)	(210)	(13)
GMP charge			(140)
Litigation and conduct	(483)	(127)	(1,597)
Total operating expenses	(4,604)	(9,661)	(1,978)
Other net income/(expenses)	3	68	(2)
Profit/(loss) before tax	1,956	3,775	(2,237)
Total assets (£bn)	249.7	862.1	21.5
Number of employees (full time equivalent)^b	22,600	12,400	48,500

	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.

bAs 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.

cThe 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.

dThe 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.

eOther 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.

218 Barclays PLC 2018 Annual Report on Form 20-F

2 Segmental reporting continued**Analysis of results by business**

	Barclays		Head	Barclays	Group
	Barclays UK	International	Office	Non-Core	results
	£m	£m	£m	£m	£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

	2018	2017	2016
	£m	£m	£m
For the year ended 31 December			
Continuing operations			
United Kingdom	11,050	11,190	11,096

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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

	2018	2017	2016
For the year ended 31 December	£m	£m	£m
Continuing operations			
United Kingdom	11,050	11,190	11,096
United States	7,291	6,871	6,876
Note			

^aTotal 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.

Notes to the financial statements

Performance/return

3 Net interest income

Accounting for interest income and expenses

Interest income on loans and advances at amortised cost, and interest expense on financial liabilities held at amortised cost, are calculated using the effective interest method which allocates interest, and direct and incremental fees and costs, over the expected lives of the assets and liabilities.

The effective interest method requires the Barclays Group to estimate future cash flows, in some cases based on its experience of customers' behaviour, considering all contractual terms of the financial instrument, as well as the expected lives of the assets and liabilities.

Barclays Group incurs certain costs to originate credit card balances with the most significant being co-brand partner fees. To the extent these costs are attributed to customers that continuously carry an outstanding balance (revolvers), they are capitalised and subsequently included within the calculation of the effective interest rate. They are amortised to interest income over the period of expected repayment of the originated balance. Costs attributed to customers that settle their outstanding balances each period (transactors) are deferred on the balance sheet as a cost of obtaining a contract and amortised to fee and commission expense over the life of the customer relationship (refer to Note 4). There are no other individual estimates involved in the calculation of effective interest rates that are material to the results or financial position.

	2018	2017	2016
	£m	£m	£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.

Fee type	2018			Total £m
	Barclays UK	Barclays International	Head Office	
	£m	£m	£m	
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

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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

220 Barclays PLC 2018 Annual Report on Form 20-F

4 Net fee and commission income continued

	2017 ^a	2016 ^a
	£m	£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

^aThe 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

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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.

Notes to the financial statements

Performance/return

4 Net fee and commission income continued**Costs incurred in obtaining or fulfilling a contract**

The Barclays Group expects that incremental costs of obtaining a contract such as success fee and commission fees paid are recoverable and therefore capitalised such contract costs in the amount of £125.4m at 31 December 2018.

Capitalised contract costs are amortised based on the transfer of services to which the asset relates which typically ranges over the expected life of the relationship. In 2018, the amount of amortisation was £30.4m and there was no impairment loss recognised in connection with the capitalised contract costs.

5 Net trading income**Accounting for net trading income**

In accordance with IFRS 9, trading positions are held at fair value, and the resulting gains and losses are included in the income statement, together with interest and dividends arising from long and short positions and funding costs relating to trading activities.

Income arises from both the sale and purchase of trading positions, margins which are achieved through market making and customer business and from changes in fair value caused by movements in interest and exchange rates, equity prices and other market variables.

Gains or losses on non-trading financial instruments designated or mandatorily at fair value with changes in fair value recognised in the income statement are included in net trading income where the business model is to manage assets and liabilities on a fair value basis which includes use of derivatives or where an instrument is designated at fair value to eliminate an accounting mismatch and the related instrument's gain and losses are reported in trading income.

	2018	2017	2016
	£m	£m	£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

aFollowing 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	2017	2016
	£m	£m	£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

aFollowing the adoption of IFRS 9, available for sale classification is no longer applicable.

bFollowing 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.

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The assessment of the point at which a PD increase is deemed significant, is based upon analysis of the portfolio's risk profile against a common set of principles and performance metrics (consistent across both retail and wholesale businesses), incorporating expert credit judgement where appropriate.

Wholesale assets apply a 100% increase in PD and 0.2% PD floor to determine a significant increase in credit risk.

Retail assets apply bespoke relative increase and absolute PD thresholds based on product type and origination PD. Thresholds are subject to maximums defined by Barclays Group policy and typically apply minimum relative thresholds of 50-100% and a maximum relative threshold of 400%.

For existing/historical exposures where origination point scores or data are no longer available or do not represent a comparable estimate of lifetime PD, a proxy origination score is defined, based upon:

Back-population of the approved lifetime PD score either to origination date or, where this is not feasible, as far back as possible, (subject to a data start point no later than 1 January 2015); or

Use of available historical account performance data and other customer information, to derive a comparable proxy estimation of origination PD.

ii) Qualitative test

Relevant for accounts that meet the portfolio's high risk criteria and are subject to closer credit monitoring.

High risk customers may not be in arrears but either through an event or an observed behaviour exhibit credit distress. The definition and assessment of high risk includes as wide a range of information as reasonably available, such as industry and Group-wide customer level data, including but not limited to bureau scores and high consumer indebtedness index, wherever possible or relevant.

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

iii) Backstop criteria

Relevant for accounts that are more than 30 calendar days past due. The 30 days past due criteria is a backstop rather than a primary driver of moving exposures into Stage 2.

Exposures will move back to Stage 1 once they no longer meet the criteria for a significant increase in credit risk. This means that, at minimum: all payments must be up-to-date, the PD deterioration test is no longer met, the account is no longer classified as high risk, and the customer has evidenced an ability to maintain future payments.

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

Notes to the financial statements

Performance/return

7 Credit impairment charges and other provisions continued

Forward-looking information

The measurement of ECL involves complexity and judgement, including estimation of PD, LGD, a range of unbiased future economic scenarios, estimation of expected lives (where contractual life is not appropriate), and estimation of EAD and assessing significant increases in credit risk.

Credit losses are the expected cash shortfalls from what is contractually due over the expected life of the financial instrument, discounted at the original effective interest rate (EIR). ECLs are the unbiased probability-weighted credit losses determined by evaluating a range of possible outcomes and considering future economic conditions.

Barclays Group uses a five-scenario model to calculate ECL. An external consensus forecast is assembled from key sources, including HM Treasury, Bloomberg and the Urban Land Institute, which forms the baseline scenario. In addition, two adverse scenarios (Downside 1 and Downside 2) and two favourable scenarios (Upside 1 and Upside 2) are derived, with associated probability weightings. The adverse scenarios are calibrated to a similar severity to internal stress tests, whilst also considering IFRS 9 specific sensitivities and non-linearity. Downside 2 is benchmarked to the Bank of England's annual cyclical scenarios and to the most severe scenario from Moody's inventory, but is not designed to be the same. The favourable scenarios are calibrated to be symmetric to the adverse scenarios, subject to a ceiling calibrated to relevant recent favourable benchmark scenarios. The scenarios include six economic core variables, (GDP, unemployment and House Price Index (HPI) in both the UK and US markets), and expanded variables using statistical models based on historical correlations. All five scenarios converge to a steady state after 8 years. The methodology for estimating probability weights for each of the scenarios involves a comparison of the distribution of key historic UK and US macroeconomic variables against the forecast paths of the five scenarios. The methodology works such that the baseline (reflecting current consensus outlook) has the highest weight and the weights of adverse and favourable scenarios depend on the deviation from the baseline; the further from the baseline, the smaller the weight. A single set of five scenarios is used across all portfolios and all five weights are normalised to equate to 100%. The impacts across the portfolios are different because of the sensitivities of each of the portfolios to specific macroeconomic variables, for example, mortgages are highly sensitive to house prices and base rates, credit cards and unsecured consumer loans are highly sensitive to unemployment.

