Delivering for our stakeholders

Barclays PLC
Annual Report 2019

Barclays is a British universal bank

Our purpose is creating opportunities to rise

We support sustainable and inclusive growth by connecting the ideas, innovations and aspirations of our customers and clients to the capital that can bring them to life.

For over 325 years we have funded progress, and today we remain committed to helping to make our world more sustainable, more inclusive and more connected.

Our values underpin everything we do: Respect, Integrity, Service, Excellence and Stewardship.

FOR OUR CUSTOMERS AND CLIENTS

We will help them to realise their financial aspirations in line with our values.

FOR OUR COLLEAGUES

We will empower them to be themselves, motivate and engage them to do their best work, develop them and build their career and support their health and well-being.

FOR SOCIETY

Our success over the long term is tied inextricably to the progress of our communities and the preservation of our environment.

FOR OUR INVESTORS

We will build a strong, diversified and sustainable business that can deliver consistent returns in a way society expects.

Diversified and resilient for long-term success

Our strategy

We are a British universal bank with a diversified and connected portfolio of businesses, serving retail and wholesale customers and clients globally.

See pages 8 to 11

Our business model

Our diversified business model is core to our strategy. The resilience this brings means we can deliver value to all our stakeholders.

See pages 12 and 13

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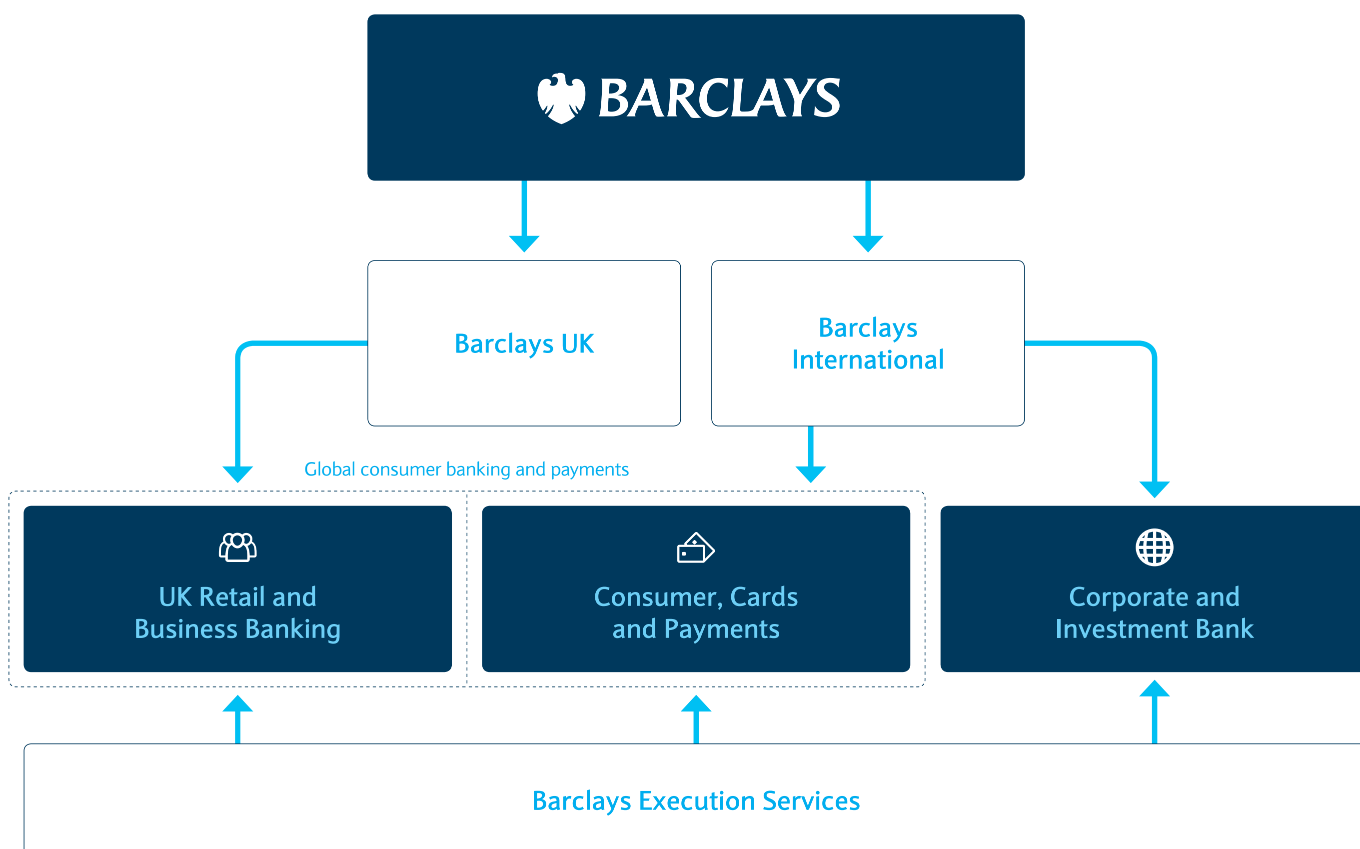
Understanding Barclays

Barclays is a British universal bank. We are diversified by business, by different types of customer and client, and by geography. Our businesses include consumer banking and payments operations around the world, as well as a top-tier, full service, global corporate and investment bank.

Our structure

Barclays operates as two divisions, Barclays UK and Barclays International, supported by our service company, Barclays Execution Services – or BX as we call it.



Barclays UK is our UK ring-fenced bank, comprised largely of our UK Personal & Business Banking and Barclaycard Consumer UK businesses. Barclays International consists of the Corporate and Investment Bank (CIB) and international Consumer, Cards & Payments (CC&P) businesses. Barclays Execution Services (BX) is the Group-wide service company providing technology, operations and functional services to businesses across the Group.

In March 2019, Barclays announced certain leadership changes, including the appointment of a new Group Head of Consumer Banking & Payments, whose role is to oversee the execution of plans for the Group's consumer banking and cards and payments businesses in the UK and internationally.

Highlights

Where relevant, metrics on this page are presented excluding litigation and conduct

Group income
£bn

Group profit before tax
£bn

Group profit before tax including litigation and conduct was £4.4bn (2018: £3.5bn, 2017: £3.5bn).

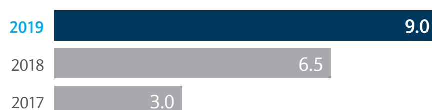
Group return on tangible equity
%

Group return on tangible equity including litigation and conduct was 5.3% (2018: 3.6%, 2017: (3.6)%).

Earnings per share
p

Earnings per share including litigation and conduct was 14.3p (2018: 9.4p, 2017: (10.3)p).

Dividend per share
p



Common Equity Tier 1 ratio
%

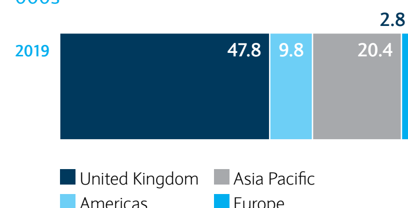
Operating expenses
£bn

Operating expenses including litigation and conduct was £15.4bn. 2018: £16.2bn including litigation and conduct and a charge of £140m for Guaranteed Minimum Pensions (GMP). 2017: £15.5bn including litigation and conduct.

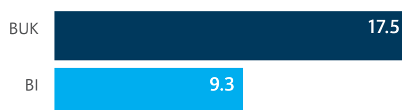
Cost: income ratio
%

Cost: income ratio including litigation and conduct was 71% (2018: 77%, 2017: 73%).

Number of colleagues by region
000s

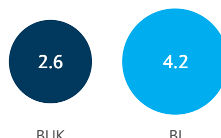


Return on tangible equity by business
%



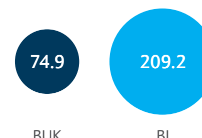
BUK and BI return on tangible equity including litigation and conduct was 2.7% and 9.0% respectively.

Profit before tax by business
£bn



BUK and BI profit before tax including litigation and conduct was £1.0bn and £4.1bn respectively.

Risk weighted assets by business
£bn



BUK and BI risk weighted assets for 2018 were £75.2bn and £210.7bn respectively.

Building a stronger, better and more valuable company

Barclays has a real purpose, a clear strategy, strong values and improving performance.

Nigel Higgins

Nigel Higgins
Chairman

Barclays is now in a much stronger position than a few years ago to face the challenges ahead.

Barclays is one of the major banks of the world. It has a long history, sufficient scale and significant potential. The last 10 years have, however, been fairly troubled in the world of finance, including for Barclays. Much of this has been self-inflicted but the external environment has also been challenging, and indeed remains so. It is a tribute to the current management team, supported by tens of thousands of hard-working and dedicated colleagues, and by the Board, that Barclays is now in a much stronger position than a few years ago to face the challenges ahead. I would like to start by thanking them for all of their hard work and also to compliment my predecessor, John McFarlane, who played a key role in overseeing the transition from the troubles of the past towards what we believe will be a more prosperous and safer future. The Board and I will do our best to continue that work.

Barclays now has a real purpose, a clear strategy, strong values, and improving performance.

Purpose

Our purpose is expressed in the phrase 'creating opportunities to rise'. We want to use finance and our broader financing, savings and advisory capabilities to help customers and clients in our chosen markets; to empower our colleagues to play meaningful roles in meeting those objectives; and to make a real contribution to society in the round.

Over time, these ambitions will enable us to build a stronger, better and more valuable company for our shareholders. It may be unfashionable to talk about banks doing good, but something which has struck me as much as anything else since arriving at Barclays has been the extraordinary breadth and depth of activity undertaken by colleagues to help the communities in which we work. I also cannot but commend the 'tone from the top'. There is a real commitment to make finance simpler and more accessible for the vulnerable in society. In 2019, we helped 2.3 million individuals improve their skills through our LifeSkills programme and we helped place 66,000 individuals into work through our Connect with Work partnerships. More than in the past, the bank is embracing its environmental responsibilities and seeking to be one of the leaders in the transition to a low-carbon economy. I, and my colleagues, are committed to helping Barclays be a force for good in society; the pursuit of that goal is one of the reasons why I was so enthusiastic about assuming this new role.

Strategy

Our results indicate that our strategy is working. It is of course, to a degree, shaped by our history and by the choices available to us, but we can, and constantly think about how to, refine it. It is important to focus on where we can be strong and effective, but also different. We are a British universal bank, serving retail and wholesale customers in many markets. There are plenty of revenue and cost sharing opportunities available across our retail, corporate and investment banking platforms and activities. Recent results, with an improving Corporate and Investment Bank and the UK retail market under pressure, demonstrate that we benefit from this diversification. Furthermore, we are a committed Europe headquartered universal bank and a leading European player in the US. In today's world that has real benefit.

Performance

That is not to say of course, that we have yet got everything right. Performance over the last few years has seen a step change in its trajectory, consistency and transparency to all of our stakeholders. The Group has transformed. Underlying returns and cost efficiency have improved and the capital position is now secure. Group return on tangible equity has improved year on year to 9.0%, in line with the 2019 target, yet our target is to perform consistently above 10%. The global macroeconomic environment and current low interest rates mean it has become more challenging to achieve this and the Board and the management team recognise that there is still work to do. The underperforming areas have been clearly identified and are, we believe, receiving the appropriate strategic attention and indeed investment where that makes sense.

This is not a short journey. Business is never easy but we, like many of our peers, have the real challenge of ensuring that all our businesses, whether addressing family finance, derivatives trading or SME lending to name but a few, stand up with the best in a digital world. This has to be achieved while the 'factory' keeps operating, with minimal customer inconvenience and within the parameters for investment returns which we and our shareholders deem appropriate. Over the last three or four years, the current management team has strengthened the control environment of the bank and dealt with our major legacy conduct issues. At the same time we are ensuring the operational resilience of the organisation, including our ability to deal with cyberthreats, which have unfortunately become part of daily life. We are not satisfied however that we are yet at 'best-in-class' status across the board. Nor have we reduced customer complaints, in particular in the retail business, as far as we think should be possible. All this remains to be done.

In assessing our performance, including how far we have gone in hitting not just our financial targets but our ambitions around resilience and customer satisfaction, we look at multiple measures. In the rest of this report you will find a balanced assessment of where we stand in our major business areas when it comes to business performance, colleague engagement and customer or client satisfaction and feedback. We also stand back and look at our contribution to society, including what more we can do.

> We stand back and look at our contribution to society, including what more we can do.

That includes how we are thinking about the environment and tackling climate change. We are committed to a positive, thoughtful and authentic role in the transition to a low-carbon economy and are, and will continue to be, working closely with all of our stakeholders to ensure that we make a real difference.

Culture

I would like to add a word about the culture of the organisation. At an individual level I have been very impressed with the way in which colleagues clearly live our values. This is equally true in places as diverse as London, New York, Whippany, Northampton, Glasgow, Manchester, Pune and Chennai. Concern for the individual is broad at Barclays and we strive to lead the way in providing opportunities for colleagues with disabilities and in supporting those with mental health issues. Finding ways to help talent progress, inside and outside the firm, and respecting the diversity of all of our communities are again deep rooted characteristics of the organisation. There is also a deep sense of loyalty to Barclays, whether in the UK retail business, in the more international Corporate and Investment Bank or in Consumer, Cards and Payments, which today houses much of the old Barclaycard business. In BX, the service centre for the worldwide Group, there is a real fixation with professional excellence and teamwork. The firm overall, however, remains quite complex and occasionally still operates in silos, too slowly or with too many layers.

This is another management challenge for the future: how to take all of our culture and processes into the 21st-century, moving the organisation completely from product focus to customer or client focus, and embracing the fact that the acceptable speed of delivery is today often measured in seconds or minutes rather than weeks.

The Board

The process of simplification has started with the Board. The Board is a little bit smaller than it was; we are grateful for the dedicated service of those who left in 2019. We are delighted to have added Dawn Fitzpatrick, Mohamed El-Erian and Brian Gilvary to the Board, all of whom bring considerable experience in our end markets. We have also simplified the structure at the top of the organisation, increasing the overlap between members of the Board of Barclays PLC and that of Barclays Bank PLC, the company which houses our Barclays International businesses (Corporate and Investment Bank and Consumer, Cards and Payments). For the next phase, we aim to add more new faces to the Board, increasing relevant domain knowledge and bringing a greater diversity of background and opinion. We aspire to a Board that challenges management in a constructive way, knows its subject matter, understands its governance responsibilities and adds real value to the senior management team.

The future

What to expect for the future? We are committed to our target of generating returns over time of over 10%. The macroeconomic environment, with low interest rates and a flat yield curve, makes it harder to achieve that than we had hoped. Nonetheless, we strive to more than cover the cost of capital on a sustainable basis. We have started to increase cash returns to shareholders and we plan to continue in that vein. We will keep costs under control and BX will prove an active engine to drive cost efficiency and create capacity for targeted investments. We will grow certain businesses, with a bias towards those which are less capital intensive, and continue to invest in our differentiated strengths as an incredibly strong financing, advisory and servicing bank for retail and wholesale customers around the world. I believe that we are fortunate in having a management team which is focused relentlessly on delivering the improvements ahead.

Nigel Higgins
Chairman

Looking to the future

2019 has seen Barclays emerge from its transformation of recent years as a stronger, leaner, higher-performing organisation.

James E. Staley
Group Chief Executive

I'm very proud of the way the management team and our colleagues around the world have maintained their focus on making a tangible difference every day to the customers and clients we are here to serve. In delivering for them, we continue to demonstrate that the strategic path we are on is the right one for our organisation.

Continuing to deliver

The choices we have made about the shape and scale of Barclays are being validated by our performance. We know that we have more to do, but today we are a well-capitalised, British universal bank that is consistently profitable.

The diversity of the Group, both geographically and by business, remains a source of real strength. It provides us with exposure to growth in different economies, balance across currency fluctuations, and resilience through the economic cycle.

BX, our service company, continues to be a powerful force in continuously improving the efficiency, effectiveness and control of our core operating platform. It will also help create the capacity to invest in our future as the right opportunities present themselves.

These defining features of our business have meant our financial performance has again improved on the previous year, and the momentum in Barclays continues to build. We are in a strong capital position, with a Common Equity Tier 1 ratio of 13.8%. We have delivered return on tangible equity of 9%, in line with our 2019 target, with income up 2% and costs down 2%.

Our financial strength has enabled us to return capital to shareholders, which we will continue to do through a progressive ordinary dividend supplemented with additional cash returns, including share buy-backs, as and when appropriate. But, more than that, it's a performance that means we can make choices about our future from a position of stability.

Guided by our purpose

As we write the next chapter of Barclays' story, those choices are guided by our purpose. The profession of banking has a unique role in society and it is our fundamental belief that we can and must do business in a way that does good. Through the work we do with our customers and clients, we can have a meaningful impact on the progress of our communities and the preservation of our environment, as well as making a positive difference to the health and well-being of our employees.

We take that duty seriously, and it shapes our view of the professional culture we want to be known for and the business we want to become.

We are today a well-capitalised, British universal bank that is consistently profitable.

The challenges ahead

Our future is not entirely within our own hands, however, and we must recognise the role that factors outside of our control will always play in our continued success.

The global economic environment will be markedly different in the medium term than it has been in recent decades. Despite very low levels of unemployment across the developed world, persistently low wage inflation and a related lack of inflationary pressure will likely cause central banks to hold interest rates at low levels for longer than otherwise expected. This in turn could raise concerns that the valuation of financial assets will become inflated.

We also see further regulatory change, and continued uncertainty related to Brexit, creating additional headwinds.

That is the reality of the context in which we will operate next year, but we are confident that Barclays is well-positioned and will further improve returns meaningfully in 2020.

Growing our business

The profitability and cost efficiency of our model mean that we are also sustainably creating the capacity to grow.

We are focused on growth in areas where we have a significant customer base and believe we can differentiate Barclays over the next three to five years. In particular, growth in fee-based, technology-led, annuity businesses with lower capital intensity will further diversify the organisation, without limiting our commitment to the businesses we already have.

We will accelerate our digital journey, and continue to play a leading role in capturing innovation and bringing it to life, at scale, for millions of customers and clients.

I am very grateful for the generous support and guidance the management team and I enjoy from our Chairman and the Board. We know that we must stay focused and maintain our pace, but we believe that Barclays is well placed to continue the momentum we have built through our transformation.

We look forward to delivering for all of our stakeholders in 2020 and beyond.

James E. Staley
Group Chief Executive

> We will continue to play a leading role in capturing innovation and bringing it to life, at scale, for millions of customers and clients.

Return on tangible equity[a]

9.0%

2018: 8.5%

Common Equity Tier 1 ratio

13.8%

2018: 13.2%

Income

£21.6bn

2018: £21.1bn

Operating expenses[a]

£13.6bn

2018: £13.9bn excluding litigation and conduct and a GMP charge of £140m.

Note
a Excluding litigation and conduct

Our strategy

We have a proud history and deep roots in the UK, with the scale and diversity to serve customers and clients around the world across a broad range of their financial needs.

Our strategy

As a purpose-driven organisation, we aspire to create opportunities to rise for all of our stakeholders. Our strategy has been developed to balance the needs of our customers and clients, our colleagues, our investors and wider society.

We have transformed Barclays over the last four years, responding to changes in the economic and regulatory environment, and to the changing needs of our customers and clients.

There are only a handful of banks in the world that can now do what we do. We have domestic strength; diversification of customers and clients, and of products; scale and geographic reach; an efficient and stable operating model; and a strong and positive culture.

We know we need to keep up the pace of evolution and delivery, and that we have more to do. Our customers and clients expect us to play a leading role in making banking work better tomorrow than today. Regulation continues to develop. The economic backdrop, particularly low interest rates, will present challenges for all banks for the foreseeable future.

Our strategy builds on our strengths and will steer us through those challenges. We must deliver for all of our stakeholders by understanding and balancing their different expectations of our business.

We will do that via our 4 strategic pillars.

Creating opportunities to rise

Our aim is to connect the ideas, innovations and aspirations of our customers and clients to the capital that can bring them to life.

4 STRATEGIC PILLARS

1 Focusing on customers and clients

Putting them at the heart of decision making about how to manage our business today, and how to shape it for the future.

2 Becoming more digital

Because that's increasingly how our customers and clients prefer to deal with us, and because it makes our business more efficient.

3 Protecting and strengthening our culture

Drawing on our purpose and values to guide our choices as individuals and as an organisation.

4 Maintaining and increasing our diversification

Looking for opportunities within and outside our organisation that build on our current strengths and make us resilient in different economic conditions.

1. Focusing on customers and clients

We do more business with our customers and clients when we make it easy for them to deal with us. We believe the best way to do that is to listen to what people are trying to achieve, and how they would like to achieve it.

Our Barclays UK customers told us, for example, that using one app to manage their Barclaycard and another to manage everything else wasn't as easy as it should be. So we changed it, and now they can access everything in the same award-winning Barclays App[a].

They also told us that buying a new house was stressful enough, so they really wanted getting a mortgage to be as easy as possible. We looked again at the process and made it simpler, and introduced a video chat service to help guide people through it. As a result, many of our customers can now get a mortgage approved on the same day.

New clients signing up to our payments business told us that it took too long to get on board. So we worked to simplify and speed up the process, meaning that we now have same day on-boarding for most of our customers – and with less paperwork too.

We're making small changes right across Barclays every day to make things better. And because all of our businesses share a common core operating platform in BX, we can often make improvements once, but get the benefit everywhere.

We're in the distinctive position of enabling consumers to make payments digitally, while also supporting the companies who receive those payments. Because we can see all sides of a transaction we have the data about how payments work. And we're using our investment in technology to give us actionable insights into the payment process that make life quicker and simpler for our customers and clients. For example, we've helped one large UK insurance client realise millions of pounds' worth of additional online customer transactions, simply as a result of the improvements we made in their payment routes.

We track things like Net Promoter Scores (NPS) and what people think of our brand, as well as the number of complaints we receive when we haven't got things right.

We believe that designing our business around what people want is the best way to do more business. And when we look for new opportunities in the future, we believe that's also the best place to start.

There's more to do in reshaping Barclays to make the most of the connections between our businesses. We'll continue to do that by starting with a real customer or client need and working back from there.

We do more business with our customers and clients when we make it easy for them to deal with us.

Note

a Best use of mobile at FStech Awards 2019.

Our strategy

2. Becoming more digital

The world is becoming more digital. For lots of our retail, corporate and institutional customers, it's how they prefer to do their banking.

So we're investing more than ever in building the Barclays of the future.

In Corporate Banking, we have been building a single digital platform, which over 80% of our corporate clients are now using.

In our Markets business, we have been investing to stay at the forefront of the industry-wide shift to greater electronic execution.

In our retail businesses we now have significant expertise in delivering digital services.

More of our customers are choosing to bank with us online and on their phones. In Barclays UK we currently have over 11 million digitally-active customers and nearly 8.5 million active mobile banking users.

And we're seeing better customer engagement as a result.

However, we recognise that more complex needs still need to be dealt with in person, with technology helping wherever it can. So our investment in the future is also going towards making our branches more digital, which means they're quicker and easier to use for everyone. In fact, 91% of our customer transactions are now automated across all our channels.

In a digital world, data is what joins everything together. Banking has always been about making connections and we're using the diverse data from across our business to make new connections.

We're helping our retail customers to manage their household budgets by using data to understand where their money's going, and bringing them a more personalised experience; we're helping merchants improve their customer payment and e-commerce experience by using data to understand and simplify their checkout process. We're helping corporate clients use data to manage their supply chain better.

Data is a valuable asset and we know that people care deeply about their privacy and security. We've been protecting both for years and we are not going to stop now. We continue to invest in our infrastructure to ensure it is resilient to cybercrime and we have deployed a number of cybercrime detection tools to protect customer data. We have also released a range of products and services to help keep customers safe, ranging from algorithm-based fraud detection to card freezing capabilities in the mobile banking app.

We are focused on making our business more resilient, better controlled, and more efficient. Being more digital also allows us to significantly reduce our costs, which creates the financial capacity to invest in growth.

We have centralised the core operating functions of Barclays into BX, the digital heart of our organisation. Over the past two years that's enabled us to reduce duplication, simplify our operating environment and re-engineer our processes.

As we become more digital, we want to play a leading role in capturing innovation and bringing it to life – at scale.

We'll do that through partnerships with entrepreneurs building the future from the ground up, through our global Rise community of FinTech innovators, and our Eagle Labs community in the UK. And we'll do it by working closely with innovators inside and outside our organisation, through Barclays Ventures and innovation-focused teams across Barclays, to accelerate the growth of new business lines and build new customer propositions around disruptive technology.

Safe and secure in a digital age
Building resilience

Our customers have trusted us to keep their money safe and secure for over 325 years. As banking has become more digital, so have the threats, which means that protecting our customers, and ourselves, has become more digital too.

Criminals are more sophisticated today than ever before, but we've invested millions in security, resilience and defence to hold them back.

We've built state-of-the-art joint operations centres around the world, so that we're watching for the next attack 24 hours a day, 365 days a year. We've introduced machine learning to help spot and stop fraudulent transactions.

We're using in-app and online prompts, as well as our adverts, to help educate customers about new types of fraud and scams, such as push payment fraud. And we're protecting the privacy of our customers with world-class data protection.

As technology continues to change, we know that the threats will keep evolving too. But our plans to make our bank more digital mean we're committed to always staying one step ahead.

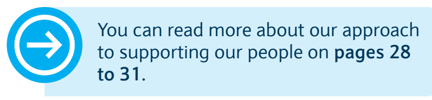
3. Protecting and strengthening our culture

As a purpose-driven organisation, we are working hard to create a culture where each and every colleague feels empowered to take decisions that balance all our stakeholder interests.

Our most senior leaders spend significant time setting the right tone at Barclays, and our purpose and values are now deeply embedded in their message.

We are committed to creating a culture which gives our colleagues the opportunity to reach their potential, within an inclusive and supportive environment.

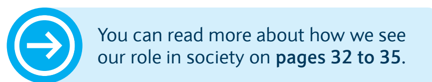
As an example of this, we have launched the BeWell programme which provides expert advice and guidance on practical steps that colleagues can take to look after their physical and mental health.



You can read more about our approach to supporting our people on **pages 28 to 31**.

We believe that our purpose-driven culture will help us reduce the impact of poor conduct on our stakeholders and our financial performance and we track our progress through metrics such as the number of operational risk events and compliance breaches.

Outside our organisation, we believe that our success over the long term is tied inextricably to the positive impact we can have on the environment and the communities where we live and work.



You can read more about how we see our role in society on **pages 32 to 35**.

Diversification creates the balance and resilience required to deliver through the economic cycle.

4. Maintaining and increasing our diversification

Our diversification is a real strength, and we will maintain and increase our diversity as we evolve.

Our revenue today comes from different businesses, different types of customer and client, different types of income, and different geographies. We believe this diversification creates the balance and resilience required to deliver through the economic cycle.

As a result of having such a broad range of products and services, we can support our customers and clients across almost all of their financial needs. It also creates opportunities for growth.

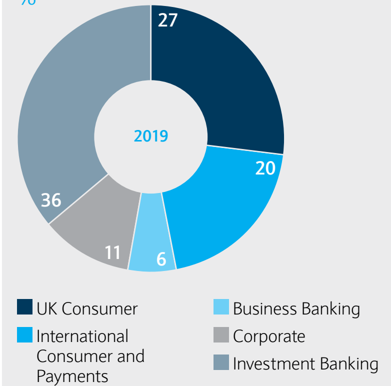
Across our businesses there are multiple areas where we benefit from significant scale – and where there is opportunity to further enhance the products and services we deliver for our customers and clients, without materially increasing capital deployed.

For example, in our payments business, we are using our strengths in the UK to better serve UK small businesses, while also targeting international expansion in Europe. Our Corporate Bank is enhancing its client-facing digital platform and expanding into new European markets without the overheads of a branch presence. And Barclays UK is building an integrated banking, financial planning and investments platform connected to the Barclays App, and focusing on our c.1m Premier customers.

In addition, by combining our operating platform, through BX, we can share our investment and expertise across the whole of Barclays.

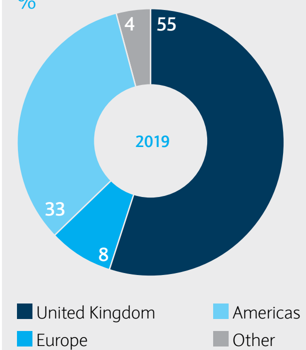
Our results indicate that our strategy is delivering. By optimising returns in our scale businesses whilst targeting growth in some of our less capital intensive businesses, we believe that we will continue to deliver. Our business model, described on the following pages, is the way in which we use our resources and deploy our strengths to deliver value for all our stakeholders.

Group income by customer
%



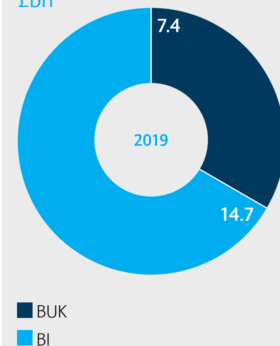
UK Consumer
International Consumer and Payments
Business Banking
Corporate
Investment Banking

Group income by region
%



United Kingdom
Europe
Americas
Other

Group income by business
£bn



BUK
BI

BUSINESS MODEL

Serving our stakeholders

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

We deploy our resources…

to deliver the right outcomes for our clients

People

Our people are our organisation. We deliver success through a purpose-driven and inclusive culture.

Financial resources

We deploy our financial resources to help our customers and clients achieve their ambitions.

Technology and infrastructure

Our deep technology and infrastructure capabilities drive seamless customer experiences and support strong resiliency.

Operations and governance

Our risk management, governance and controls help ensure client outcomes are achieved in the right way.

to serve our diversified customer base…

ranging from retail banking customers, through to the largest multinational corporates and institutional clients

UK Consumer

27%

of our Group income

International Consumer and Payments

20%

of our Group income

Business Banking

6%

of our Group income

Corporate

11%

of our Group income

Investment Banking

36%

of our Group income

across all of their financial needs…

with our diverse range of products and services

employing our unique strengths…

which allow us to be the trusted financial partner for all of our customers and clients

to deliver value to all our stakeholders

and fulfilling a vital role in the economies in which we operate

Move

We facilitate transactions and move money around the world.

- Payments
- Foreign exchange

Lend

We lend to customers and clients to support their needs.

- Term lending
- Credit cards
- Overdrafts
- Trade and working capital

Connect

We connect companies seeking funding with the financial markets.

- Equity capital markets
- Debt capital markets

Protect

We ensure the assets of our clients and customers are safe.

- Deposit accounts
- Risk management

Invest and advise

We help our customers and clients invest assets to drive growth.

- Investments
- Trading
- M&A

Brand and heritage

Our strong brand and heritage earns trust from our customers and ensures we are delivering outcomes in the right way.

Diversified model

Our diversified model strengthens our ability to deliver attractive and sustainable Group returns amidst economic uncertainty.

Digitisation and innovation

Being at the forefront of innovation allows us to deliver excellent customer experiences and enables growth.

Service execution

Our service company, BX, allows us to deliver excellent customer experiences and drive effective and efficient services.

CUSTOMERS AND CLIENTS

Supporting financial goals for our customers and clients with products and services delivered through a superior offering.

See pages 20 to 27

COLLEAGUES

Helping our colleagues across the world develop as professionals, and achieve their ambitions in the right way.

See pages 28 to 31

SOCIETY

Providing support to our communities, and access to social and environmental financing to address societal needs.

See pages 32 to 35

INVESTORS

Delivering attractive and sustainable shareholder returns on a foundation of strong capital and funding.

See page 36

Engaging with our stakeholders

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

Who are our stakeholders?	Why we focus on these stakeholders?	How do we engage them?
CUSTOMERS AND CLIENTS Our customers and clients are those stakeholders who use our products, services and financial expertise. See pages 20 to 27	Our customers and clients are central to our business – without them, we would not exist.	We engage and build our relationships with our customers and clients in a number of ways, from face-to-face interactions to the award-winning Barclays App. We conduct a wide range of customer and client research to better understand their interactions with, and expectations of, Barclays. This includes close analysis of our NPS and monitoring of customer complaints.
COLLEAGUES Our colleagues embody our culture and provide excellent service to our customers and clients. See pages 28 to 31	Our people are our most valuable asset. They make a critical difference to our success, and our investment in them protects and strengthens our culture.	We have an established approach to engaging colleagues to ensure we take their perspectives into account in our decision-making and action plans, and share with them our strategy and progress. Our employee opinion survey formally captures their views and is a key part of how we track engagement. Our leaders engage face to face with colleagues locally and we engage collectively, including through an effective partnership with Unite, and the Barclays Group European Forum.
SOCIETY Society is represented by the communities in which we serve as well as the world in which we live. See pages 32 to 35	Delivering long-term returns for all our stakeholders depends on deep and thoughtful engagement with the numerous individuals and interest groups representing wider society.	We engage in a continual dialogue with non-governmental organisations (NGOs) and other interest groups to improve our understanding of current and emerging environmental and societal topics. We participate in multiple sustainability and human rights forums and global and regional industry initiatives, engaging directly through Barclays' Sustainability and Environmental, Social and Governance (ESG) teams.
INVESTORS Our investor stakeholder group encompasses all parties interested in the success and sustainability of the business, from our shareholders and bondholders to regulators and public policy makers. See page 36	Delivering for our investors ensures the business continues to be successful in the long term and can therefore continue to deliver for all our stakeholders.	We conduct extensive engagement with our institutional equity and fixed income investors throughout the year. We have a collaborative and transparent dialogue with our regulators and work together to ensure we meet prudential and conduct based regulatory standards, contributing to a safe and robust banking system. Our AGMs give the Board the opportunity to engage with investors on the running of their company, and to receive feedback.