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

The definition of default for the purpose of determining ECLs, and for internal credit risk management purposes, has been aligned to the Regulatory Capital CRR Article 178 definition of default, to maintain a consistent approach with IFRS 9 and associated regulatory guidance. The Regulatory Capital CRR Article 178 definition of default considers indicators that the debtor is unlikely to pay, includes exposures in forbearance and is no later than when the exposure is more than 90 days past due or 180 days past due in the case of UK mortgages. When exposures are identified as

credit impaired or purchased or originated as such interest income is calculated on the carrying value net of the impairment allowance.

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

Uncollectable loans are written off against the related allowance for loan impairment on completion of the Barclays Group's internal processes and when all reasonably expected recoverable amounts have been collected. Subsequent recoveries of amounts previously written off are credited to the income statement. The timing and extent of write-offs may involve some element of subjective judgement. Nevertheless, a write-off will often be prompted by a specific event, such as the inception of insolvency proceedings or other formal recovery action, which makes it possible to establish that some or the entire advance is beyond realistic prospect of recovery.

Loan modifications and renegotiations that are not credit-impaired

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

Where terms are substantially different, the existing loan will be derecognised and a new loan will be recognised at fair value.

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

Expected life

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

Discounting

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

224 Barclays PLC 2018 Annual Report on Form 20-F

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 forbore 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.

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The impairment assessment includes estimating the expected future cash flows from the asset or the group of assets, which are then discounted using the original effective interest rate calculated for the asset. If this is lower than the carrying value of the asset or the portfolio, an impairment allowance is raised.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

Following impairment, interest income continues to be recognised at the original effective interest rate on the restated carrying amount, representing the unwind of the discount of the expected cash flows, including the principal due on non-accrual loans.

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

Notes to the financial statements

Performance/return

7 Credit impairment charges and other provisions continued

Available for sale financial assets

Impairment of available for sale debt instruments

Debt instruments are assessed for impairment in the same way as loans. If impairment is deemed to have occurred, the cumulative decline in the fair value of the instrument that has previously been recognised in the available for sale reserve is removed from reserves and recognised in the income statement. This may be reversed if there is evidence that the circumstances of the issuer have improved.

Impairment of available for sale equity instruments

Where there has been a prolonged or significant decline in the fair value of an equity instrument below its acquisition cost, it is deemed to be impaired. The cumulative net loss that has been previously recognised directly in the available for sale reserve is removed from reserves and recognised in the income statement.

Increases in the fair value of equity instruments after impairment are recognised directly in other comprehensive income. Further declines in the fair value of equity instruments after impairment are recognised in the income statement.

Critical accounting estimates and judgements

IFRS 9 impairment involves several important areas of judgement, including estimating forward looking modelled parameters (PD, LGD and EAD), developing a range of unbiased future economic scenarios, estimating expected lives and assessing significant increases in credit risk, based on the Barclays Group's experience of managing credit risk. The determination of expected life is most material for Barclays credit card portfolios which is obtained via behavioural life analysis. As a result, the expected life of credit card portfolios is currently modelled over 10 years, to materially capture the risk of these facilities.

Within the retail and small businesses portfolios, which comprise large numbers of small homogenous assets with similar risk characteristics where credit scoring techniques are generally used, the impairment allowance is calculated using forward looking modelled parameters which are typically run at account level. There are many models in use, each tailored to a product, line of business or customer category. Judgement and knowledge is needed in selecting the statistical methods to use when the models are developed or revised. The impairment allowance reflected in the financial statements for these portfolios is therefore considered to be reasonable and supportable. The impairment charge reflected in the income statement for retail portfolios is £1,689m (2017: £2,095m; 2016: £2,053m) of the total impairment charge on loans and advances.

For individually significant assets in Stage 3, impairment allowances are calculated on an individual basis and all relevant considerations that have a bearing on the expected future cash flows across a range of economic scenarios are taken into account. These considerations can be subjective and can include the business prospects for the customer, the realisable value of collateral, the Barclays Group's position relative to other claimants, the reliability of customer information and the likely cost and duration of the work-out process. The economic scenarios considered are the same as those used in the Group's ECL models. The level of the impairment allowance is the difference between the value of the discounted expected future cash flows (discounted at the loan's original effective interest rate), and its carrying amount. Furthermore, judgements change with time as new information becomes available or as work-out strategies evolve, resulting in frequent revisions to the impairment allowance as individual decisions are taken. Changes in these estimates would result in a change in the allowances and have a direct impact on the impairment charge. The impairment charge reflected in the financial statements in relation to wholesale portfolios is a release of £99m (2017: £238m; 2016: £299m) of the total impairment charge on loans and advances. Further information on impairment allowances, impairment charges and related credit information is set out within the Risk review on page 107.

	2018		2017 ^a			2016 ^a			Total
	Impairment		Impairment		Impairment		Impairment		
	charge	Recoveries ^b	Total	charge	Recoveries ^b	Total	charge	Recoveries ^b	
	£m	£m	£m	£m	£m	£m	£m	£m	£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

^aThe comparatives for 2017 and 2016 are presented on an IAS 39 basis.

^bCash recoveries of previously written off amounts.

7 Credit impairment charges and other provisions continued

The movement in gross exposures and impairment allowance for loans and advances at amortised cost table under IFRS 9 is presented in the Credit risk section on page 107. The prior year comparative table for movement in allowance under IAS 39 is presented below.

Movements in allowance for impairment by asset class

	At beginning of year	Acquisitions and disposals	Unwind of discounts	Exchange and other adjustments	Amounts written off	Recoveries	Amounts charged to income statement	Balance at December
	£m	£m	£m	£m	£m	£m	£m	£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.

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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			

^aThe presentation of other costs has been amended to include litigation and conduct as a separate line item. The prior year comparatives within other cost categories have been adjusted accordingly.

Notes to the financial statements

Performance/return

9 Tax

Accounting for income taxes

The Barclays Group applies IAS 12 *Income Taxes* in accounting for taxes on income. Income tax payable on taxable profits (current tax) is recognised as an expense in the periods in which the profits arise. Withholding taxes are also treated as income taxes. Income tax recoverable on tax allowable losses is recognised as a current tax asset only to the extent that it is regarded as recoverable by offsetting against taxable profits arising in the current or prior periods. Current tax is measured using tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except in certain circumstances where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Deferred tax is determined using tax rates and legislation enacted or substantively enacted by the balance sheet date which are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets and liabilities are only offset when there is both a legal right to set-off and an intention to settle on a net basis.

The Barclays Group considers an uncertain tax position to exist when it considers that ultimately, in the future, the amount of profit subject to tax may be greater than the amount initially reflected in the Barclays Group's tax returns. The Barclays Group accounts for provisions in respect of uncertain tax positions in two different ways.