What do they tell us?

Based on data from millions of individual transactions and personal interactions, our customers and clients tell us they want:

- to be able to trust that our products and services meet their needs
- value for money
- to find Barclays easy to deal with.

These insights help to inform our business decisions and improve our products and services.

How do we respond to them?

In 2019, we developed our services following engagement with our customers and clients. These included:

- holding events for customers and clients ranging from our Eagle Labs to over 200 local clinics for UK SMEs to prepare for Brexit
- the upgrade of BARX as an integrated, cross-asset electronic trading platform to create a better experience for Investment Bank clients
- raising the unsecured lending limit to £100k for SME clients with a digital application process allowing clients to receive money within 24 hours.

In the 2019 employee opinion survey, our colleagues told us:

- overall colleague engagement score is 77%
- 88% say they are able to work dynamically, and 80% would recommend Barclays as a good place to work
- only 61% said the stress levels at work are manageable and only 53% believe that we have been successful in eliminating obstacles to efficiency.

This data and other insights form an important part of our decision-making, and improving these scores is a key priority.

The results from our employee opinion survey help shape how we run the business and the areas that will make a real difference to our colleagues:

- we ensure everyone is kept up to date on the strategy, performance and progress of Barclays through a co-ordinated, multi-channel approach across a combination of leader-led engagement, and digital and print communication
- we are continuing to focus on tools and training for physical and mental well-being and we are investing in technology and in our premises.

During 2019, our society stakeholders told us that they wanted to hear more about:

- supporting our customers and clients in the transition to a low-carbon economy
- responsible financing for companies in sensitive energy sectors
- managing our broader environmental and social impacts
- the support we're giving to the communities in which we operate.

We responded on key topics in 2019 through a wide range of initiatives including:

- publication of our *Energy & Climate Change and Forestry and Palm Oil Statements*
- becoming a founding signatory of the United Nations Principles for Responsible Banking
- continued growth in our suite of green finance products
- maintaining ongoing dialogue with a wide range of NGOs
- further engagement on ESG with investors and broader stakeholders
- launching *Building Thriving Local Economies* pilots in the UK.

Discussions with our investors included:

- drivers of sustainable improvement in Group returns
- the macroeconomic environment and headwinds to the delivery of our strategy and targets
- our focus on cost efficiency and ongoing investment in digital and technology

We continued to have constructive engagement with regulators, evidenced by positive stress test outcomes.

ESG engagement increased during 2019, reflecting the pace of change in the industry and its importance to our investors.

We have responded to investors in a number of ways including:

- the new Chairman's 'listening tour', which helped to inform new deep-dive Board sessions
- passing the 2019 BoE and CCAR stress tests, giving regulators in the UK and US comfort in our capital position
- taking Barclays to its stakeholders, from 2020, the AGM will be held outside of London; our 2020 AGM will be held in Glasgow, where we are building a new strategic campus site.

Engaging with our stakeholders

Having regard to our stakeholders in Board decision-making.

Section 172(1) statement

The Directors have acted in a way that they considered, in good faith, to be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so had regard, amongst other matters, to:

- the likely consequences of any decision in the long term
- the interests of the Company's employees
- the need to foster the Company's business relationships with suppliers, customers and others
- the impact of the Company's operations on the community and the environment
- the desirability of the Company maintaining a reputation for high standards of business conduct
- the need to act fairly as between members of the Company.

The Directors also took into account the views and interests of a wider set of stakeholders, including our pensioners, regulators, the Government and non-governmental organisations. You can find out more about how Barclays engages with its stakeholders on the previous pages.

Considering this broad range of interests is an important part of the way the Board makes decisions, although in balancing those different perspectives it won't always be possible to deliver everyone's desired outcome.

How does the Board engage with stakeholders?

The Board will sometimes engage directly with certain stakeholders on certain issues, but the size and distribution of our stakeholders and of Barclays means that stakeholder engagement often takes place at an operational level.

The Board considers and discusses information from across the organisation to help it understand the impact of Barclays operations, and the interests and views of our key stakeholders. It also reviews strategy, financial and operational performance, as well as information covering areas such as key risks, and legal and regulatory compliance. This information is provided to the Board through reports sent in advance of each Board meeting, and through in-person presentations.

As a result of these activities, the Board has an overview of engagement with stakeholders, and other relevant factors, which enables the Directors to comply with their legal duty under section 172 of the Companies Act 2006.

For more details on how our Board operates, and the way in which it reaches decisions, including the matters it discussed and debated during the year, please see pages 48 to 51.

Engagement in action

The following are some examples of how the Directors have had regard to the matters set out in sections 172(1)(a)-(f) when discharging their section 172 duties and the effect of that on certain of the decisions taken by them.

> The Board considers and discusses information from across the organisation to help it understand the impact of Barclays operations, and the interests and views of our key stakeholders.

Being accountable for our decisions

Our governance is designed to ensure that we take into account the views of all our stakeholders, so that our decision-making is collaborative and well-informed – both before and after we make our decisions public.

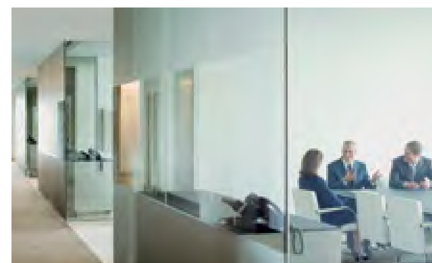
In October 2019, we announced that we would be withdrawing over-the-counter access to cash for our customers at Post Offices in the UK. This was a decision made after carefully balancing the economic impact of a significant increase in transaction fees, and our ability to put in place comprehensive plans to safeguard our customers' access to cash. Following our announcement, we continued to engage with customers, Members of Parliament, and the government. It became clear from this further engagement that our full participation in the Post Office Banking Framework is crucial to the viability of the Post Office network at this point in time.

As a result of that further engagement and debate, we reversed our decision. The Board has reviewed the planning and decision-making process around this issue. This has highlighted and reconfirmed, among other things, the importance of listening to all of our stakeholders, on an ongoing basis.

Improving the quality of our decision-making

The Board's agenda in 2019 has been significantly influenced by a comprehensive 'listening tour' undertaken by our new Chairman following his arrival at Barclays in March, before he became Chairman in May. Nigel Higgins held around 50 meetings with shareholders and other stakeholders as part of this 'listening tour' and has also subsequently spent considerable time this year meeting with stakeholders across the globe as part of his induction, including with our investors, customers and colleagues.

The Board and Executive Committee used the feedback to agree a prioritised series of deep dives which now form a significant part of each Board meeting. These deep dives have helped to facilitate an in-depth understanding of issues with a view to helping management and the Board make well-informed decisions both now and in the future. The deep dives conducted in 2019 covered a wide range of topics, including focus on particular business areas, capital allocation, our culture, our societal purpose and environmental matters.



Striving for simplicity and effectiveness

Barclays is a large, diversified organisation and in 2019 the Board took several decisions to simplify its governance model. The consolidation and streamlining of membership of the Barclays PLC and Barclays Bank PLC Boards, announced in September 2019, has benefited Board members and our colleagues by significantly increasing co-ordination and efficiency and reducing complexity and duplication.

Oversight of the activities of Barclays Bank PLC, which includes our CIB, is now vested in a board the members of which also have direct accountability to Barclays PLC's shareholders through their separate responsibilities as members of the Barclays PLC Board. In reaching this decision, the Board took great care to consider the broader UK regulatory environment, so as to safeguard both the letter and the spirit of the UK ring-fencing legislation which came into force at the start of 2019.

Recognising the importance of our culture, reputation and the environment to the Board and to all our stakeholders, we also decided to transfer primary oversight for these key matters from the Reputation Committee to the Board.

> Deep dives have helped the Board to develop an in-depth understanding of issues such as capital allocation, culture, and societal purpose.

A balanced assessment of our progress

Our performance measurement framework enables a balanced assessment of progress towards the strategic goals of the organisation, viewed from the perspectives of each of our key stakeholder groups.

A broad range of financial and non-financial measures are analysed as part of regular business strategy and performance reviews.

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

Performance against our financial targets and strategic non-financial performance measures is directly linked to executive remuneration, and influences incentive outcomes for Barclays' employees more broadly. This approach enables us to deliver positive and sustainable outcomes for all our stakeholders while maintaining flexibility for our businesses to adapt in a fast-moving world.

We consider a range of metrics across all stakeholder groups and continuously assess whether new measures should be added or removed from our dashboards, in order to ensure these remain relevant and appropriate. For example, in recent years, digital engagement and related customer satisfaction scores have become increasingly important as we continue on our digital journey.

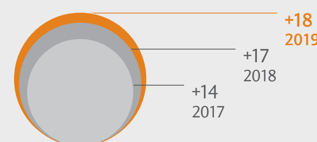
Key measures used in our 2019 assessment include, but are not limited to, the metrics reported on this page, and in the broader discussion of our performance on the following Customers and Clients, Colleagues and Society pages.

CUSTOMERS AND CLIENTS

We aim to build trust by offering innovative products and services, with an excellent customer and client experience, such that customers and clients are happy to recommend us to others.

See pages 20 to 27

Barclays UK net promoter score (NPS®)[a]



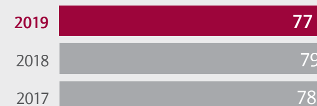
The NPS is a view of how willing customers are to recommend our products and services to others.

COLLEAGUES

We promote and maintain a diverse and inclusive workforce in which colleagues of all backgrounds are treated equally and supported to achieve their potential within a positive, values-based culture.

See pages 28 to 31

Colleague engagement
%



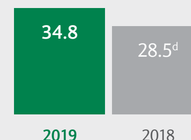
This is a measure derived from our nine engagement questions in the Your View survey.

SOCIETY

We manage the environmental and societal impact of our business, making decisions that provide all our stakeholders with access to a prosperous and sustainable future.

See pages 32 to 35

Social and environmental financing
£bn



Financing in select social and environmental segments aligned to Barclays impact eligibility framework.

INVESTORS

Our ambition is to generate attractive and sustainable returns through the economic cycle. We measure our progress through our Group financial targets.

See page 36

Group return on tangible equity (RoTE)[e]
%

RoTE increased to 9.0%, in line with the 2019 target.

Notes

Prior period comparatives for Society are only shown for 2018, reflecting Barclays' new commitments launched in 2019.

a ®Net Promoter, Net Promoter System, Net Promoter Score, NPS and the NPS-related emoticons are registered trademarks of Bain & Company, Inc., Fred Reichheld and Satmetrix Systems, Inc.

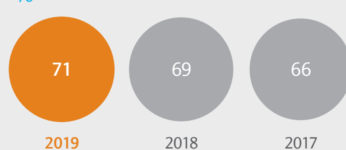
b Source: Coalition Competitor Analysis. Market share represents Barclays' share of the total industry revenue pool. Analysis is based on Barclays' internal business structure and internal revenues.

c Source: Dealogic.

d 2018 financing has been restated to incorporate sustainability-linked financing facilities and to ensure a consistent basis of reporting with 2019.

e Excluding litigation and conduct.

CC&P US customer digital engagement
%

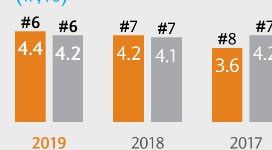


Metric shows percentage of digitally active CC&P US consumers.

Barclays UK complaints excluding PPI
%

We received a significant volume of PPI-related claims leading up to the FCA deadline of 29 August 2019. As such the underlying trend provides a more meaningful comparison.

CIB revenue ranks and market shares
(#,%)



Markets global revenue ranking and share (Coalition)[b]
Banking global fee ranking and share (Dealogic)[c]
Demonstrating our performance vs peers.

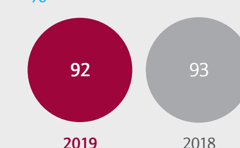
Females at Managing Director and Director level
%

Metric reflects % of women in senior leadership roles within Barclays.

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

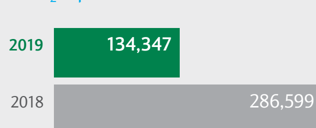
A question in the 2019 Your View employee survey that measures colleague advocacy.

"I believe my team and I role-model the values"
%



A new question since the 2018 Your View employee survey showing our colleagues' connection to Barclays' values and culture.

Operational carbon emissions
t CO_2 equiv.



Emissions generated from Barclays' branches, offices and data centres, including all indirect emission from electricity consumption.

LifeSkills – No. of people upskilled in the UK per year
million

Number of people participating in the Barclays LifeSkills programme focused on employability skills.

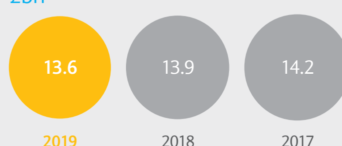
Connect with Work – No. of people placed into work globally

Number of people placed into work following training provided by Barclays Connect with Work partner organisations.

CET1 ratio
%

CET1 ratio target of c.13.5%, following removal of the operational risk floor during 2019.

Operating expenses[e]
£bn



Group operating expenses in line with the 2019 guidance. 2018 excludes litigation and conduct and a GMP charge of £140m.

Cost: income ratio[e]
%

Cost efficiency remains a priority and we continue to target a cost: income ratio of <60% over time.

Barclays UK

Barclays UK is our UK ring-fenced bank, comprised largely of our UK Personal and Business Banking and Barclaycard Consumer UK businesses.

UK Personal Banking offers retail solutions to help customers with their day-to-day banking needs. UK Business Banking serves business clients, from high growth start-ups to small and medium-sized enterprises, with specialist advice for their business banking needs.

Barclaycard Consumer UK is a leading credit card provider, offering flexible borrowing and payment solutions, while delivering a leading customer experience.

Income	Operating expenses[a]	Profit before tax[a]	Return on tangible equity[a]	Risk weighted assets
£7.4bn	£4.0bn	£2.6bn	17.5%	£75bn

a Excluding litigation and conduct.

CUSTOMERS AND CLIENTS

Barclays UK

We serve personal and small business customers across all of their banking needs.

Barclays is one of the most recognisable British brands. We serve customers in the UK across the entire spectrum of their banking needs.

We also support small and medium-sized businesses, providing the financing, saving and transactional products and services they need to grow.

Strategic priorities

Barclays UK places customers at the centre of what we do. This means listening to our customers, and adapting our products and services to ensure we have the capabilities to support their ever-evolving needs – from receiving their first salary payment, through moving home to saving and investing for retirement. It also means transforming the way we organise ourselves by creating a core team centred around our customers' needs, enabling us to move faster.

As part of our transformation, we are using technology to improve our service and to make it more efficient and reliable for our customers. We continue to make progress in eliminating the causes of complaints and improving the quality of our service. Nevertheless, accelerating progress on behalf of our customers remains a key priority, as the interruptions to our services and the level of complaints we receive from our customers is still more than we would like.

> Barclays UK is focused on providing services and insights, to help customers manage their finances.

The way we serve our customers is increasingly digital, a reflection of how most of our customers now prefer to interact with us. Further investment in our digital capabilities remains fundamental to our strategy, ensuring that our customers have the flexibility to manage the majority of their day-to-day banking needs via mobile and online banking.

This allows us to understand our customers' needs to a degree never previously possible, meaning we can tailor our services accordingly and deliver insights to customers, which help them manage their finances more effectively.

Additionally, the investment we are making in our technology, especially moving to the Cloud, means that we can get products to customers more quickly and deliver a more personalised digital experience.

However, we recognise that more complex needs, like property transactions, still need to be dealt with in person. That's why we're also investing in our physical locations, using technology wherever possible, to make them quicker and easier to use for everyone.

Operating environment

The lower interest rate environment makes borrowing more affordable but, combined with intense competition in the mortgage market and our focus on secured lending, continues to compress our net interest margin.

The accelerated pace of change in this competitive environment has also moved the traditional boundaries of retail banking and reshaped customer expectations. We are making good progress in meeting these new expectations, for example, with balance tracking, spending categorisation and a controls hub allowing customers to manage the types of spend they want, but we recognise that we still have more to do.

We must also continue to adapt to evolving regulation, for example by offering alternatives to traditional forms of credit in unsecured lending.

Our achievements in 2019

We continued to progress our digital strategy through 2019. As at the end of the year, 59% of our products were provided to our customers through digital channels and the number of digitally-active customers increased by 6% to 11.4 million year on year.

We upgraded our mobile banking offering so that our customers can now use one app to access their Barclaycard account alongside other Barclays products. This upgrade also meant that 1.2 million Barclaycard customers, who previously had no relationship with us other than their credit card, can now access more of our products and services through the Barclays App.

We have also improved the products and services that we offer our customers. 2019 saw us enhance our market-leading unsecured business loans, enabling Business Banking clients to borrow up to £100,000 digitally – an increase from £25,000 previously. This is another industry first for Barclays, as we are currently the only UK bank able to offer an instant answer on clients' eligibility for lending at this scale, and making funds available the next working day.

Barclays UK

Fostering innovation
Barclays Eagle Labs

Barclays Eagle Labs is a platform to support the UK's entrepreneurial community. Through a national network of 24 labs we incubate high-growth tech businesses, offering co-working spaces, mentoring opportunities and access to cutting-edge technology to rapidly prototype new product ideas.

We currently support over 470 startups and to date our members and alumni have collectively raised over £600m of funding.

Committed to connecting communities, in 2019 we hosted or helped organise 2,200 events throughout the UK. These were attended by over 80,000 people, with a strong focus on educating individuals, businesses and larger organisations.

We have progressed with efforts to improve our digital estate, data capabilities and ultimately create the opportunity to better engage partners. We have continued our support for some of the most promising emerging FinTechs through our network of Rise sites and deepened our strategic relationship with MarketFinance (a peer-to-peer invoice discounting platform).

Overall, our relentless focus on customers is reflected in an improved Net Promoter Score for Barclays UK of +18, and +11 for the Barclaycard brand, which shows the strength and depth of our relationships.

Focus for 2020 and beyond

We aim to continue the progress made during 2019 in driving down complaints, by continuing to identify and address the root cause of customer problems, and by making selective investments to improve infrastructure.

We want to continue to improve our customers' digital experience in 2020, as well as developing enhancements to our online and mobile platforms. We will continue to invest in equipping our people with the tools and skills they need to achieve this, as well as strengthening our culture.

We are also creating an integrated banking, advice and investments platform, building on our award-winning[a] Barclays App. Customers will be able to access financial planning services and investment products, as an extension of their existing banking products and services.

Finally, we will continue to embed our new ways of working into our organisation, in order to ensure that we are able to meet our customers' ever-evolving needs.

Note
a Best use of mobile at FStech Awards 2019.

Barclays UK Net Promoter Score
+18

Barclaycard Net Promoter Score
+11

Digitally-active customers
11.4m

Barclays App users
8.4m

UK new mortgage lending
£25.5bn

Barclays International

Barclays International consists of the Corporate and Investment Bank and Consumer, Cards and Payments. With relentless focus on delivering for customers and clients around the world, Barclays International's diversified business portfolio provides balance, resilience and exciting growth opportunities. The division has strong global market positions and continues to invest in people and technology in order to deliver sustainable improved returns. Barclays International offers customers and clients a range of products and services spanning consumer and wholesale banking.

Income	Operating expenses[a]	Profit before tax[a]	Return on tangible equity[a]	Risk weighted assets
£14.7bn	£9.3bn	£4.2bn	9.3%	£209bn

a Excluding litigation and conduct.

CUSTOMERS AND CLIENTS

Barclays International: Corporate and Investment Bank

Our Corporate and Investment Bank aids money managers, institutions, governments and corporate clients in managing their financial needs.

Our Corporate and Investment Bank is one of the world's leading providers of funding, financing, cash management, advisory and risk management products and services. We work with money managers, financial institutions, governments and corporate clients globally to help them innovate and grow.

Strategic priorities

Over the last few years, our US competitors have consolidated their strong position, and our European peers have focused efforts on a narrower product set.

Barclays is therefore able to differentiate itself as a European headquartered provider of universal banking services. As our clients look to diversify their service providers, and decrease their exposure to the US credit cycle, we believe our ability to provide this diversification is a real strength.

Our strategy is also shaped by the increasingly sophisticated needs of our clients, and technological evolution across our industry.

We are focused on three areas:

Adapting to the evolving needs of our clients

We are investing in technology that makes it easier for our clients to do business with us. That includes the development of our electronic offering in Markets and the digitalisation of our Corporate Banking client service platform.

Running an efficient and effective business

Achieving better operational performance and driving improvements in market share, while maintaining cost discipline and driving more productive use of capital by recycling risk-weighted assets to the highest returning opportunities.

Improving returns by growing high returning and capital efficient businesses

Focused growth in areas such as transaction banking in Corporate Banking and fee-led advisory and equity origination work in Banking. We are also developing other higher-returning businesses where we see opportunities, such as securitised products.

Operating environment

The economic conditions of 2019 continued to provide a challenging context for corporate and institutional banking and financing activity. Features such as the low interest rate environment, the UK's withdrawal from the EU and global trade tensions combined to dampen and delay deal activity, particularly primary issuance.

That meant the global markets revenue pool shrank by 2%[a] in 2019.

Our Banking business has also seen its available fee pool shrink, with declines of 14-18%[b] compared with 2018 in the UK and Europe, and 2-3%[b] in the Americas and Asia.

We expect many of these macroeconomic trends to continue, and are shaping our business accordingly.

Our achievements in 2019

Despite the challenging conditions, many of our businesses have performed well. We have continued to gain market share in Markets and Banking and all of our businesses continue to deliver for our clients. However, our Corporate and Investment Bank as a whole must make further progress in generating the returns our shareholders expect.

In Markets, we have helped clients navigate the volatile trading environment and continued to grow despite subdued financial markets, with share up 0.2%[c] in a highly competitive environment.

That was, in part, a result of continued investment in our electronic capabilities, particularly through investment in our BARX and options platforms. We are now partway through a multi-year effort to provide our clients with market-leading execution capabilities and liquidity access, and increase the strength of our digital offering.

In Corporate Banking, we have also invested in our digital proposition, with over 80% of our clients now using iPortal, our digital self-service platform, creating a 'single window' for clients to self-serve for many day-to-day corporate banking needs through a reliable, easy to use interface.

We have also broadened our business across Europe, with our single platform now live across seven of our nine target European countries, without the overheads of a branch network. We continue to focus on capital productivity and transaction banking revenue growth to improve returns.

In Banking, we saw notable improvements in share and revenue in both advisory and equity underwriting. In the UK and US, we improved our rank to #5[b], and globally, improved to #6[b]. Our ambition is to continue to deliver a more diversified product mix, and improve the proportion of income generated by less capital intensive businesses. In this context, we increased our global fee share to 4.2%[b], despite a declining market.

We also continued to invest and evolve to meet the changing needs of our clients. This saw us create one of the first Sustainable and Impact Banking (SIB) teams in the market, enabling us to provide thoughtful content and execution capabilities to serve the ESG needs of our clients.

Our strategy is shaped by the increasingly sophisticated needs of our clients, and technological evolution across our industry.

Focus for 2020 and beyond

Our strategy puts us on a clear path to evolve with the needs of our clients, and in doing so to increase returns.

We will continue to focus on growth in high-returning, capital efficient parts of our business, as well as maintaining our focus on cost discipline and operational rigour.

We will also look to make further, selective investments for the long term; establishing ourselves firmly as the leading European Corporate and Investment Bank, competing on an even footing with our US peers, and operating at the most efficient scale in serving our clients.

In Corporate Banking, we will continue the investment in our digital proposition and in our European offering. We will also focus on steadily improving our credit portfolio returns by reallocating risk weighted assets to higher-returning opportunities.

Markets will continue to focus on growing client balances, building a large and stable accrual income base. We will keep investing in low-touch electronic execution platforms, to drive efficiency and scale. We will also broaden the reach of our fixed income and equities product suite to hedge fund clients, through our Prime Brokerage offering.

Banking will continue to invest in select sectors in the US and Europe to improve revenue contribution from our equity and advisory offerings and help us narrow the gap to our US peers.

Following creation of the SIB team, we will accelerate our efforts to support growth stage companies as well as our broader client base on integrating ESG.

The SIB group will coordinate the ESG activities for our clients across Corporate and Investment Bank – including our current Green Bond franchise and the existing renewables business in our Power & Utilities Group.

We are tracking our progress against all strategic priorities closely, to make sure that our choices are delivering the returns we expect, and that we can adjust our plans accordingly.

Committed to sustainable finance

Apple Inc. €2.0bn Green Bond

We continue to lead the market in our commitment to sustainable finance through our ESG franchise. In November 2019, we priced a €2.0bn green bond for Apple. The transaction was the largest-ever Euro-denominated green bond issued by a US corporate, and the second-largest Euro-denominated corporate green bond offering of all time.

Apple intends to use the proceeds from the offering to finance one or more of its 'Eligible Green Projects': mitigating its impact on climate change by reducing the carbon footprint of its supply chain, pioneering the use of greener materials in its products and processes, and conserving resources by transitioning to recycled and renewable materials for production.

We were able to use our expertise in green banking and track record of success to support Apple in their ambitions to support new opportunities that will protect the planet in a sustainable way. The transaction, among many others, demonstrates the role that Barclays plays in financing and advising on transactions that contribute to a sustainable future for us all.

Income
£10.2bn

Operating expenses[d]
£7.0bn

Profit before tax[d]
£3.1bn

Return on tangible equity[d]
8.0%

Global banking fee share rank[b]
6th
Top-ranked European bank on a full-year basis

Global markets revenue rank[c]
6th
Largest non-US bank

Notes:
a Source: Coalition FY19 Preliminary Competitor Analysis.
b Source: Dealogic.
c Source: Coalition FY19 Preliminary Competitor Analysis. Market share represents Barclays' share of the total industry revenue pool. Analysis is based on Barclays' internal business structure and internal revenues.
d Excluding litigation and conduct.

Barclays International: Consumer, Cards and Payments

Our Consumer, Cards and Payments business is at the forefront of the digital economy.

Consumer, Cards and Payments includes the following key businesses:

In the UK, our payments business enables clients ranging from small businesses to large corporates to make and receive payments. We are a leading corporate card issuer for large and small businesses, and have expanded into providing business-to-business supplier payment solutions. We also help businesses accept payments from their customers in-store, in-app and online. We are also one of the UK's largest finance partners for retailers, providing point-of-sale finance solutions to consumers.

In the US, our co-branded cards business provides credit cards to consumers. Our partners include American Airlines, JetBlue and Wyndham Hotels & Resorts.

In Germany, we offer market-leading consumer credit cards[a], while continuing to develop our lending offering.

Our Private Bank provides a diverse range of personal and institutional wealth management products and services, including investments, credit and cash management solutions.

Strategic priorities

Our strategy is to grow capital efficient businesses such as payments. We will also grow in other areas of expertise, such as our US co-branded credit card business, though we have scaled back our presence in Barclays branded US credit cards.

> Barclays is a top-ten credit card issuer in the US.

We plan to grow our payments business by deepening our client relationships through tighter integration across Barclays and through significant investment in our digital and client reporting capabilities, where we have historically had gaps.

We will also build upon our deep payments experience by integrating with the software providers our clients use, in order to scale up our payments solutions across the UK and into Europe. Further investment in our digital infrastructure will be key to continuing to simplify processes and make it easy for our clients to access an end-to-end payment service from Barclays in the UK and across Europe.

In our US co-branded cards business, we are strengthening our foundations through platform upgrades, infrastructure improvements and process automation to meet evolving customer needs. Our co-branded business model is well proven and is creating opportunities for growth. We continue to focus on deeper engagement with current partners, whilst expanding our reach with new strategic opportunities.

Our Private Bank remains focused on delivering bespoke solutions for global high-net-worth, ultra-high-net-worth and family office clients. We have made a number of digital enhancements to streamline onboarding for our Private Bank clients and this will remain an area of focus.

Operating environment

Market changes are primarily driven by changes in consumer behaviour. For example, the UK card payment market is growing significantly, with a shift from in-store to online payments. Digital and e-commerce focused players are growing fast and gaining market share.

The continued low interest rate environment means consumers are borrowing more, creating opportunities for new entrants who are focused solely on point-of-sale financing, to compete with traditional card issuers like Barclays.

Private Banking continues to be highly fragmented, and while digital penetration is lower than other segments, technology and automation are playing an increasing role.

Our achievements in 2019

On top of strong partner renewal activity in the US, we launched a refreshed Uber credit card with new reward features to maximise customer engagement and value for our partner and cardholders. We also launched refreshed American Airlines Aviator Red and Silver cards and relaunched our Barclaycard Financing Visa – a simplified financing-focused product for Apple consumers in the US.

We have also made progress in upgrading the US platform and data infrastructure, which has both improved customer experience and made our business more efficient.

In point-of-sale lending in the UK, we have worked with Apple to launch the 'Trade-In-With-Instalment' solution. This offers customers the opportunity to upgrade their iPhone through a 24-month instalment loan with 0% interest. It is a good example of how we are providing value for both consumers and our clients.

In our payments business in the UK, we have retained key strategic clients and forged new partnerships with companies like Coupa and TouchBistro, highlighting our unique payments integration capabilities.

> We see a third of all card payments made in the UK, which gives us a broad and deep understanding of the payments environment.

Next generation fraud protection
Barclaycard Transact

New regulations are introducing additional authentication requirements for online card payments. This can slow down the checkout experience for consumers, and sometimes mean they abandon their purchase altogether.

> As more transactions move online, it is critical to ensure higher-risk transactions have these higher levels of authentication while continuing to allow low-risk consumer spend to be approved seamlessly.

Launched in September 2019, Transact is our new online fraud and payment solution. It uses AI to send payments through the quickest route – helping our corporate clients take payments at the speed their customers expect, and helping to prevent abandoned transactions.

With a third of all card payments made in the UK[b], Barclays is one of the largest payment processors in Europe[c], and is a leading corporate card issuer. We recently won the B2B Payments Innovation Award at the 2019 Payments Awards, which highlights the strength of our franchise in payments.

Making it easier for small businesses to join our payments network has been at the centre of our digital transformation. We have successfully streamlined a paper-based journey into a digital experience, now with same day onboarding for most of our clients.

In the US, we continue to see strong net promoter scores. We maintained our ranking in the top 10 of US credit card issuers[d].

Focus for 2020 and beyond

We continue to make our businesses more digital, meeting the changing needs of clients and consumers. We also see opportunities to make our businesses more efficient.

We will remain focused in the US on upgrading our platform, enabling us to transact faster, and create stronger foundations for growth, including new planned product offerings in consumer lending and point-of-sale financing.

Our successful track record with our retail partners in the UK serves us well as we develop product propositions across our payments business. We will also expand our acquiring business geographically, particularly across Europe.

We have a strong foundation and deep subject matter expertise across a wide range of businesses and regions. By bringing together a number of our efforts, we will unlock further growth opportunities for Barclays and deliver world-class solutions for our customers.

In the Private Bank, we continue to work closely with the CIB to build out further our suite of products, with a focus on expanding our investment and credit propositions, supported by improved digital capabilities.

Notes
a Sources: Bankenfachverband, Statistisches Bundesamt, plus own calculations.
b Source: UK Finance.
c Source: Nilson Report #1153.
d Source: Nilson Report #1161.
e Excluding litigation and conduct.

Income
£4.4bn

Operating expenses[e]
£2.3bn

Profit before tax[e]
£1.2bn

Return on tangible equity[e]
15.9%

Net Promoter Score
+33
US Cards

CC&P US customer digital engagement
71%

COLLEAGUES

Our people and culture

We believe that the culture of Barclays is built and shaped by the thousands of professionals around the world who serve our customers and clients with a shared purpose and values.

Our people make a critical difference to our success, and our investment in them protects and strengthens our culture.

We increasingly draw on the latest thinking from behavioural science and data science to identify what's most likely to be effective in hiring, developing and engaging our people, and then track effectiveness over time. We're also starting to use the same data-driven approach to give us a much more accurate picture of how people progress through our organisation.