A current tax provision is recognised when it is considered probable that the outcome of a review by a tax authority of an uncertain tax position will alter the amount of cash tax due to, or from, a tax authority in the future. From recognition, the current tax provision is then measured at the amount the Barclays Group ultimately expects to pay the tax authority to resolve the position, taking into account any interest and penalties potentially payable to the tax authority.

Deferred tax provisions are adjustments made to the carrying value of deferred tax assets in respect of uncertain tax positions. A deferred tax provision is recognised when it is considered probable that the outcome of a review by a tax authority of an uncertain tax position will result in a reduction in the carrying value of the deferred tax asset. From recognition of a provision, measurement of the underlying deferred tax asset is adjusted to take into account the expected impact of resolving the uncertain tax position on the loss or temporary difference giving rise to the deferred tax asset.

The approach taken to measurement takes account of whether the uncertain tax position is a discrete position that will be reviewed by the tax authority in isolation from any other position, or one of a number of issues which are expected to be reviewed together concurrently and resolved simultaneously with a tax authority. Barclays Group's measurement of provisions is based upon its best estimate of the additional profit that will become subject to tax. For a discrete position, consideration is given only to the merits of that position. Where a number of issues are expected to be reviewed and resolved together, Barclays Group will take into account not only the merits of its position in respect of each particular issue but also the overall level of provision relative to the aggregate of the uncertain tax positions across all the issues that are expected to be resolved at the same time. In addition, in assessing provision levels, it is assumed that tax authorities will review uncertain tax positions and that all facts will be fully and transparently disclosed.

Critical accounting estimates and judgements

There are two key areas of judgement that impact the reported tax position. Firstly, the level of provisioning for uncertain tax positions; and secondly, the recognition and measurement of deferred tax assets.

The Barclays Group does not consider there to be a significant risk of a material adjustment to the carrying amount of current and deferred tax balances, including provisions for uncertain tax positions in the next financial year. The provisions for uncertain tax positions cover a diverse range of issues and reflect advice from external counsel where relevant. It should be noted that only a proportion of the total uncertain tax positions will be under audit at any point in time, and could therefore be subject to challenge by a tax authority over the next year.

Deferred tax assets have been recognised based on business profit forecasts. Details on the recognition of deferred tax assets is provided in this note.

	2018 £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 206 in the consolidated statement of comprehensive income which includes within Other a tax credit of £30m (2017: £5m charge) on other items including share based payments.

Tax in respect of discontinued operation

Tax relating to the discontinued operation can be found in the BAGL disposal group income statement (refer to Note 41). The tax charge of £nil (2017: £154m) related entirely to the profit from the ordinary activities of the discontinued operation.

Notes to the financial statements

Performance/return

9 Tax continued

Current tax assets and liabilities

Movements on current tax assets and liabilities were as follows:

	2018	2017
	£m	£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	2017
	£m	£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		

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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.

	Fair value through other		Retirement benefits		Loan impairment allowances	Tax losses		Share-based payments and	Other	Total
	Fixed asset timing differences	comprehensive income	cash flow hedges	obligations	provisions for impairment	Other	carried forward	deferred compensation	£m	£m
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£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

aFollowing the adoption of IFRS 9 and IFRS 15 on 1 January 2018, additional deferred tax assets of £627m were recognised. Refer to Note 42 for further information.

Other movements include the impact of changes in foreign exchange rates as well as deferred tax amounts relating to acquisitions and disposals.

The amount of deferred tax liability expected to be settled after more than 12 months is £635m (2017: £522m). The amount of deferred tax assets expected to be recovered after more than 12 months is £3,703m (2017: £3,399m). These amounts are before offsetting asset and liability balances where there is a legal right to set-off and an intention to settle on a net basis.

Unrecognised deferred tax

Tax losses and temporary differences

Deferred tax assets have not been recognised in respect of gross deductible temporary differences of £175m (2017: £157m), unused tax credits of £198m (2017: £546m), and gross tax losses of £16,313m (2017: £17,919m). The tax losses include capital losses of £3,225m (2017: £3,126m). Of these tax losses, £240m (2017: £409m) expire within five years, £259m (2017: £193m) expire within six to ten years, £948m (2017: £2,016m) expire within 11 to 20 years and £14,866m (2017: £15,301m) can be carried forward indefinitely. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits and gains will be available against which they can be utilised.

Group investments in subsidiaries, branches and associates

Deferred tax is not recognised in respect of the value of the Barclays Group's investments in subsidiaries, branches and associates where the Barclays Group is able to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. The aggregate amount of these temporary differences for which deferred tax liabilities have not been recognised was £0.6bn (2017: £0.1bn).

Notes to the financial statements

Performance/return

10 Earnings per share

	2018 £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
			2016
	2018 million	2017 million	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		
	2018	2017	2016
	p	p	p
Earnings/(loss) per ordinary share	9.4	(10.3)	10.4
	9.4	3.5	9.3
	Diluted earnings per share		
	2018	2017	2016
	p	p	p
	9.2	(10.1)	10.3
	9.2	3.4	9.2

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Earnings per ordinary share in respect of continuing operations					
(Loss)/earnings per ordinary share in respect of discontinued operation		(13.8)	1.1		(13.5) 1.1

The calculation of basic earnings per share is based on the profit attributable to equity holders of the parent and the basic weighted average number of shares excluding treasury shares held in employee benefit trusts or held for trading. When calculating the diluted earnings per share, the weighted average number of shares in issue is adjusted for the effects of all dilutive potential ordinary shares held in respect of Barclays PLC, totalling 308m (2017: 288m) shares. The total number of share options outstanding, under schemes considered to be potentially dilutive, was 544m (2017: 534m). These options have strike prices ranging from £1.20 to £2.27.

Of the total number of employee share options and share awards at 31 December 2018, 43m (2017: 10m) were anti-dilutive.

The 79m (2017: 136m) increase in the basic weighted average number of shares since 31 December 2017 to 17,075m is primarily due to shares issued under employee share schemes and the Scrip Dividend Programme.

11 Dividends on ordinary shares

The Directors have approved a total dividend in respect of 2018 of 6.5p per ordinary share of 25p each. The remaining full year dividend for 2018 of 4.0p per ordinary share will be paid on 5 April 2019 to shareholders on the Share Register on 1 March 2019 following the 2.5p half year dividend paid in September. On 31 December 2018, there were 17,133m ordinary shares in issue. The financial statements for the year ended 31 December 2018 does not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained profits in the year ending 31 December 2019. The 2018 financial statements include the 2018 half year dividend of £427m (2017: £170m) and a final dividend declared in relation to 2017 of £341m (2017: £339m). Dividends are funded out of distributable reserves.

Notes to the financial statements

Assets and liabilities held at fair value

The notes included in this section focus on assets and liabilities the Barclays Group holds and recognises at fair value. Fair value refers to the price that would be received to sell an asset or the price that would be paid to transfer a liability in an arm's-length transaction with a willing counterparty, which may be an observable market price or, where there is no quoted price for the instrument, may be an estimate based on available market data. Detail regarding the Barclays Group's approach to managing market risk can be found on page 130.

12 Trading portfolio**Accounting for trading portfolio assets and liabilities**

In accordance with IFRS 9, all assets and liabilities held for trading purposes are held at fair value with gains and losses in the changes in fair value taken to the income statement in net trading income (Note 5).