Hiring the best people

We continue to focus on hiring people with the skills that will help us accelerate the digital transformation of our organisation, as well as adapt more quickly to the changing needs of our customers and clients.

We have increased hiring across our core strategic locations globally. Building a modern, scale presence in a smaller number of sites enables us to make significant investments in the workplace that would not otherwise be possible. The transition to having more of our people work from these strategic sites means change for our existing colleagues. We recognise the disruption that this can create and we are managing the impacts thoughtfully.

Within BX, we continue to rebalance the mix of contractors and permanent colleagues, so that more people work directly for us. We believe this is a competitive advantage and further strengthens our culture.

> People with different perspectives and life experiences make our organisation stronger.

We want to hire from within and are increasingly using data and analytics to identify and support high performers and potential future leaders – particularly from those groups that are currently under-represented amongst our senior colleagues. 34% of our vacancies were filled by internal candidates during 2019.

Just under 900 graduates joined us in 2019, enabling us to develop our pipeline of future leaders in-house. The percentage of graduate female hires was 34%. We also provided over 300 people with the opportunity to complete a structured apprenticeship.

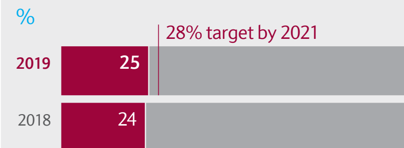
We have continued to put additional effort into supporting people who have been in the armed forces to find a career at Barclays, through the 'After' programme. We have also supported those returning to the workforce after a career break, through our 'Encore' programme.

People with different perspectives and life experiences make our organisation stronger. We are committed to attracting, developing and retaining a diverse and inclusive workforce, and providing equal opportunities.

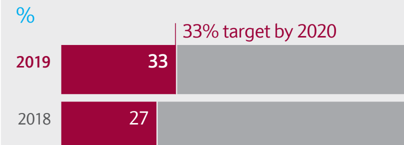
We aim to make sure our hiring is as diverse as possible. Our policies require us to give full and fair consideration to all populations based on their aptitudes and abilities. We're using data and analytics to better understand how we can improve our hiring process.

We recognise the importance of measuring progress around our gender diversity agenda and believe that setting targets is an effective way to do this. We've set ourselves a target of 28% female Managing Directors and Directors by the end of 2021, and have signed up to the Hampton Alexander targets of 33% female representation on each of our Boards and across our Group Executive Committee (ExCo) and their direct reports by the end of 2020. We continue to report on our results as part of the Hampton Alexander Review and HM Treasury Women in Finance Charter.

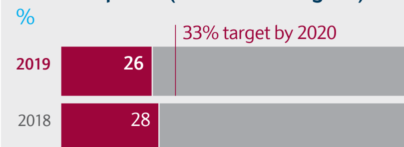
Females at Managing Director and Director level
%



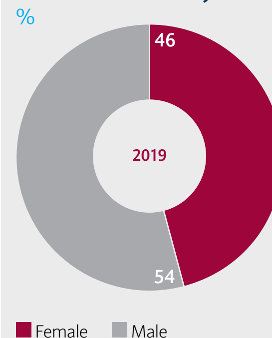
Females on Board of Directors
%



Females on Group ExCo and ExCo direct reports (Senior Managers)
%



Females in Barclays
%



Female Male

Under the Companies Act 2006, Barclays is required to report on the gender breakdown of our employees and 'senior managers'. Our global workforce was 87,369 (47,392 male, 39,970 female, 7 unavailable), with 107 senior managers (79 male, 28 female). This is on a headcount basis, including colleagues on long-term leave. Unavailable refers to colleagues who do not record gender in our systems. 'Senior Managers' represents the Group Executive Committee and their direct reports.

Developing talent for the future

We operate in a highly-regulated environment, so it's critical to our success that our people understand the rules that govern how we operate. We invested £36m in training last year to ensure we get this right.

A wide range of development opportunities are available to help all our people build their career, delivered both in-person and through our new digital learning platform, Learning Lab, which is making development more available than ever.

We also launched two new flagship leadership development programmes during 2019. This is a significant investment in our future leaders, driven by our core belief that quality leadership makes a difference to our success. We track the progression of people that have participated in these programmes to see how effective they are.

We remain committed to closing pay gaps at Barclays; the difference in seniority between male and female colleagues, and between BAME and non-BAME colleagues. You can find out more about this in our Pay Gaps Report, available at **barclays.com**

Colleague engagement

We have an established approach to engaging colleagues which includes the majority of the UK's Financial Reporting Council (FRC) recommendations, and is in line with new governance requirements in 2019. This ensures that we understand their perspective, take it into account in our decision making at the most senior level, and share with them our strategy and progress.

That extends to those who work for us indirectly as well, such as contractors, although in a more limited way. In 2020, our supplier code of conduct will require organisations with more than 250 employees to demonstrate that they have an effective workforce engagement approach of their own.

It's important to us that our Board members are engaged with our people – directly, and indirectly through our management team.

We regularly report on our colleague engagement activity to our Boards.

Together with direct engagement, this comprehensive reporting approach and dedicated time at board meetings helps our Board take the issues of interest to our colleagues into account in their decision making.

This has enabled them to confirm that our workforce engagement approach is effective.

Listening to our people

Our regular colleague survey formally captures the views of all our people and is a key part of how we track colleague engagement. Our overall engagement score reduced slightly to 77% in 2019, but 80% of our colleagues would still recommend Barclays as a good place to work. Our colleagues also shared that 79% of them feel it's safe to speak up to share their views.

89% of colleagues told us they believe Barclays is focused on achieving good customer and client outcomes and 86% said they are proud of the contribution Barclays makes to the community and society.

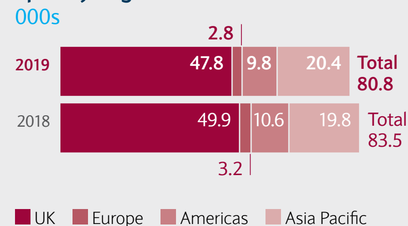
Only 61% of our people said the stress levels at work are manageable, and 53% believe that we have been successful in eliminating obstacles to efficiency. Improving these scores is a key priority and we are working on the underlying problems.

The results from the survey are an important part of the conversations our leaders have about how we run the business, and it's a specific focus for our Executive Committee and our Board. The Executive Committee holds a dedicated town hall for colleagues each year, specifically to talk about their feedback and the actions we're taking in response, and there are many follow up communications and action plans built across the Group.

We monitor our culture across the organisation, and in individual business areas, through culture dashboards. These combine colleague survey data with other metrics about our business, so that we can see the effect our people's engagement has on our performance, and on the continued strength of our culture. 82% of our people have heard or read senior leaders talking about the character and culture of Barclays.

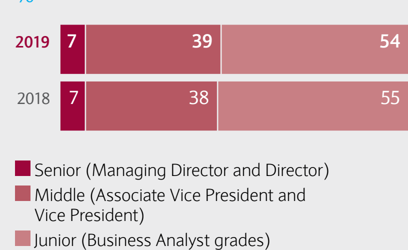
Number of employees split by region

000s



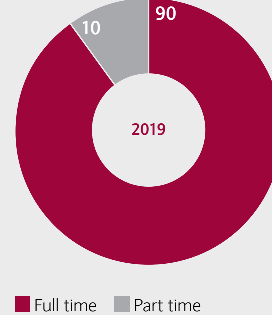
Split by level

%



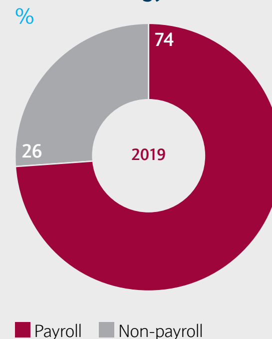
Split by full time/part time

%



Split by payroll/non-payroll in Technology

%



COLLEAGUES

Our people and culture

Keeping our people informed

In addition to these data sources, our leaders, including our Board, engage face-to-face with colleagues locally to hear what they think. That might be through site visits, large-scale town halls, training and development activity, mentoring, informal breakfast sessions, committee membership, diversity and well-being programmes, or focus and consultative groups.

We make sure we're regularly keeping everyone up to date on the strategy, performance and progress of the organisation through a strategically-coordinated, multi-channel approach across a combination of leader-led engagement, and digital and print communication, including blogs, vlogs and podcasts.

We also engage with our people collectively through a strong and effective partnership with Unite, as well as the Barclays Group European Forum, which represents all colleagues within the European Union.

These conversations help us to deliver things like a collective pay deal for our Unite covered colleagues, who represent 84% of our UK-based colleagues, as well as more complex business change and our long-term focus on colleague well-being.

We regularly brief our union partners on the strategy and progress of the business and seek their input on ways in which we can improve the colleague experience of working for Barclays. The collective bargaining coverage of Unite in the UK represents c.52% of our global workforce.

When we make significant changes to our business, they can affect our people and can mean that redundancies are necessary. We consult in detail with colleague representatives on major change programmes affecting our people. We do this to help us minimise compulsory job losses wherever possible, including through voluntary redundancy and redeployment.

> We are committed to paying people fairly – in a way that balances the needs of all our stakeholders.

Our people policies

Another way we shape the culture of our organisation is through our people policies, which are reviewed regularly, including by our Board.

Our policies are designed to provide equal opportunities and create an inclusive culture, in line with our values and in support of our long-term success. They also reflect relevant employment law, including the provisions of the Universal Declaration of Human Rights and ILO Declaration on Fundamental Principles and Rights at Work.

We expect our people to treat each other with dignity and respect, and do not tolerate discrimination, bullying, harassment or victimisation on any grounds.

We are committed to paying our people fairly and equitably relative to their role, skills, experience and performance – in a way that balances the needs of all our stakeholders. That means our remuneration policies reward sustainable performance that's in line with our purpose and values, as well as our risk expectations. You can find more information in our Fair Pay Report, available on **barclays.com**

We encourage our people to benefit from Barclays' performance by enrolling in our share plans, further strengthening their commitment to the organisation.

The Directors' Remuneration Report sets out updates on remuneration outcomes and developments during 2019. It also explains our plans for 2020, including our proposed new Directors' Remuneration Policy, which will be subject to a vote at the next AGM.

Facts and figures

77%
Colleague engagement

893
graduate hires

311
apprenticeships

10%
voluntary employee turnover

15%
employee turnover

15
average training hours per annum per employee (payroll)

Building a supportive culture

Diversity of thought and experience works best when everyone feels included. People who feel they can be themselves at work are happier and more productive, so we believe that creating an inclusive and diverse culture isn't just the right thing to do, but is also best for our business.

We focus on five areas: disability, gender, LGBT+, multicultural, and multigenerational. Each of these is represented and championed by a senior leader, and embedded deeply into the organisation through colleague networks organised by our people and funded by Barclays.

Our networks provide colleagues with valuable support and advice, create development opportunities, and raise awareness of issues and challenges. Our networks also influence our people policies, teaching us how we need to adapt to give our people the support they need to succeed. 85% of our colleagues say that they feel included within their teams.

Our policies require managers to give full and fair consideration to those with a disability on the basis of their aptitudes and abilities; both when hiring and through ongoing people management, as well as ensuring opportunities for training, career development and promotion are available to all. As part of the UK government Disability Confident scheme, we encourage applications from people with a disability, or a physical or mental health condition.

We encourage everyone working at Barclays, or thinking about joining us, to tell us what support and adjustments they need to be their best at work. We're working hard to make the processes that support this more effective, recognising that at times getting the support colleagues need can be slow.

We track the ever-changing composition of our people through online dashboards, to make sure that our senior leaders understand the diverse makeup and needs of the organisation they lead. We're also an inaugural signatory of the UK's Race at Work Charter.

Through our BeWell programme, we provide expert advice and guidance on the practical steps colleagues can take to look after their physical and mental health. In 2020, our Mental Health Awareness training will become mandatory for all colleagues. We were one of the first businesses to sign up to the Mental Health at Work Commitment. 74% of colleagues say that Barclays supports employee efforts to enhance their well-being.

The tools to succeed

We provide tools, programmes and support that enable colleagues to balance their work-life with their personal commitments, supporting career development opportunities at each life stage.

We offer enhanced maternity, paternity, adoption and shared parental entitlements.

We're continuing to shape a more agile, technology-led culture through dynamic working, so that we can meet our people's desire to work more flexibly. 88% of colleagues say they are able to work dynamically and this is one of the biggest drivers for overall engagement, with more favourable scores across all questions.

However, our people also told us that we need to invest more in the technology and services we use internally. Only 56% of people said they have the work tools and resources they need to achieve excellent performance and this is a reduction year over year. We've made significant progress particularly in our new strategic campus sites, but we need to get the balance right between required investment and cost discipline in order to effectively balance the needs of all of our stakeholder groups.

We're replacing the old devices that we know our people can find frustrating, and we're updating our software and connectivity so that getting work done is easier. We've also invested in the technology support we provide to our people, so that when things do go wrong, we can put them right more quickly.

Over the next few years, our focus will be on enabling much greater collaboration, right across the organisation, so that we can unlock the power of the connections between our people.

Black, Asian and Minority Ethnic (BAME) colleagues[a]

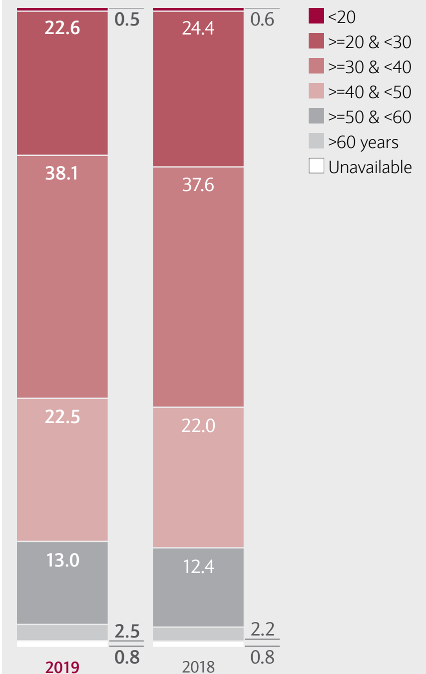
Global
%

United Kingdom
%

USA
%

Age of employees

%



a BAME populations include Asian, Mixed, Black, Hispanic/Latino, Native Hawaiian or Other Pacific Islander and Native American colleagues. Employees with an undeclared ethnicity (21% of our global population) have been excluded from all calculations, both for 2019 and 2018.

SOCIETY

Our role in society

Our success over the long term is tied inextricably to the preservation of our environment and the progress of our communities.

Stakeholder focus on the societal impact of businesses on wider ESG factors has continued to evolve rapidly during 2019. Investors, customers and clients, regulators, policymakers and broader society are all accelerating the pace of change.

We continue to strengthen the integration of social and environmental issues into our business strategy. Demonstrating the growing strategic importance of these issues, the Group Executive Committee created the Environmental and Social Impact (ESI) Committee in June 2019 to manage environmental and social matters. Chaired by the Group Chief Executive, with representation from business and function leadership, the Committee provides strategic management oversight, sets our approach and monitors execution against priorities.

Sometimes, that will take the form of an unambiguous statement of intent – as we have made through our Energy and Climate Change Statement. Often, though, the mark of our contribution will be seen most clearly in the way we run our business.

We believe we can make a difference in four key ways.

> We understand the issues that define our shared future and the role we might play in addressing them.

1. Making growth 'green', sustainable and inclusive

Banks help to finance the future. In the way we prioritise and mobilise financial resources, and in how we do business, we can help shape the future to be cleaner, fairer and leave no one behind.

Social and environmental financing

We continue to make good progress towards our social and environmental financing commitment, having provided £34.8bn of social and environmental financing in 2019 (2018: £28.5bn), facilitating a total of £63.3bn towards our £150bn goal. Social financing was £23.9bn (69% of total), environmental financing was £7.8bn (22% of total).

Supra-national, national and regional development institution finance continues to be a key driver of the £23.9bn in social financing (up 9% from £21.8bn in 2018).

Sustainability-linked loans, which can be linked to a range of different social and environmental performance metrics, increased to £3.1bn. These loans doubled year on year as more clients integrate sustainability metrics into their loan facilities.

Environmental financing grew by 45% year on year to a total of £7.8bn (2018: £5.3bn). We have seen good growth across our product set in our consumer and wholesale businesses.

Accessible retail products and services

We believe that banking should work for everyone.

There were more than 570,000 Barclays Basic Current Accounts open at the end of 2019, serving the financial needs of those who wouldn't otherwise qualify for an account.