	Trading portfolio assets		Trading portfolio liabilities	
	2018	2017	2018	2017
	£m	£m	£m	£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	2017	2018	2017	2018	2017
	£m	£m	£m	£m	£m	£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:

	31 December		the year ended		value from inception	
	2018	2017	2018	2017	2018	2017
	£m	£m	£m	£m	£m	£m
Loans and advances designated at fair value, attributable to credit risk	5,267	11,037	4	10	(35)	2
Value mitigated by related credit derivatives		256		1		(12)

Notes to the financial statements

Assets and liabilities held at fair value

14 Derivative financial instruments

Accounting for derivatives

Derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices defined in the contract. They include swaps, forward-rate agreements, futures, options and combinations of these instruments and primarily affect the Barclays Group's net interest income, net trading income and derivative assets and liabilities. Notional amounts of the contracts are not recorded on the balance sheet. Derivatives are used to hedge interest rate, exchange rate, commodity, and equity exposures and exposures to certain indices such as house price indices and retail price indices related to non-trading positions.

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

Hedge accounting

The Barclays Group applies the requirements of IAS 39 Financial Instruments: Recognition and Measurement for hedge accounting purposes. The Barclays Group applies hedge accounting to represent the economic effects of its interest rate, currency and contractually linked inflation risk management strategies. Where derivatives are held for risk management purposes, and when transactions meet the required criteria for documentation and hedge effectiveness, the Barclays Group applies fair value hedge accounting, cash flow hedge accounting, or hedging of a net investment in a foreign operation, as appropriate to the risks being hedged.

Fair value hedge accounting

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

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

Cash flow hedge accounting

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

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

Hedges of net investments

The Barclays Group's net investments in foreign operations, including monetary items accounted for as part of the net investment, are hedged for foreign currency risks using both derivatives and foreign currency borrowings. Hedges of net investments are accounted for similarly to cash flow hedges; the effective portion of the gain or loss on the hedging instrument is being recognised directly in other comprehensive income and the ineffective portion being recognised immediately in the income statement. The cumulative gain or loss recognised in other comprehensive income is recognised in the income statement on the disposal or partial disposal of the foreign operation, or other reductions in the Barclays Group's investment in the operation.

	2018			2017		
	Notional contract amount £m	Fair value		Notional contract amount £m	Fair value	
		Assets £m	Liabilities £m		Assets £m	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 93.

The Barclays Group's exposure to credit risk arising from derivative contracts are outlined in the Credit risk section on page 104 to 129.

234 Barclays PLC 2018 Annual Report on Form 20-F

14 Derivative financial instruments continued

The fair values and notional amounts of derivative instruments held for trading are set out in the following table:

Derivatives held for trading	2018			2017		
	Notional contract amount £m	Fair value		Notional contract amount £m	Fair value	
		Assets £m	Liabilities £m		Assets £m	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)

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Exchange traded futures and options bought and sold	692,435	11,171	(12,066)	632,662	7,201	(9,050)
Equity and stock index derivatives	882,931	20,882	(23,896)	794,401	14,698	(24,119)
Commodity derivatives						
OTC options bought and sold	1,648	26	(34)	4,465	32	(103)
Commodity swaps and forwards	8,108	495	(374)	12,755	662	(753)
OTC derivatives	9,756	521	(408)	17,220	694	(856)
Exchange traded futures and options bought and sold	111,227	920	(1,000)	146,428	1,742	(1,591)
Commodity derivatives	120,983	1,441	(1,408)	163,648	2,436	(2,447)
Derivative assets/(liabilities) held for trading	44,193,753	222,384	(219,578)	35,686,673	237,504	(237,236)
Total OTC derivatives held for trading	15,749,846	204,531	(200,653)	13,659,753	218,933	(216,913)
Total derivatives cleared by central counterparty held for trading	16,528,946	5,399	(5,529)	13,579,004	9,236	(9,294)
Total exchange traded derivatives held for trading	11,914,961	12,454	(13,396)	8,447,916	9,335	(11,029)
Derivative assets/(liabilities) held for trading	44,193,753	222,384	(219,578)	35,686,673	237,504	(237,236)

Notes to the financial statements

Assets and liabilities held at fair value

14 Derivative financial instruments continued

The fair values and notional amounts of derivative instruments held for risk management are set out in the following table:

Derivatives held for risk management	2018			2017		
	Notional contract amount £m	Fair value Assets £m	Liabilities £m	Notional contract amount £m	Fair value Assets £m	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:

	Up to	One to	Two to	Three to	Four to	More than
	one year	two years	three years	four years	five years	five years
Total	one year	two years	three years	four years	five years	years

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	£m	£m	£m	£m	£m	£m	£m
2018							
Forecast receivable cash flows	2,599	685	717	536	346	200	115
2017							
Forecast receivable cash flows	2,671	484	584	561	416	305	321

The maximum length of time over which the Barclays Group hedges exposure to the variability in future cash flows for forecast transactions, excluding those forecast transactions related to the payment of variable interest on existing financial instruments is 10 years (2017: 10 years).

	2018	2017
	£m	£m
Amounts recognised in net interest income		
(Losses)/gains on the hedged items attributable to the hedged risk	(163)	550
Gains/(losses) on the hedging instruments	164	(460)
Fair value ineffectiveness	1	90
Cash flow hedging ineffectiveness	(5)	(135)
Net investment hedging ineffectiveness	(1)	2

Gains and losses transferred from the cash flow hedging reserve to the income statement included a £332m gain (2017: £632m gain) to interest expense.

14 Derivative financial instruments continued

Hedge accounting

Hedge accounting is applied predominantly for the following risks:

(i) Interest rate risk – predominantly arises due to a mismatch between fixed interest rates and floating interest rates. Interest rate risk also includes exposure to inflation risk for certain types of investments.

(ii) Currency risk – arises due to assets or liabilities being denominated in different currencies than the functional currency of the relevant entity. At a consolidated level, currency risk also arises when the functional currency of subsidiaries are different from the parent.

(iii) Contractually linked Inflation risk – arises from financial instruments within contractually specified inflation risk. The Barclays Group does not hedge inflation risk that arises from other activities.

In order to hedge the risks to which the Barclays Group is exposed, the hedging instruments employed are interest rate swaps, inflation swaps, currency swaps and foreign currency debt to:

(i) Swap fixed interest rate exposures into variable rates.

(ii) Swap variable interest rate exposures into fixed rates.

(iii) Swap inflation exposure into either fixed or variable interest rates.

(iv) Swap foreign currency net investment exposure to local currency.

The hedging instruments share the same risk exposures as the hedged items, being interest rate risk, inflation risk and foreign currency risk. Hedge effectiveness is assessed with reference to the shared risks, but to the extent hedging instruments are exposed to different risks than the hedged items, this could result in hedge ineffectiveness or hedge accounting failures.

In some cases, certain items which are economically hedged may be ineligible hedged items for the purposes of IAS 39, such as core deposits and equity. In these instances, a proxy hedging solution can be utilised whereby portfolios of floating rate assets are designated as eligible hedged items in cash flow hedges.

The ratio between the hedged item and the hedging instruments is typically determined with reference to the sensitivity of the hedged item, on designation to the risk factor, compared to that of the hedging instrument. In many cases the ratio is 100%.

In some hedging relationships, the Barclays Group would designate risk components of hedged items as follows:

(i) Benchmark interest rate risk as a component of interest rate risk, such as the LIBOR component.

(ii) Inflation risk as a contractually specified component of a debt instrument.