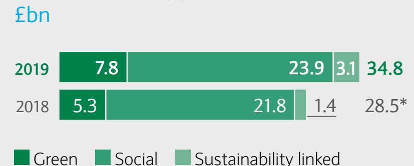
We also provide free banking to over 130,000 small not-for-profit organisations through our Community Accounts, including sports and community clubs, religious groups, and local charities.

ESG and climate-related disclosures

Barclays will publish a comprehensive Environmental, Social and Governance Report and associated disclosures, including climate-related disclosures later this year.

Social and environmental financing facilitated by type

£bn



* 2018 Social and Environmental financing has been restated to incorporate sustainability-linked financing facilities and ensure a consistent basis of reporting with 2019.

Social and environmental financing facilitated by region

£bn

Unreasonable impact

No. of ventures supported since 2016

124

Building thriving local economies

Pilot projects launched across the UK

3

Connect with Work

Businesses engaged to help provide job placements for 66,000

4,200

Green and Sustainable Finance Products

Consumer

Barclays Green Home Mortgage – Rewards homebuyers who choose to buy an energy-efficient new build home with lower interest rates on their mortgage.

ESG investment products – Range of impact investing and ESG investment products for consumers.

Corporate

Green Asset Finance – Financing green assets through lease purchase, finance and operating leases.

Green Loans – Lending for a variety of green and energy-efficient projects.

Innovation Finance – Financing of up to £5m at competitive rates to support green business innovation in small to medium-sized businesses.

Green Deposits – Allows our largest clients to earmark their cash balances against the green assets held on Barclays' balance sheet.

Green Trade Loans – Supporting the green working capital needs of clients from procurement through to final sale of goods.

Capital Markets and Strategic Advisory

Green and Sustainable Capital Markets – Active in underwriting Green and Sustainability Bond issuance across sectors and geographies.

Sustainable and Impact Banking – Launched dedicated coverage group for high-growth sustainability ventures and ESG-focused private and public investors.

We continue to improve our customer experience for those who have accessibility requirements. Our main digital channels have all been accredited for accessibility by AbilityNet, a leading UK accessibility charity. Video banking is now helping hard of hearing customers reliant on lip-reading to connect with us.

To help keep our customers safe, we've invested millions of pounds in multi-layered security systems that protect against fraud and scams. We prevent thousands of attempted fraudulent transactions every day, and stopped over £720 million of fraud from taking place in the past year alone.

Our customers are increasingly choosing to access our products and services digitally, and using our branches less and less. That means we must constantly assess how and why our branches are used, and make commercial decisions based on that information.

Where we take the difficult decision to close a branch, we work closely with the local community to understand their needs and any alternative solutions we can provide. These solutions will be specific to each area but may include cashback from local retailers, arrangements with the nearest Post Office, or pop-up branches, as well as Barclays Collect for businesses, video banking, fully-automated facilities or cash machines. We also work closely with customers in communities across the UK to help them access and feel confident in using our digital services through our team of Barclays Digital Eagles.

In October 2019, we made a commitment to freeze branch closures for 'last-in-town' and remote locations, protecting 105 branches for at least two years, and we will maintain a full service proposition for our customers through the Post Office for the next three years.

2. Managing our social and environmental impact

The scale and scope of the support we provide to our customers and clients means that we can have a significant impact on the world around us. We take seriously our obligations to manage that impact responsibly.

As a bank, our potential adverse environmental and social impacts are frequently indirect, arising from the provision of financial services to business customers operating in sensitive sectors. We believe that appropriate risk management of these environmental and social impacts is not only the right thing to do, but ensures the longevity of our business and our ability to serve our clients.

Social Innovation Facility

Fostering social innovation in the way we think, work and operate is a priority for Barclays.

Barclays Social Innovation Facility (SIF) incubates financial products and services that will have a sustained social or environmental impact. The SIF works with ideas created by innovators within Barclays and helps to support them through the development process from idea refinement, to scoping out the market, to commercialising the opportunity. Products range from impact investing to retail banking services for ex-military. Read more at **home.barclays/citizenship**

Environmental and social risks are governed and managed as part of Barclays' credit risk and reputation risk management frameworks and processes. These include the client transaction review process, which is managed by a dedicated Environmental Risk Management team, as part of the central Credit Risk Management function, as well as the Group Sustainability and Reputation risk teams.

Our approach to environmental and social risk management is based on a combination of statements, standards and guidance. Formal position statements are developed in consultation with numerous stakeholders and aligned with industry best practices. We have also developed internal standards to implement our position statements.

Policies and position statements can be downloaded from **home.barclays/citizenship/statements-and-policy-positions/**

SOCIETY

Our role in society

3. Running a responsible business

We know that trust is earned by repeatedly doing the right thing. Our approach to governance is built to reinforce that trust. We believe the best way to build that trust is to invest in our culture and support our people in the choices they make every day with guidance and policies that help.

That starts with our purpose and our values, and is locked into our organisation through The Barclays Way. The Barclays Way is the touchstone for everyone in Barclays on the standard of conduct we expect, and sets a tone from the top that is unequivocal about who we are and what we stand for.

Whistleblowing

Most employees feel comfortable raising concerns through the usual escalation channels: their line manager, as well as Compliance, Legal and HR contacts.

If employees prefer to raise an issue in confidence, including a formal whistleblowing issue, we have a dedicated 'Raising Concerns' team that employees can contact which direct their issue to the most appropriate team.

Whistleblowing reports will be directed to a dedicated, confidential and independent whistleblowing team to investigate.

In 2019, the whistleblowing team opened a total of 254 whistleblowing investigations (2018: 364), with the majority of the investigations focused on allegations of breaches of controls or processes. Of the 217 whistleblowing investigations closed in 2019, 28% were found to have some level of substantiation.

Managing our supply chain

14,000 companies from more than 26 countries supply Barclays across a broad range of products and services. Nearly 90% of our third party spend is concentrated in the UK and US.

Our supply base is diverse, including start-ups, small and medium-sized businesses, businesses owned, controlled and operated by under-represented segments of local societies as well as multinational corporations. Many of our suppliers have their own extensive supply chains.

Our engagement with suppliers is important. The Directors have regard, via management oversight, to the need to foster business relationships with suppliers and, as such, engage with them to ensure adherence to the Barclays' Supplier Code of Conduct and Supply Control obligations which cover our expectations of suppliers.

Adherence is confirmed through pre-contract attestation. Further, Barclays PLC is a signatory to the Prompt Payment Code in the UK, committing to pay our suppliers within clearly defined terms. In 2019, we achieved 85% (2018: 82.1%) on-time payment by value to our suppliers, meeting our public commitment to the suppliers of 85%.

IT failures and resilience

Technology plays an increasingly important role in how we deliver for our customers and clients.

The stability and resilience of our technology systems has a direct impact on the quality of our service. We make significant investments in our infrastructure to guard against risk ranging from large scale data corruption, to hacking and third party failure.

Our multi-channel approach to delivering for our customers provides a level of resilience, and we maintain and regularly test comprehensive recovery plans to be used in the event of a failure.

4. Investing in our communities

A strong, inclusive economy is a better economy for everyone. A vibrant, skilled workforce ensures that businesses can thrive, and that individuals, along with their families and wider communities, can achieve financial independence and security.

We are helping to build skills and break down barriers to work wherever we find them, to enable people to succeed now and in the future. We do that through our flagship programmes.

LifeSkills gives people across the UK the skills, knowledge and confidence they need to be ready for the world of work – now and in future.

We've already helped millions of people through the programme since 2013 and are committed to helping a further 10 million people by 2022. We have made good progress towards our target, with 2.3m upskilled through the Life Skills programme in 2019.

Connect with Work provides people from often overlooked communities with vital work skills, and connects them to businesses that are recruiting, including Barclays' clients and suppliers.

By the end of 2019 we helped 66,000 people around the world into work with 4,200 businesses. We aspire to have placed 250,000 people into work through the programme by 2022.

Eagle Labs is a UK network of branch-based spaces that support individuals and businesses to innovate and grow. Eagle Labs are helping drive transformation in SMEs and across industry sectors, through local collaborations with industry-leading companies, universities and start-ups.

Unreasonable Impact is a partnership between Barclays and the Unreasonable Group. It helps fast-growing, social and environment-focused companies globally to accelerate their business and create hundreds of new jobs while solving some of society's most pressing problems.

With advice and guidance from a community of world-class mentors and industry specialists, the programme has so far supported 124 growth-stage ventures.

By 2022, we aspire to have supported 250 high-growth businesses through Unreasonable Impact.

Alongside these high-impact programmes, we also support our employees to make a difference on the issues that matter most to them personally, by supporting them to volunteer their time and skills in their own community and matching their financial contribution with our own.

Building Thriving Local Economies

Our Thriving Local Economies initiative aims to identify the drivers and barriers to local economic success and enables Barclays to support those economies to thrive beyond the provisioning of our day-to-day products and services. In 2019 Taunton Deane, in the South West of England, joined Bury and Kilmarnock as our pilot communities. During the three-year programme, we are working closely with local councils, schools and business groups in those communities to better understand what help and support they need to thrive.

ESG and climate-related disclosures

Barclays supports the goals of the Paris Agreement, and we recognise the role that banks must play in assisting the transition to a low-carbon economy.

This can be accomplished through the provision of products and services which mobilise the capital required to execute this transition, and better management of climate-related risk within our portfolio.

We will be publishing a full suite of ESG and climate-related disclosures later this year, including an updated climate change position, ESG Report and separate TCFD publication.

As our home market experienced uncertainty around Brexit, we continued to support local businesses and communities through this period of change.

Developing the Principles for Responsible Banking

The Principles for Responsible Banking (PRB) provide a single framework for the global banking industry to embed sustainability at strategic, portfolio and transactional levels, and across all business areas. The Principles help to align banks with society's goals, as expressed in the Paris Climate Agreement and the United Nations' Sustainable Development Goals.

As one of the 30 founding banks, we are proud to have partnered to help develop and support the Principles. We recognise that implementing the Principles will be a journey and we will continue to embed the Principles into our business. We will provide initial disclosures on how Barclays is responding to the Principles as part of our ESG Report and associated disclosures.

Supporting UK Business

When the customers, clients and communities we serve succeed, Barclays succeeds. This is particularly true in the United Kingdom, where we have been part of the fabric of the country for over 325 years.

As our home market experienced uncertainty around Brexit through the year, we continued to support local businesses and communities through this period of change.

From farmers embracing the fourth industrial revolution to manufacturers forging trade links in new markets, small, medium and large businesses across the UK continue to demonstrate ambition, innovation and resilience.

To help them fulfil their potential, we launched our dedicated support package for small and medium-sized businesses (SMEs) – the lifeblood of the economy. This included a dedicated £14.7bn SME lending fund, our 1,500-strong team of on-the-ground relationship managers and over 200 Brexit and Beyond clinics, held across the country. We have already lent £3.8bn to SMEs during 2019.

Financial review

Barclays delivered year on year improved RoTE of 9.0%. This represents the third consecutive year of improved underlying RoTE performance.

Financial metrics

Group RoTE

RoTE measures our ability to generate acceptable returns for shareholders. It is calculated as profit after tax attributable to ordinary shareholders 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 to align management's interests with those of its shareholders. RoTE lies at the heart of the Group's capital allocation and performance management process.

CET1 ratio

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

The ratio expresses the Group's CET1 capital as a percentage of its risk weighted assets (RWAs). RWAs are a measure of the Group's assets adjusted for their associated risks.

Operating expenses

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

Cost: income ratio

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

Our performance in 2019

Group RoTE

RoTE, excluding litigation and conduct, increased to 9.0% (2018: 8.5%), in line with the 2019 target. Based on an average target CET1 ratio[a] of 13.2%, RoTE was also 9.0%.

We continue to target greater than 10% RoTE. Notwithstanding global macroeconomic uncertainty and the current low interest rate environment, we believe we can achieve a meaningful improvement in returns in 2020.

CET1 ratio

The CET1 ratio increased to 13.8% (December 2018: 13.2%).

CET1 capital decreased by £0.3bn to £40.8bn. This was driven by underlying profit generation of £5.0bn offset by dividends paid and foreseen of £2.4bn, an additional provision for PPI of £1.4bn, pension deficit reduction contribution payments of £0.5bn, a decrease in the currency translation reserve of £0.5bn, mainly driven by the depreciation of period end USD against GBP, and a loss on the redemption of Additional Tier 1 (AT1) securities of £0.4bn.

RWAs decreased by £16.8bn to £295.1bn primarily driven by the reduction in the Group's operational risk RWAs, as well as the depreciation of period end USD against GBP.

The Group continues to target a CET1 ratio of c.13.5%.

Operating expenses

Operating expenses decreased to £13,585m (2018: £13,896m) in line with 2019 guidance, as cost efficiencies were partially offset by continued investment.

Cost: income ratio

Barclays UK and Barclays International each generated positive cost: income jaws, resulting in the Group cost: income ratio, excluding litigation and conduct, reducing to 63% (2018: 66%).

Cost control remains a priority and management continues to target a cost: income ratio of less than 60% over time.

Group return on tangible equity (RoTE)[b]

%

RoTE increased to 9.0%, in line with the 2019 target.

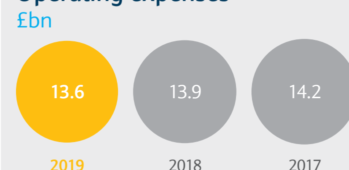
CET1 ratio

%

CET1 ratio target of c.13.5%, following removal of the operational risk floor during 2019.

Operating expenses[b]

£bn



Group operating expenses in line with the 2019 guidance of less than £13.6bn. 2018 excludes litigation and conduct and a GMP charge of £140m.

Cost: income ratio[b]

%

Cost control remains a priority and we continue to target a cost: income ratio of <60% over time.

Note

a The average target CET1 ratio reflects the change in the Group target from c.13.0% to c.13.5% in September 2019 following the removal of the operational risk RWAs floor.

b Excluding litigation and conduct.

Managing risk

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

Enterprise Risk Management Framework

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

The ERMF governs the way in which Barclays identifies and manages its risks.

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

Risk appetite

Risk appetite defines the level of risk we are prepared to accept across the different risk types, taking into consideration varying levels of financial and operational stress. Risk appetite is key to our decision-making processes, including ongoing business planning and setting of strategy, new product approvals and business change initiatives.

Three lines of defence

The first line of defence is comprised of the revenue generating and client-facing areas, along with all associated support functions, including Finance, Treasury, Human Resources and Operations and Technology. The first line identifies the risks, sets the controls and escalates risk events to the second line of defence.

The second line of defence is made up of Risk and Compliance and oversees the first line by setting limits, rules and constraints on their operations, consistent with the risk appetite.

The third line of defence is comprised of Internal Audit, providing independent assurance to the Board and Executive Committee on the effectiveness of governance, risk management and control over current, systemic and evolving risks.

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

Monitoring the risk profile

Together with a strong governance process, using business and Group level Risk Committees as well as Board level forums, the Board receives regular information in respect of the risk profile of the Group, and has ultimate responsibility for Group risk appetite and capital plans. Information received includes measures of risk profile against risk appetite as well as the identification of new and emerging risks.

In 2019, Barclays also conducted a group-wide, exploratory stress test against a severe but plausible near-term climate scenario. The aim of the analysis was to identify key vulnerabilities that were most relevant and material to the Group's business model and geographical footprint.

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

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

Managing risk

The ERMF defines eight principal risks		How risks are managed
Financial principal risks		
Credit risk	The risk of loss to the Group from the failure of clients, customers or counterparties, including sovereigns, to fully honour their obligations to the Group, including the whole and timely payment of principal, interest, collateral and other receivables.	Credit risk teams identify, evaluate, sanction, limit and monitor various forms of credit exposure, individually and in aggregate.
Market risk	The risk of loss arising from potential adverse changes in the value of the Group's assets and liabilities from fluctuation in market variables including, but not limited to, interest rates, foreign exchange, equity prices, commodity prices, credit spreads, implied volatilities and asset correlations.	A range of complementary approaches are used to identify and evaluate Market risk and to capture exposure to Market risk. These are measured, controlled and monitored by Market risk specialists.
Treasury and Capital risk	**Liquidity risk:** The risk that the Group is unable to meet its contractual or contingent obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets. **Capital risk:** The risk that the Group has an insufficient level or composition of capital to support its normal business activities and to meet its regulatory capital requirements under normal operating environments or stressed conditions (both actual and as defined for internal planning or regulatory testing purposes). This includes the risk from the Group's pension plans. **Interest rate risk in the banking book:** The risk that the Group is exposed to capital or income volatility because of a mismatch between the interest rate exposures of its (non-traded) assets and liabilities.	Treasury and Capital risk is identified and managed by specialists in Capital Planning, Liquidity, Asset and Liability Management and Market risk. A range of approaches are used appropriate to the risk, such as: limits; plan monitoring; internal and external stress testing.