(iii) Spot exchange rate risk for foreign currency financial assets or financial liabilities.

(iv) Components of cash flows of hedged items, for example certain interest payments for part of the life of an instrument.

Using the benchmark interest rate risk results in other risks such as credit risk and liquidity risk being excluded from the hedge accounting relationship. LIBOR is considered the predominant interest rate risk and therefore the hedged items change in fair value on a fully proportionate basis with reference to this risk.

For disclosures of the extent of risk exposures that the Barclays Group manages, refer to the Risk review section.

In respect of many of the Barclays Group's hedge accounting relationships, the hedged item and hedging instrument change frequently due to the dynamic nature of the risk management and hedge accounting strategy.

The Barclays risk management strategy is to hedge interest rate risk with interest rate derivatives (predominantly interest rate swaps), currency risk with currency derivatives and inflation risk with inflation derivatives. The interest rate risk management strategy is to reduce Barclays' exposure to interest rate risk to within approved risk limits.

The Barclays Group applies hedge accounting to dynamic scenarios, predominantly in relation to interest rate risk, with a combination of hedged items (some hedged items are designated by proxy) in order for its financial statements to reflect as closely as possible the economic risk management undertaken. Hedge relationships are analysed and rebalanced on a daily basis. In some cases, if the hedge accounting objective changes, the relevant hedge accounting relationship is de-designated; in some cases, a de-designated relationship is replaced with a different hedge accounting relationship.

Changes in the GBP value of net investments due to foreign currency movements are captured in the currency translation reserve, resulting in a movement in CET1 capital. The Barclays Group's strategy is to minimise the volatility of the capital ratios caused by foreign exchange movements, by matching the CET1 capital movements to the revaluation of the Barclays Group's foreign currency RWA exposures. Net investment hedges are designated where necessary to reduce the exposure to movement in a particular exchange rate to within mandated limits. As far as possible, existing external currency liabilities are designated as the hedging instruments. Hedging relationships are reviewed, and adjusted if necessary, at least once a month.

Sources of ineffectiveness affecting hedge accounting are as follows:

- (i) Mismatches between the contractual terms of the hedged item and hedging instrument, including basis differences between the hedged risk and the risk exposure of the hedging instrument.
- (ii) Changes in credit risk of the hedging instruments.
- (iii) If a hedge accounting relationship becomes overhedged. This might occur in hedges of net investments if the net asset value designated at the start of the period falls below the amount of the hedging instrument.
- (iv) In the cash flow hedging solution, when a hedge is built using external swaps having non-zero present values, it creates ineffectiveness.

No other source of ineffectiveness has arisen during the period. Hedge effectiveness is determined with reference to quantitative tests, predominantly regression testing, which takes into account the regression co-efficient, the slope of the regression line, and ensuring that the relevant confidence intervals are complied with. There were no instances of forecast transactions for which hedge accounting had been used in the previous period, but which are no longer expected to occur.

Notes to the financial statements

Assets and liabilities held at fair value

14 Derivative financial instruments continued

Amount, timing and uncertainty of future cash flows

The following table shows the hedging instruments which are carried on the Barclays Group's balance sheet:

Hedge type	Risk category	Carrying value			Change in fair value used as a basis to determine effectiveness	
		Derivative assets £m	Derivative liabilities £m	Loan liabilities £m	Nominal amount £m	Change in fair value £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 1.00% across the relationships.

Hedged items in fair value hedge accounting relationships

Hedged item statement of financial position classification and risk category	Accumulated fair value adjustment included in carrying amount					Line item in the income statement used to recognise ineffectiveness
	Carrying amount	Total relationship	ineffectiveness	in cross	statement	
	£m	£m	£m	£m	£m	
2018						
Assets						
Loans and advances classified as amortised cost						
Interest rate risk	7,106	(363)	(626)	(568)	37	Net interest income
Inflation risk	512	312		2	(1)	Net interest income
Debt securities classified as fair value through other comprehensive income						
Interest rate risk	30,108	416	(21)	(96)	17	Net interest income
Inflation risk	2,907	(20)		(50)	(18)	Net interest income
Liabilities						
Debt securities in issue classified as amortised cost						
Interest rate risk	53,935	(289)	(256)	549	(34)	Net interest income

For items classified as fair value through other comprehensive income, the hedge accounting adjustment is not included in the carrying amount, but rather recognised as other comprehensive income.

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 hedge ineffectiveness	Change in value of hedged item used as the basis for recognising hedge ineffectiveness	Balance in foreign currency	Balance of hedge reserve which hedge accounting is no longer applied	Balance of translation reserve for which hedge accounting is no longer applied	Hedging gains or losses recognised in the income statement	Hedge ineffectiveness recognised in the income statement	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)			Net interest income
Hedge of net investment in foreign operation								
USD foreign operations	719		1,648				719	
EUR foreign operations			1		86			
ZAR foreign operations					(1)			
CAD foreign operations					1			
CHF foreign operations	4				53		4	
HKD foreign operations	2				23		2	
JPY foreign operations	14				77		14	
MXN foreign operations	21				(14)		21	
SEK foreign operations	(13)				13		(13)	
								Net interest

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SGD foreign operations	1		78	1	(1)	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:

Description of hedge relationship and hedged risk	2018	
	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).

Notes to the financial statements

Assets and liabilities held at fair value

15 Financial assets at fair value through other comprehensive income and Financial investments

Accounting for financial assets at fair value through other comprehensive income (FVOCI) under IFRS 9 effective from 1 January 2018

Financial assets that are debt instruments held in a business model that is achieved by both collecting contractual cash flows and selling and that contain contractual terms that give rise on specified dates to cash flows that are SPPI are measured at FVOCI. They are subsequently re-measured at fair value and changes therein (except for those relating to impairment, interest income and foreign currency exchange gains and losses) are recognised in other comprehensive income until the assets are sold. Interest (calculated using the effective interest method) is recognised in the income statement in net interest income (Note 3). Upon disposal, the cumulative gain or loss recognised in other comprehensive income is included in net investment income.

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

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

Accounting for financial investments under IAS 39 for 2017 and 2016

Available for sale financial assets are held at fair value with gains and losses being included in other comprehensive income. The Barclays Group uses this classification for assets that are not derivatives and are not held for trading purposes or otherwise designated at fair value through profit or loss, or at amortised cost. Dividends and interest (calculated using the effective interest method) are recognised in the income statement in net interest income or, net investment income. On disposal, the cumulative gain or loss recognised in other comprehensive income is also included in net investment income.

Held to maturity assets are held at amortised cost. The Barclays Group uses this classification when there is an intent and ability to hold the asset to maturity. Interest on the investments are recognised in the income statement within net interest income.

	2018	2017
	£m	£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	
	Contractual amount due on Fair value		Contractual amount due on Fair value	
	£m	£m	£m	£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

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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).

240 Barclays PLC 2018 Annual Report on Form 20-F

17 Fair value of financial instruments

Accounting for financial assets and liabilities – fair values

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

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

Wherever possible, fair value is determined by reference to a quoted market price for that instrument. For many of the Barclays Group's financial assets and liabilities, especially derivatives, quoted prices are not available and valuation models are used to estimate fair value. The models calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value. These models use as their basis independently sourced market inputs including, for example, interest rate yield curves, equities and commodities prices, option volatilities and currency rates.

For financial liabilities measured at fair value, the carrying amount reflects the effect on fair value of changes in own credit spreads derived from observable market data such as in primary issuance and redemption activity for structured notes.

On initial recognition, it is presumed that the transaction price is the fair value unless there is observable information available in an active market to the contrary. The best evidence of an instrument's fair value on initial recognition is typically the transaction price. However, if fair value can be evidenced by comparison with other observable current market transactions in the same instrument, or is based on a valuation technique whose inputs include only data from observable markets, then the instrument should be recognised at the fair value derived from such observable market data.

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

Various factors influence the availability of observable inputs and these may vary from product to product and change over time. Factors include the depth of activity in the relevant market, the type of product, whether the product is new and not widely traded in the marketplace, the maturity of market modelling and the nature of the transaction (bespoke or generic). To the extent that valuation is based on models or inputs that are not observable in the market, the determination of fair value can be more subjective, dependent on the significance of the unobservable input to the overall valuation. Unobservable inputs are determined based on the best information available, for example by reference to similar assets, similar maturities or other analytical techniques.

The sensitivity of valuations used in the financial statements to possible changes in significant unobservable inputs is shown on page 250.

Critical accounting estimates and judgements

The valuation of financial instruments often involves a significant degree of judgement and complexity, in particular where valuation models make use of unobservable inputs (Level 3 assets and liabilities). This note provides information on these instruments, including the related unrealised gains and losses recognised in the period, a description of significant valuation techniques and unobservable inputs, and a sensitivity analysis.

Valuation

IFRS 13 Fair value measurement requires an entity to classify its assets and liabilities according to a hierarchy that reflects the observability of significant market inputs. The three levels of the fair value hierarchy are defined below.

Quoted market prices Level 1

Assets and liabilities are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Valuation technique using observable inputs Level 2

Assets and liabilities classified as Level 2 have been valued using models whose inputs are observable either directly or indirectly. Valuations based on observable inputs include assets and liabilities such as swaps and forwards which are valued using market standard pricing techniques, and options that are commonly traded in markets where all the inputs to the market standard pricing models are observable.

Valuation technique using significant unobservable inputs Level 3

Assets and liabilities are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price. Unobservable input levels are generally determined via reference to observable inputs, historical observations or using other analytical techniques.

Notes to the financial statements

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			Total	Valuation technique using			Total
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
	£m	£m	£m	£m	£m	£m	£m	£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)

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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

aDisposal groups held for sale and measured at fair value less cost to sell are included in the fair value table.

17 Fair value of financial instruments continued

The following table shows the Barclays Group's assets and liabilities that are held at fair value disaggregated by valuation technique (fair value hierarchy) and product type:

Assets and liabilities held at fair value by product type

	Assets			Liabilities		
	Valuation technique using			Valuation technique using		
	Level 1 £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)

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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 ^a	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.

Notes to the financial statements

Assets and liabilities held at fair value

17 Fair value of financial instruments continued

Interest rate derivatives

Description: Derivatives linked to interest rates or inflation indices. The category includes futures, interest rate and inflation swaps, swaptions, caps, floors, inflation options, balance guaranteed swaps and other exotic interest rate derivatives.

Valuation: Interest rate and inflation derivatives are generally valued using curves of forward rates constructed from market data to project and discount the expected future cash flows of trades. Instruments with optionality are valued using volatilities implied from market inputs, and use industry standard or bespoke models depending on the product type.

Observability: In general, inputs are considered observable up to liquid maturities which are determined separately for each input and underlying. Unobservable inputs are generally set by referencing liquid market instruments and applying extrapolation techniques or inferred via another reasonable method.

Level 3 sensitivity: Sensitivity to unobservable valuation inputs is based on the dispersion of consensus data services where available, or alternatively it is based on stress scenarios or historic data.

Foreign exchange derivatives

Description: Derivatives linked to the foreign exchange (FX) market. The category includes FX forward contracts, FX swaps and FX options. The majority are traded as over the counter (OTC) derivatives.

Valuation: FX derivatives are valued using industry standard and bespoke models depending on the product type. Valuation inputs include FX rates, interest rates, FX volatilities, interest rate volatilities, FX interest rate correlations and others as appropriate.

Observability: FX correlations, forwards and volatilities are generally observable up to liquid maturities which are determined separately for each input and underlying. Unobservable inputs are set by referencing liquid market instruments and applying extrapolation techniques, or inferred via another reasonable method.

Level 3 sensitivity: Sensitivity relating to unobservable valuation inputs is primarily based on the dispersion of consensus data services.

Credit derivatives

Description: Derivatives linked to the credit spread of a referenced entity, index or basket of referenced entities or a pool of referenced assets (e.g. a securitised product). The category includes single name and index credit default

swaps (CDS) and asset backed CDS.

Valuation: CDS are valued on industry standard models using curves of credit spreads as the principal input. Credit spreads are observed directly from broker data, third party vendors or priced to proxies.

Observability: CDS contracts referencing entities that are actively traded are generally considered observable. Other valuation inputs are considered observable if products with significant sensitivity to the inputs are actively traded in a liquid market. Unobservable valuation inputs are generally determined with reference to recent transactions or inferred from observable trades of the same issuer or similar entities.

Level 3 sensitivity: Sensitivity to unobservable CDS contracts is determined by applying a shift to credit spread curves based on the average range of pricing observed in the market for similar CDS

Equity derivatives

Description: Exchange traded or OTC derivatives linked to equity indices and single names. The category includes vanilla and exotic equity products.

Valuation: Equity derivatives are valued using industry standard models. Valuation inputs include stock prices, dividends, volatilities, interest rates, equity repurchase curves and, for multi-asset products, correlations.

Observability: In general, valuation inputs are observable up to liquid maturities which are determined separately for each input and underlying. Unobservable inputs are set by referencing liquid market instruments and applying extrapolation techniques, or inferred via another reasonable method.

Level 3 sensitivity: Sensitivity is generally estimated using the dispersion of consensus data services.

Commodity derivatives

Description: Exchange traded and OTC derivatives based on underlying commodities such as metals, crude oil and refined products, agricultural, power and natural gas.

Valuation: Commodity swaps and options are valued using models incorporating discounting of cash flows and other industry standard modelling techniques. Valuation inputs include forward curves, volatilities implied from market observable inputs and correlations.

Observability: Commodity correlations, forwards and volatilities are generally observable up to liquid maturities which are determined separately for each input and underlying. Unobservable inputs are set with reference to similar observable products, or by applying extrapolation techniques to observable inputs.

Level 3 sensitivity: Sensitivity is determined primarily by measuring historical variability over a period of years. Where historical data is unavailable or uncertainty is due to volumetric risk, sensitivity is measured by applying appropriate stress scenarios or using proxy bid-offer spread levels.

17 Fair value of financial instruments continued

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.

Notes to the financial statements

Assets and liabilities held at fair value

17 Fair value of financial instruments continued

Asset backed securities

Description: Securities that are linked to the cash flows of a pool of referenced assets via securitisation. The category includes residential mortgage backed securities, commercial mortgage backed securities, CDOs, collateralised loan obligations (CLOs) and other asset backed securities.

Valuation: Where available, valuations are based on observable market prices sourced from broker quotes and inter-dealer prices. Otherwise, valuations are determined using industry standard discounted cash flow analysis that calculates the fair value based on valuation inputs such as constant default rate, conditional prepayment rate, loss given default and yield. These inputs are determined by reference to a number of sources including proxying to observed transactions, market indices or market research, and by assessing underlying collateral performance.