Non-financial principal risks		
Operational risk	The risk of loss to the Group from inadequate or failed processes or systems, human factors or due to external events where the root cause is not due to Credit or Market risks.	Operational risk comprises the following risks; data management and information, execution risk, financial reporting, fraud, payments processing, people, physical security, premises, prudential regulation, supplier, tax, technology and transaction operations. It is not always cost effective or possible to attempt to eliminate all operational risks. Operational risk is managed across the businesses and functions through an internal control environment with a view to limiting the risk to acceptable residual levels.
Model risk	The risk of potential adverse consequences from financial assessments or decisions based on incorrect or misused model outputs and reports.	Models are independently validated and approved prior to implementation and their performance is monitored on a continual basis.
Conduct risk	The risk of detriment to customers, clients, market integrity, effective competition or Barclays from the inappropriate supply of financial services, including instances of wilful or negligent misconduct.	The Compliance function sets the minimum standards required, and provides oversight to monitor that these risks are effectively managed and escalated where appropriate.
Reputation risk	The risk that an action, transaction, investment, event, decision or business relationship will reduce trust in the Group's integrity and/or competence.	Reputation risk is managed by embedding our purpose and values and maintaining a controlled culture within the Group, with the objective of acting with integrity, enabling strong and trusted relationships with customers and clients, colleagues and broader society.
Legal risk	The risk of loss or imposition of penalties, damages or fines from the failure of the Group to meet its legal obligations including regulatory or contractual requirements.	The Legal function supports colleagues in identifying and limiting legal risks.

Viability statement

Provision 31 of the 2018 UK Corporate Governance Code

The financial statements and accounts have been prepared on a going concern basis.

In addition, Provision 31 of the 2018 UK Corporate Governance Code requires the Directors to make a statement in the Annual Report regarding the viability of the Group, including an explanation of how they assessed the prospects of the Group, the period of time for which they have made the assessment and why they consider that period to be appropriate.

Time horizon

In light of the analysis summarised below, the Board has assessed the Group's current viability, and confirms that the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the next three years. This time frame is used in management's Working Capital and Viability Report (WCR), prepared at February 2020. The availability of the WCR gives management and the Board sufficient visibility and confidence on the future operating environment for this time period. The three-year time frame has also been chosen because:

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

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

Considerations

In making its assessment the Board has:

- carried out a robust and detailed assessment of the Group's risk profile and material existing and emerging risks
- notable among these are risks which senior management believe could cause the Group's future results of operations or financial condition to differ materially from current expectations or could adversely impact the Group's ability to meet regulatory requirements
- reviewed how those risks are identified, managed and controlled (further detail provided on pages 139 to 146)
- considered the WCR which provides an assessment of forecast CET1, leverage, Tier 1 and total capital ratios, as well as the build-up of MREL up to the end of 2022
- reviewed the Group's liquidity and funding profile, including forecasts of the Group's internal liquidity risk appetite (LRA) and regulatory liquidity coverage ratios
- considered the Group's viability under specific internal and regulatory stress scenarios
- considered the stability of the major markets in which it operates, supply chain resiliency and regulatory changes
- considered the sustainability of capital distributions
- considered scenarios which might affect the operational resiliency of the Group
- reviewed the draft statutory accounts and the in-depth disclosure of the financial performance of the Group
- considered the Group's medium-term plan
- reviewed the possible impact of legal, competition and regulatory matters set out in Note 26 to the financial statements on pages 303 to 306.

Assessment

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

A full set of material risks to which the organisation is exposed can be found in the material existing and emerging risks on pages 129 to 137. Certain risks are additionally identified as key themes and monitored closely by the Board and Board Committees. These are chosen on the basis of their ability to impact viability over the time frame of the assessment but in some instances the risks exist beyond this time frame.

These particular risks include:

- the consequences of the UK's exit from the EU are unpredictable and diverse, difficult to predict and may impact over a prolonged period. In particular, a significant deterioration in the macroeconomic environment in the UK and Europe could lead to increased credit rating downgrades of the UK sovereign and the Group, significantly increasing borrowing costs, widening credit spreads and could materially adversely affect the Group's interest margins and liquidity position
- legal proceedings, competition, regulatory and conduct matters giving rise to the potential risk of fines, loss of regulatory licences and permissions and other sanctions, as well as potential adverse impacts on our reputation with clients and customers and on investor confidence and/or potentially resulting in impacts on capital, liquidity and funding

Viability statement

- sudden shocks or geopolitical unrest in any of the major economies in which the bank operates which could impact credit ratings, alter the behaviour of depositors and other counterparties and affect the ability of the firm to maintain appropriate capital and liquidity ratios
- evolving operational risks (notably cybersecurity, technology and resilience) and the ability to respond to the new and emerging technologies in a controlled fashion.

As a universal bank with a diversified and connected portfolio of businesses, servicing customers and clients globally, the Group is impacted in the longer term by a wide range of macroeconomic, political, regulatory and accounting, technological, social and environmental developments. The evolving operating environment presents opportunities and risks which we continue to evaluate and take steps to appropriately adapt our strategy and its delivery. Notably, the consequences of the withdrawal of the UK from the EU and the associated economic and operational risks have received significant management attention, particularly, given the greater uncertainty this is likely to cause in 2020 and beyond.

Stress tests

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

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

In addition, the latest macroeconomic internal stress test, conducted in Q4 2019, considered the potential impacts of:

- a severe UK recession triggered by the UK leaving the EU with no transitional arrangements, including falling property prices which fail to recover over the forecast horizon and rising unemployment
- the US entering into a recession of similar magnitude to the UK, with heightened levels of concern over consumer and corporate debt as a result of the ongoing US-China trade dispute
- weakness in peripheral Europe driven by weakening in global demand with heightened trade tensions and ballooning debt burdens in Italy and Spain, the threat of a populist uprising beginning to dominate the political landscape,

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

In addition, Barclays conducted a group-wide, exploratory stress test against a severe but plausible near-term climate scenario. The aim of the analysis was to identify key vulnerabilities that were most relevant and material to the Group's business model and geographical footprint.

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

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

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

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

Non-financial information statement

Certain of the non-financial information required pursuant to the Companies Act is provided by reference to the following locations:

Non-financial information	Section	Pages
Business model	Business model	12
Policies	Non-financial information statement	41
Principal risks	Risk review	125
	Principal risk management	139
	Risk performance	147
Key performance indicators	Key performance indicators	18

We use a variety of tools to track and measure our strategic delivery, and collect both quantitative and qualitative information to get the full picture of our performance.

The Non-Financial Reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006 are addressed within this section by means of cross reference in order to indicate which part of the strategic narrative the respective requirements are embedded. We have used cross referencing as appropriate to deliver clear, concise and transparent reporting.

We have a range of policies and guidance (also available at **home.barclays/esg**) that support our key outcomes for all of our stakeholders. Performance against our strategic non-financial performance measures, as shown on pages 18 to 35, is one indicator of the effectiveness and outcome of policies and guidance.

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

Environmental matters

Policy statement	Description
Energy and Climate Change statement	Our Energy and Climate Change statement sets out our approach to energy sectors with higher carbon-related exposures from extraction or consumption, and/or those with an impact in certain sensitive environments, namely thermal coal, Arctic oil and gas, and oil sands. The statement outlines the important role Barclays plays in ensuring that the world's energy needs are met, while helping to limit the threat that climate change poses to people and to the natural environment.
World Heritage Site and Ramsar Wetlands statement	We understand that certain industries, and in particular mining, oil and gas, and power, can have negative impacts on areas of high biodiversity value including UNESCO World Heritage Sites (WHS) and Ramsar Wetlands (RW). Our WHS and RW statement outlines our client due diligence approach to preserving and safeguarding these sites.
Climate Change Financial and Operational Risk Policy	In 2019, we published a 'Climate Change Financial Risk and Operational Risk Policy'. This introduced climate change as an overarching risk impacting certain principal risks: credit risk, market risk, treasury and capital risk and operational risk. The policy is jointly owned by the relevant Principal Risk Leads with oversight by the Board Risk Committee.
Forestry and Palm Oil statement	We recognise that the production of timber products and palm oil is often associated with significant environmental and social impacts, particularly in relation to biodiversity loss, tropical deforestation and climate change. Our Forestry and Palm Oil Statement outlines our due diligence approach for clients involved in these activities, ensuring that we support clients that promote sustainable forestry and agribusiness practices whilst respecting the rights of workers and local communities.

Colleagues

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

Non-financial information statement

Social matters

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

Human rights

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

Anti-bribery and anti-corruption

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

Contents

Welcome to our Governance report. This report explains who we are, at Board and Executive Committee ('ExCo') level; how our governance framework operates, and our key areas of focus in 2019.

Our primary aim is that our governance:

- is effective in providing challenge, advice and support to management
- provides checks and balances and encourages constructive challenge
- drives informed, collaborative and accountable decision-making
- creates long-term sustainable value for our shareholders, having regard to our other stakeholders.

We are in a new regime for 2019, with the revised 2018 UK Corporate Governance Code (the 'Code') and the Companies (Miscellaneous Reporting) Regulations 2018 (the 'Regulations') now in force, and our Governance Report reflects these requirements. To view our specific compliance as against the Code, please see pages 74 to 79.

Certain additional information, signposted throughout this report, will be available at **home.barclays/corporategovernance**

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Board of Directors: a year of renewal

2019 has been a year of renewal for the Board: a new Chairman, two significant Non-Executive Director appointments (with a further Non-Executive Director appointed with effect from February 2020) and a smaller Board. We believe that a Board with the right balance of skills, experience and diversity is critical to the sustainable delivery of value to our shareholders and we are confident that the changes to the composition of the Board will help us to achieve this.

This has also been a year of significant change to the ExCo. We have strengthened the ExCo, enhancing engagement and oversight and driving greater accountability for key business areas. We have achieved this by appointing to the ExCo the heads of our Corporate Bank, our Markets business, our Banking business, and the new Global Head of Consumer Banking and Payments.

Nigel Higgins

Group Chairman

Appointed:
2 May 2019

Relevant skills and experience:

Nigel is the Group Chairman. He is also Chairman of Barclays Bank PLC. Nigel has extensive experience in, and understanding of, banking and financial services, gained through a 36-year career at Rothschild & Co. where he was most recently Deputy Chairman. Prior to that he was Chairman of the Group Executive Committee and Managing Partner of Rothschild & Co. He is a seasoned business leader with a strong track record in leading and chairing a range of organisations and in acting as a strategic adviser to multiple major international corporations and governments. The breadth of Nigel's knowledge and operational experience with international banking groups, building teams and culture, and growing businesses are all hugely beneficial to Barclays, and enables Nigel to contribute to the strategic direction and long-term sustainable success of Barclays.

Key current appointments

Chairman, Sadler's Wells; Non-Executive Director, Tetra Laval Group

Committee membership

Board Nominations Committee (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, and this contribution is reflected in Barclays' strategy and long-term sustainable success of the business. 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 JP Morgan's Global Investment Bank.

Key current appointments

Board Member, Bank Policy Institute; Board Member, Institute of International Finance

Committee membership

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 to Barclays' strategy and long-term sustainable success is his key understanding of stakeholder needs and his experience in international and cross-sector organisations, strong leadership and strategic decision-making. Crawford brings to the Board robust remuneration experience gained from his former remuneration committee chairmanships at Standard Life plc and other current positions.

Key current appointments

Non-Executive Director, SSE plc; Chairman, Edrington Group

Committee membership

Board Audit Committee, Board Nominations Committee, Board Remuneration Committee (Chair)

Mike Ashley

Non-Executive

Appointed:
18 September 2013

Relevant skills and experience

Mike has deep knowledge of accounting, auditing and associated regulatory issues, having previously worked at KPMG for over 20 years. Mike's former roles include acting 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. The Board benefits from his extensive experience in accounting, auditing and financial reporting and therefore Mike continues to contribute to the long-term sustainable success of the business.

Key current appointments

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

Committee membership

Board Audit Committee (Chair), Board Nominations Committee, Board Risk Committee

Tim Breedon CBE
Non-Executive

Appointed:
1 November 2012

Relevant skills and experience
Tim's continued contribution to Barclays' strategy and long-term sustainable success comes from his extensive financial services experience, knowledge of risk management and UK and EU regulation, as well as an understanding of key investor issues. 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 business performance and decision-making.

Key current appointments
Chairman, Apax Global Alpha Limited

Committee membership
Board Audit Committee, Board Nominations Committee, Board Remuneration Committee, Board Risk Committee (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 contributes 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 which are important to the Group's strategy and long-term sustainable success. 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

Committee membership
Board Nominations Committee

Mary Anne Citrino
Non-Executive

Appointed:
25 July 2018

Relevant skills and experience
Mary Anne is an experienced Non-Executive Director with considerable financial services and investment banking experience, following an executive career spanning over 20 years with Morgan Stanley. This enables her to contribute to the effectiveness of Barclays' operations, strategy and long-term sustainable success of the business. 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; Senior Advisor, The Blackstone Group L.P.

Committee membership
Board Risk Committee

Mohamed A. El-Erian
Non-Executive

Appointed:
1 January 2020

Relevant skills and experience
Mohamed is a highly respected economist and investor, with considerable experience in the asset management industry and multilateral institutions. He is chief economic advisor at Allianz SE, the corporate parent of PIMCO (Pacific Investment Management Company LLC) where he formerly served as Chief Executive and Co-Chief Investment Officer. As well as serving on several advisory committees and boards, Mohamed is a regular columnist for Bloomberg Opinion and a contributing editor at the Financial Times. He has also published widely on international economic and financial topics. He spent 15 years at the IMF where he served as Deputy Director before moving to the private sector and financial services. Mohamed's acute knowledge and understanding of international economics and the financial services sector strengthens the Board's capacity for overseeing the strategic direction and development of the Group. Mohamed's knowledge and experience enables him to contribute to the long-term sustainable success and strategy of the business.

Key current appointments
Non-Executive Director, Under Armour Inc.; Chief Economic Advisor, Allianz SE; Senior Advisor, Gramercy Funds Management; Senior Advisor, Investcorp Bank BSC

Committee membership
None

Dawn Fitzpatrick
Non-Executive

Appointed:
25 September 2019

Relevant skills and experience
Dawn is a highly experienced financial executive who holds the role of Chief Investment Officer at Soros Fund Management LLC. Her previous experience includes 25 years with UBS and its predecessor organisations, most recently as Head of Investments for UBS Asset Management. Her knowledge of the businesses and markets in which the Group operates further strengthens the depth and range of relevant sector skills and experience across the Board. This enables Dawn to challenge and contribute effectively to the Group's operations and the long-term sustainable success of the business.

Key current appointments
Chief Investment Officer, Soros Fund Management LLC; Member of The New York Federal Reserve's Investor Advisory Committee on Financial Markets; Member of Advisory Board and Investment Committee of the Open Society Foundations and their Economic Justice Programme

Committee membership
Board Risk Committee

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, including her previous Non-Executive Directorships of the Bank of England, Alliance & Leicester, Aviva, Centrica and Swiss Re Group. Through her former senior executive positions with HM Treasury, the Prime Minister's Office, and as Director General of the Association of British Insurers, she brings to the Board a strong understanding of the interaction between public and private sectors, skills in strategic decision-making and reputation management and promotes strong board governance values, which enables her to continue to contribute effectively to the long-term sustainable success of the Group.

Key current appointments
Non-Executive Director, Valaris PLC; Member of Advisory Panel, The Institute of Business Ethics; Member, UK Takeover Appeal Board

Committee membership
Board Remuneration Committee

Board of Directors: a year of renewal

Brian Gilvary
Non-Executive

Appointed:
1 February 2020

Relevant skills and experience
Brian has served as Chief Financial Officer for BP PLC since 2012. He joined BP in 1986 after obtaining a PhD in Mathematics. After performing a broad range of commercial and financial roles across all facets of the group, he became chief executive of BP's integrated supply and trading function (2005–2009). Brian will retire from BP in June 2020. His experience outside BP includes serving as a Non-Executive Director and audit committee member of Air Liquide S.A., the Royal Navy, and the Francis Crick Institute. Brian also chairs the '100 Group' of the FTSE 100 Finance Directors. Brian brings to the Board his extensive experience of management, finance and strategy gained at BP and other public and private boards. His experience with, and understanding of, the challenges and opportunities inherent in advancing a sustainable energy future will be invaluable as Barclays considers how it can help to accelerate the transition to a low-carbon world.