Proxying to observed transactions, indices or research requires an assessment and comparison of the relevant securities underlying attributes including collateral, tranche, vintage, underlying asset composition (historical losses, borrower characteristics and loan attributes such as loan to value ratio and geographic concentration) and credit ratings (original and current).

Observability: Where an asset backed product does not have an observable market price and the valuation is determined using a discounted cash flow analysis, the instrument is considered unobservable.

Level 3 sensitivity: The sensitivity analysis for asset backed products is based on externally sourced pricing dispersion or by stressing the inputs of discount cash flow analysis.

Issued debt

Description: Debt notes issued by Barclays.

Valuation: Issued debt is valued using discounted cash flow techniques and industry standard models incorporating various inputs observed for each instrument.

Observability: Barclays issued notes are generally observable. Structured notes are debt instruments containing embedded derivatives. Where either an input to the embedded derivative or the debt instrument is deemed unobservable and significant to the overall valuation of the note, the structured note is classified as Level 3.

Level 3 sensitivity: Sensitivity to the unobservable input in the embedded derivative is calculated in line with the method used for the derivative instrument concerned.

Equity cash products

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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.

Notes to the financial statements

Assets and liabilities held at fair value

17 Fair value of financial instruments continued

Analysis of movements in Level 3 assets and liabilities

	As at 1 January		Total gains and losses in the period recognised Total in the gains income losses statement recog-						Transfers		As at 31 December
	2018 ^a £m	Purchases £m	Sales £m	Issues £m	Settle- ment £m	Trading income £m	Other income £m	in OCI £m	In £m	Out £m	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
	129									(129)	

Private equity investments											
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											

aBalances 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.

bThe derivative financial instruments are represented on a net basis. On a gross basis, derivative financial assets are £5,215m (2017: £5,334m) and derivative financial liabilities are £4,743m (2017: £5,197m).

17 Fair value of financial instruments continued

Analysis of movements in Level 3 assets and liabilities

	As at		Total gains and losses in the period recognised in the income statement						Transfers		As at
	1 January 2017	Purchases	Sales	Issues	Settlements	Trading income	Other income	in OCI	In	Out	31 December 2017
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£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

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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 Net assets held for sale measured at fair value on non-recurring basis	13,567	5,507	(5,782)	(2,634)	(101)	211	40	(79)	(841)	9,888
Total	13,567	5,507	(5,782)	(2,634)	(101)	211	40	(79)	(841)	9,917
Note										

aPreference shares of £390m were reclassified from others to equity cash products

Notes to the financial statements

Assets and liabilities held at fair value

17 Fair value of financial instruments continued**Unrealised gains and losses on Level 3 financial assets and liabilities**

The following table discloses the unrealised gains and losses recognised in the year arising on Level 3 financial assets and liabilities held at year end.

Unrealised gains and losses recognised during the period on Level 3 assets and liabilities held at year end

	2018				2017		
	Income statement		Other compre- hensive income	Total	Income statement		Other compre- hensive income
	Trading income	Other income			Trading income	Other income	
	£m	£m	£m	£m	£m	£m	£m
Number							
assets	(60)			(60)	(34)		
assets							
ue							
ne							
	68	206		274	147	200	
for							
nts						(4)	29
e							
ther							
nsive			(1)	(1)			
nt		(1)		(1)		(10)	
	(3)			(3)	3		
	55			55	58	10	

at							
ative							
ts	(14)	-	-	(14)	(301)		
	46	205	(1)	250	(127)	196	29

Sensitivity analysis of valuations using unobservable inputs

	2018				2017		
	Favourable changes Income statement £m	Equity £m	Unfavourable changes Income statement £m	Equity £m	Favourable changes Income statement £m	Equity £m	Unfavourable changes Income statement £m
ber							
ate							
es	80		(162)		114		(138)
es	7		(10)		6		(6)
es	126		(73)		106		(79)
es	110		(112)		99		(99)
ity	1		(1)		3		(3)
es	10		(2)		4		(3)
e debt							
	274		(458)		243		(468)
ans							
ked			-		1		-
sh	121		(155)		12	24	(8)
quity	230		(241)		133	13	(138)
nts	2		(2)		5		(5)
	961		(1,216)		726	37	(947)

Note

aOther 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		2017		Unit	
			Range Min	Max	Range Min	Max		
Derivative financial instruments ^b	Discounted cash flows	Inflation forwards	1	2	1	3		
		Credit spread	6	897	45	1,320		
		Yield	0.1	0.2	0.1	0.1		
	Comparable pricing	Price		100		100	percentage	
		Option model	Inflation volatility	33	174	35	201	bps
	Interest rate derivatives	Discounted cash flows	IR IR correlation	(26)	100	(24)	99	
			FX IR correlation	(30)	78	(30)	24	
		Comparable pricing	Interest rate volatility	10	199	5	353	bps
			Credit spread	142	209	122	190	
			Price	10	96	97	97	percentage
Equity derivatives	Option model	Equity volatility	2	81	3	92		
	Discounted cash flow	Equity equity correlation	(100)	100	(100)	100		
		Discounted margin	(171)	301	(105)	301		
Derivative financial instruments ^b	Discounted cash flows	Loan spread	30	531	30	596		
		Credit spread	25	800	300	726		

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		Price		118		50	po
	Comparable pricing	Price		100		100	po
urchase urchase and							
urchase ements t backed	Discounted cash flows	Funding spread		(20)	139		
ities te equity tments	Comparable pricing	Price		102		99	po
	EBITDA multiple	EBITDA multiple	7	8	8	13	Mul
	Discounted cash flows	EBITDA		153		129	
		Discount margin	8	10	8	10	
	Discounted cash flows	Credit spread	143	575	152	299	
	Notes						

aThe 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%.

bCertain 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).

cA range has not been provided for Net Asset Value as there would be a wide range reflecting the diverse nature of the positions

dOther includes commercial real estate loans, funds and fund-linked products, asset backed loans, physical commodities and investment property

The following section describes the significant unobservable inputs identified in the table above, and the sensitivity of fair value measurement of the instruments categorised as Level 3 assets or liabilities to increases in significant unobservable inputs. Where sensitivities are described, the inverse relationship will also generally apply.

Where reliable interrelationships can be identified between significant unobservable inputs used in fair value measurement, a description of those interrelationships is included below.

Forwards

A price or rate that is applicable to a financial transaction that will take place in the future.

In general, a significant increase in a forward in isolation will result in a fair value increase for the contracted receiver of the underlying (currency, bond, commodity, etc.), but the sensitivity is dependent on the specific terms of the instrument.

Credit spread

Credit spreads typically represent the difference in yield between an instrument and a benchmark security or reference rate. Credit spreads reflect the additional yield that a market participant demands for taking on exposure to the credit risk of an instrument and form part of the yield used in a discounted cash flow calculation.

In general, a significant increase in credit spread in isolation will result in a movement in a fair value decrease for a cash asset.

For a derivative instrument, a significant increase in credit spread in isolation can result in a fair value increase or decrease depending on the specific terms of the instrument.

Notes to the financial statements

Assets and liabilities held at fair value

17 Fair value of financial instruments continued

Volatility

Volatility is a measure of the variability or uncertainty in return for a given derivative underlying. It is an estimate of how much a particular underlying instrument input or index will change in value over time. In general, volatilities are implied from observed option prices. For unobservable options the implied volatility may reflect additional assumptions about the nature of the underlying risk, and the strike/maturity profile of a specific contract.

In general a significant increase in volatility in isolation will result in a fair value increase for the holder of a simple option, but the sensitivity is dependent on the specific terms of the instrument.

There may be interrelationships between unobservable volatilities and other unobservable inputs (e.g. when equity prices fall, implied equity volatilities generally rise) but these are generally specific to individual markets and may vary over time.

Correlation

Correlation is a measure of the relationship between the movements of two variables. Correlation can be a significant input into valuation of derivative contracts with more than one underlying instrument. Credit correlation generally refers to the correlation between default processes for the separate names that make up the reference pool of a CDO structure.

A significant increase in correlation in isolation can result in a fair value increase or decrease depending on the specific terms of the instrument.

Comparable price

Comparable instrument prices are used in valuation by calculating an implied yield (or spread over a liquid benchmark) from the price of a comparable observable instrument, then adjusting that yield (or spread) to account for relevant differences such as maturity or credit quality. Alternatively, a price-to-price basis can be assumed between the comparable and unobservable instruments in order to establish a value.

In general, a significant increase in comparable price in isolation will result in an increase in the price of the unobservable instrument. For derivatives, a change in the comparable price in isolation can result in a fair value increase or decrease depending on the specific terms of the instrument.

Loan spread

Loan spreads typically represent the difference in yield between an instrument and a benchmark security or reference rate. Loan spreads typically reflect credit quality, the level of comparable assets such as gilts and other factors, and form part of the yield used in a discounted cash flow calculation.

The ESHLA portfolio primarily consists of long-dated fixed rate loans extended to counterparties in the UK Education, Social Housing and Local Authority sectors. The loans are categorised as Level 3 in the fair value hierarchy due to their illiquid nature and the significance of unobservable loan spreads to the valuation. Valuation uncertainty arises from the long-dated nature of the portfolio, the lack of secondary market in the loans and the lack of observable loan spreads. The majority of ESHLA loans are to borrowers in heavily regulated sectors that are considered extremely low credit risk, and have a history of zero defaults since inception. While the overall loan spread range is from 30bps to 531bps (2017: 30bps to 596bps), the vast majority of spreads are concentrated towards the bottom end of this range, with 99% of the loan notional being valued with spreads less than 200bps consistently for both years.

In general, a significant increase in loan spreads in isolation will result in a fair value decrease for a loan.

Loss given default

Loss given default represents the expected loss upon liquidation of the collateral as a percentage of the balance outstanding.

In general, a significant increase in the loss given default in isolation will translate to lower recovery and lower projected cash flows to pay to the securitisation, resulting in a movement in fair value that is unfavourable for the holder of the securitised product.

EBITDA multiple

EBITDA multiple is the ratio of the valuation of the investment to the earnings before interest, taxes, depreciation and amortisation.

In general, a significant increase in the multiple will result in a fair value increase for an investment.

Fair value adjustments

Key balance sheet valuation adjustments are quantified below:

	2018	2017
	£m	£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

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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.

252 Barclays PLC 2018 Annual Report on Form 20-F

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, 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).

Notes to the financial statements

Assets and liabilities held at fair value

17 Fair value of financial instruments continued

Comparison of carrying amounts and fair values for assets and liabilities not held at fair value

The following table summarises the fair value of financial assets and liabilities measured at amortised cost on the Barclays Group's balance sheet:

	2018					2017				
	Carrying amount £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 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 purchase agreements and other similar secured lending	2,308	2,308		2,308		12,546	12,546		12,546	
Assets included in disposal						1,164	1,195			1,195

Groups classified as held for sale ^b										
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

aThe fair value hierarchy for finance lease receivables is not required as part of the standard.

bDisposal groups held for sale and measured at fair value less cost to sell are included in the fair value table.

The fair value is an estimate of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As a wide range of valuation techniques are available, it may not be appropriate to directly compare this fair value information to independent market sources or other financial institutions. Different valuation methodologies and assumptions can have a significant impact on fair values which are based on unobservable inputs.

Financial assets

The carrying value of financial assets held at amortised cost is determined in accordance with the relevant accounting policy in Note 19.

Loans and advances at amortised cost

The fair value of loans and advances, for the purpose of this disclosure, is derived from discounting expected cash flows in a way that reflects the current market price for lending to issuers of similar credit quality. Where market data or credit information on the underlying borrowers is unavailable, a number of proxy/extrapolation techniques are employed to determine the appropriate discount rates.

For retail lending, i.e. home loans and credit cards, tailored discounted cash flow models are predominantly used to estimate the fair value of different product types. For example, for home loans different models are used to estimate

fair values of tracker, offset and fixed rate mortgage products.

Key inputs to these models are the differentials between historic and current product margins and estimated prepayment rates.

The discount of fair value to carrying amount for home loans has reduced to 0.9% (2017: 1.2%)

The fair value of corporate loans is calculated by the use of discounted cash flow techniques where the gross loan values are discounted at a rate of difference between contractual margins and hurdle rates or spreads where Barclays charges a margin over LIBOR depending on credit quality and loss given default and years to maturity. The discount between the carrying and fair value remained constant at 1.5% (2017: 1.5%).

Reverse repurchase agreements

The fair value of reverse repurchase agreements approximates carrying amount as these balances are generally short dated and fully collateralised.

17 Fair value of financial instruments continued

Financial liabilities

The carrying value of financial liabilities held at amortised cost is determined in accordance with the accounting policy in Note 1.

Deposits at amortised cost

In many cases, the fair value disclosed approximates carrying value because the instruments are short term in nature or have interest rates that reprice frequently, such as customer accounts and other deposits and short-term debt securities.

The fair value for deposits with longer-term maturities, mainly time deposits, are estimated using discounted cash flows applying either market rates or current rates for deposits of similar remaining maturities. Consequently, the fair value discount is minimal.

Debt securities in issue

Fair values of other debt securities in issue are based on quoted prices where available, or where the instruments are short dated, carrying amount approximates fair value.

Repurchase agreements

The fair value of repurchase agreements approximates carrying amounts as these balances are generally short dated.

Subordinated liabilities

Fair values for dated and undated convertible and non-convertible loan capital are based on quoted market rates for the issuer concerned or issuers with similar terms and conditions.

18 Offsetting financial assets and financial liabilities

In accordance with IAS 32 Financial Instruments: Presentation, the Barclays Group reports financial assets and financial liabilities on a net basis on the balance sheet only if there is a legally enforceable right to set-off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The following table shows the impact of netting arrangements on:

all financial assets and liabilities that are reported net on the balance sheet

all derivative financial instruments and reverse repurchase and repurchase agreements and other similar secured lending and borrowing agreements that are subject to enforceable master netting arrangements or similar agreements, but do not qualify for balance sheet netting.

The table identifies the amounts that have been offset in the balance sheet and also those amounts that are covered by enforceable netting arrangements (offsetting arrangements and financial collateral) but do not qualify for netting under the requirements of IAS 32 described above.

The Net amounts presented on the next page are not intended to represent the Barclays Group's actual exposure to credit risk, as a variety of credit mitigation strategies are employed in addition to netting and collateral arrangements.

Amounts subject to enforceable netting arrangements			Amounts not
Effects of offsetting on-balance sheet			Related
Gross amounts	Amounts offset ^a	Net amounts reported on the balance sheet	amounts not subject to
£m	£m	£m	Financial instruments
			£m