Key current appointments
Chief Financial Officer, BP p.l.c.; Non-Executive Director, Air Liquide S.A.; Non-Executive Director, the Royal Navy; Senior Independent Director, the Francis Crick Institute; Chairman, the 100 Group of the FTSE 100 Finance Directors

Committee membership
None

Tushar Morzaria
Group Finance Director

Appointed:
15 October 2013

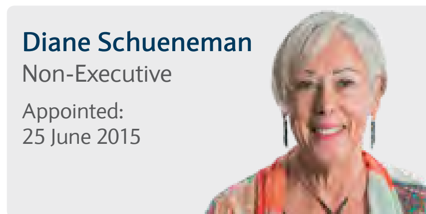
Relevant skills and experience
Tushar is a chartered accountant with over 25 years of strategic financial management, investment banking, operational and regulatory relations experience, which enables him to contribute to the long-term sustainable success and strategy of the business. He joined Barclays 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, the 100 Group of the FTSE 100 Finance Directors; Main Committee Chair, Sterling Risk Free Reference Rates Working Group

Committee membership
None

Diane Schueneman
Non-Executive

Appointed:
25 June 2015



Relevant skills and experience
Diane is a member of the Board, Chair of Barclays Execution 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, which enables her to robustly challenge the Group's strategy and support the long-term sustainable success of Barclays. 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

Committee membership
Board Audit Committee, Board Nominations Committee, Board Risk Committee

Company Secretary

Stephen Shapiro

Appointed:
1 November 2017

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

Executive Committee: strategically enhanced and strengthened

We have changed the composition of the ExCo, removing a management layer and bringing key business areas closer to, and making their leaders a part of, the most senior management forum for the Group.

The following new roles and additions to the ExCo mean that it now has a stronger and closer strategic focus on, and oversight over, the businesses comprising our CIB and our global consumer banking and payments businesses:

New roles

President of Barclays Bank PLC
Paul Compton

Global Head of Consumer Banking and Payments
Ashok Vaswani

Paul and Ashok were previously members of the ExCo in their capacities as Chief Operating Officer and CEO of Barclays UK respectively.

Roles elevated to the ExCo

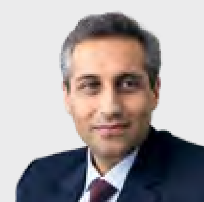
Global Head of Banking
Joe McGrath

Global Head of Markets
Stephen Dainton

Head of Corporate Banking
Alistair Currie

Jes Staley
Group Chief Executive

Tushar Morzaria
Group Finance Director



Paul Compton
President of Barclays Bank PLC

Laura Padovani
Group Chief Compliance Officer

Alistair Currie
Head of Corporate Banking

Mark Ashton Rigby
Group Chief Operating Officer

Stephen Dainton
Global Head of Markets

Tristram Roberts
Group Human Resources Director

Matt Hammerstein
CEO, Barclays UK

Ashok Vaswani
Global Head of Consumer Banking and Payments

Bob Hoyt
Group General Counsel

C.S. Venkatakrishnan
Group Chief Risk Officer

Joe McGrath
Global Head of Banking

Striving for simplicity and effectiveness

Barclays is a large, diversified organisation. We are committed, through our governance model, to driving four key features: simplification, collaboration, accountability and quality of decision-making.

Our governance framework

Our Group-wide governance framework has been designed to facilitate the effective management of the Group by our CEO and his ExCo whilst preserving the constructive challenge, support and oversight of our major subsidiary boards in the UK, Ireland and the US, consistent with their respective legal and regulatory responsibilities. The Barclays PLC (BPLC) Board sets the strategic direction and risk appetite of the Group and is the ultimate decision-making body for matters of Group-wide strategic, financial, regulatory or reputational significance.

BPLC is the Group parent company and has a premium listing on the London Stock Exchange. Each of our main operating entities, Barclays Bank PLC (BBPLC), Barclays Bank UK PLC (BBUKPLC), Barclays Bank Ireland PLC, Barclays US LLC and Barclays Bank Delaware, has its own board comprising Executive and Non-Executive Directors. Each also has its own board committees.

During the year, we consolidated and streamlined membership of the BPLC and BBPLC Boards, such that membership of the BBPLC Board is now a subset of the BPLC Board, with all members of the BPLC Board except the Senior Independent Director (SID), the Chairman of BBUKPLC and one Non-Executive Director now also serving on the board of BBPLC. This partial consolidation has significantly increased coordination and efficiency, and reduced complexity and duplication. The revised BBPLC Board composition vests oversight over the activities of BBPLC in a board the members of which also have direct accountability to BPLC's shareholders through their separate responsibilities as members of the BPLC Board.

Board composition

In 2019, we welcomed our new Chairman, Nigel Higgins. We also announced the appointment of two new Non-Executive Directors:

- Dawn Fitzpatrick, who joined the Board on 25 September 2019; and
- Mohamed A. El-Erian, who joined the Board on 1 January 2020.

In January 2020, we announced the appointment of Brian Gilvary who joined the Board on 1 February 2020.

All of these appointments bring tremendous insight and experience relevant to the markets in which we operate. In accordance with the recommendation of the Code, Reuben Jeffery and Dr. Dambisa Moyo, each having served on the Board for nine years, stepped down, as did Sir Gerry Grimstone and Mike Turner.

Board Governance Framework

For more information see page 52

For more information see page 61

For more information see page 66

For more information see page 121

Matthew Lester stepped down on 1 January 2020. We also bade farewell to John McFarlane, who stepped down after four years as Chairman, including a period where he was Executive Chairman. We are grateful to them all for their service to Barclays.

We are actively seeking to complement the current range of skills on our Board, ideally with individuals who can bring additional retail banking and technology experience. Our strong belief in the benefits of diversity – of gender, ethnicity and thought – underpins our search. In the report of our Nominations Committee we address the continuing evolution of our Board.

Principal committees

The principal committees of the Board, and the core responsibilities of each, are described in the 'Board Governance Framework' table at the foot of the previous page. The remit of each committee is set out in brief in the table, and you can read more about the committees and their work on pages 52 to 73 and 121 to 123.

In September 2019, the Board reviewed the responsibilities of the Reputation Committee and reallocated them mainly to the Board so that it could itself directly oversee the critical topics of culture, the environment and reputation. Responsibility for the oversight of Conduct risk and Compliance was transferred from the Reputation Committee to the Risk Committee.

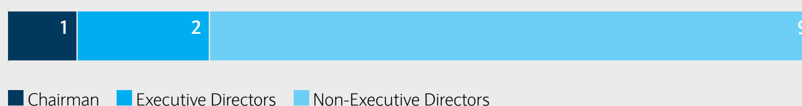
We measure our effectiveness

An effective Board is one that delivers for stakeholders. We assess the effectiveness of our Board, its committees and Board members each year, as required by the Code. Although the Code only requires an externally facilitated evaluation every three years, for each of the past four years we have used the services of an external agency to facilitate the assessment of the effectiveness of the Board. This year, the Nominations Committee decided to ask our Senior Independent Director (SID), with the support of the Company Secretary, to conduct the assessment. They are well placed to do this, having been closely involved in the transition to a new Chairman and the evolving composition of the Board and the way it operates. You can read more about our 2019 process and our progress against the 2018 review on pages 64 to 65.

Board composition as at 31 December 2019

Balance of Non-Executive Directors – Executive Directors

No. of Directors



Chairman | Executive Directors | Non-Executive Directors

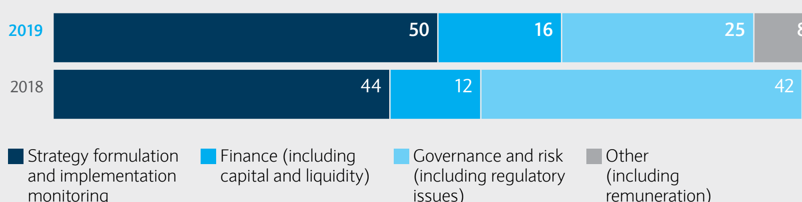
Gender balance

No. of Directors

Male | Female

Board allocation of time[a]

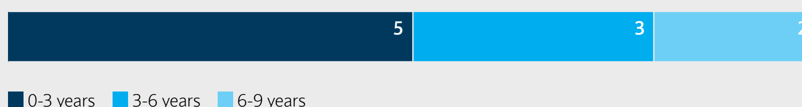
%



Strategy formulation and implementation monitoring | Finance (including capital and liquidity) | Governance and risk (including regulatory issues) | Other (including remuneration)

Length of tenure (Chairman and Non-Executive Directors)

No. of Directors



0-3 years | 3-6 years | 6-9 years

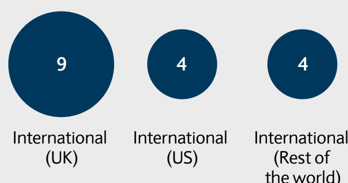
Industry experience[b]

No. of Directors

Financial services | Political/ regulatory experience | Current/recent Chair/CEO | Accountancy/ auditing | Operations/ technology | Retail/ marketing

International experience[c]

No. of Directors

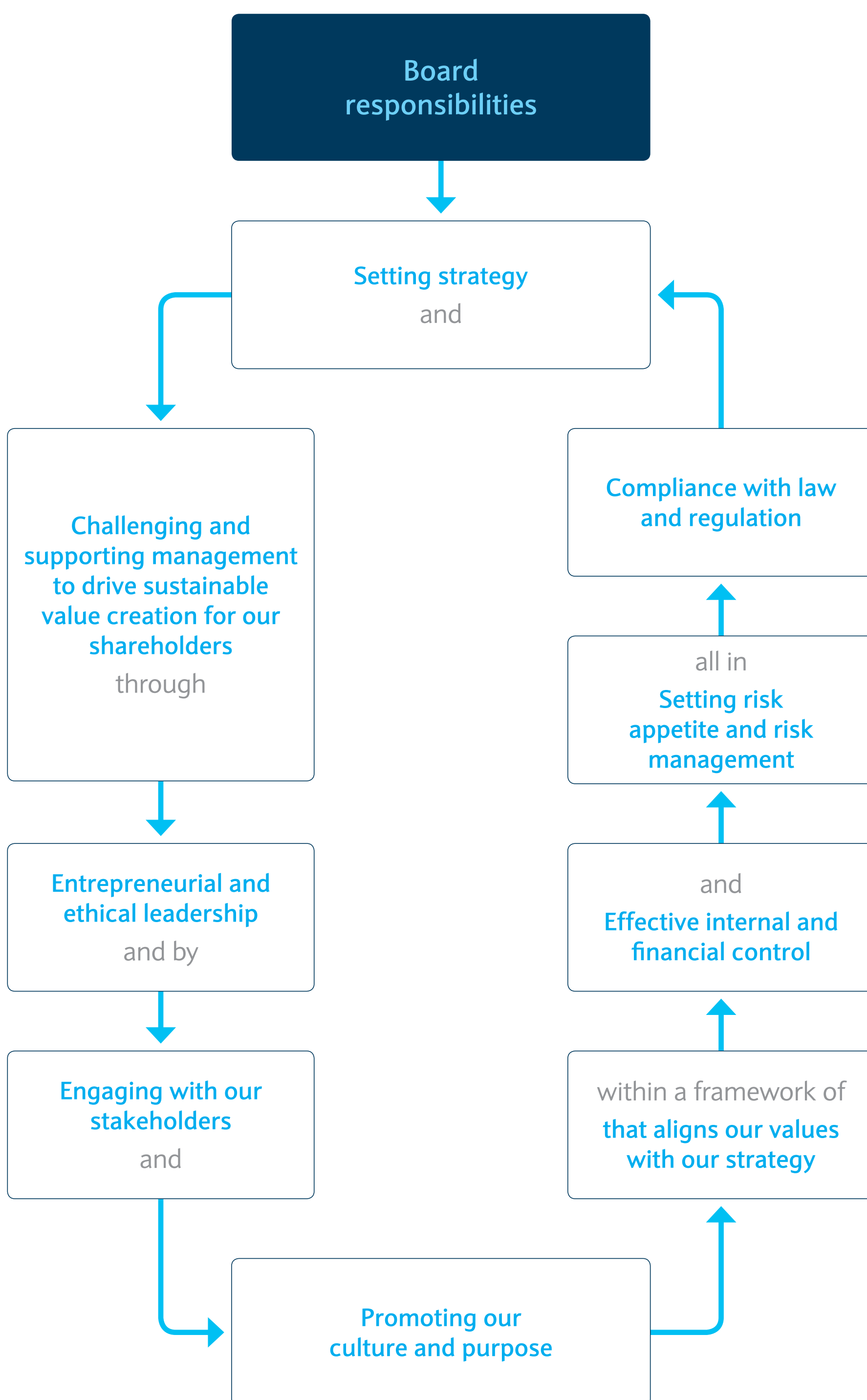


International (UK) | International (US) | International (Rest of the world)

Notes
a Based on scheduled Board meetings.
b Individual Directors may fall into one or more categories.
c In relation to board experience based on the location of the headquarters/registered office of a company.

Our key areas of focus in 2019

We think of governance as how we govern the organisation and make decisions to promote its success for the long-term benefit of our stakeholders. Effective governance makes possible the delivery of our purpose and our strategy.



Governance in action: our programme of prioritised deep dives

To underpin informed and sound decision-making, the Board needs to have a deep and granular understanding of the Group as a whole and each of its significant businesses – where the key risks lie, how and where resources are allocated and the contribution made by each part of the business.

Led by the Chairman, the Board and the ExCo have agreed a prioritised series of deep dives which now form a significant part of each Board meeting, with two to four deep dives on the agenda for a typical Board meeting. The materials for each deep dive facilitate an in-depth understanding of the issues and generate meaningful discussion, debate, support to management and challenge on key topics, allowing the Board to exercise effective oversight and assist the delivery of the Group's strategy.

Through this process, the Board considers strategy at every meeting, rather than in a set piece event once a year.

The Board has discharged its responsibilities as described in this high-level flow diagram.

Key priorities

Core areas of focus

Our programme of deep dives is outlined below and in the 'Governance in action' section on the previous page. This programme commenced in July 2019, following the appointment of Nigel Higgins as Chairman. The deep dives held this year included consideration of a wide range of topics, covering selected individual business units as well as Group-wide matters such as our capital allocation framework, our costs, our societal purpose, our culture, the environment and our risk profile.

Feedback from our shareholders and wider stakeholders has been taken into account in arriving at and prioritising our deep dives.

The Board received updates on the performance of the business and execution of the strategy at every meeting, and the approval of our MTP, in which our strategy is embedded, was a key Board responsibility at its November and December 2019 meetings. We also gave considerable focus to developments in the regulatory environment, and to engagement with our regulators in the UK and the US in particular. The oversight of risk and of our control environment is also a core Board responsibility and has been addressed at meetings through the year.

The Board believes the right culture and values, supported by effective leadership and a consistent tone from the top, are crucial to the success of the Group.

Stakeholder engagement

We have enjoyed extensive engagement with our shareholders in 2019 through a variety of mechanisms, including:

- in February, March and April 2019, Nigel Higgins held around 50 meetings with shareholders and other stakeholders. This was a 'listening tour', the aim of which was for Nigel to introduce himself to a wide range of stakeholders, including our institutional shareholders, and to hear directly from them their views on the Group before he became Chairman in May 2019. We also engaged with activist investor Sherborne Investors Management LP as part of this process
- our AGM, where the Board engaged extensively with shareholders, both formally during the meeting and informally before and after the AGM
- through our intensive Investor Relations programme of conference calls, webcasts and meetings at the time of each of our quarterly results releases.

Our broader stakeholder engagement is described in the Strategic report. Specifically with regard to our workforce, engagement with our colleagues has long been a part of our DNA as an organisation. The Board conducted a full review of our existing engagement model and concluded that this, with certain enhancements, would be the best and most effective means to ensure sustained engagement with our workforce whilst also meeting the objectives of the Code's new workforce engagement requirements. Our workforce engagement model is described in the People section on page 28 to 31.

Purpose, culture and values

Our purpose, adopted in May 2018, is 'Creating opportunities to rise'. This is underpinned by our values: respect, integrity, service, excellence and stewardship, and by the behaviours associated with them. Our purpose, values and behaviours are designed to support each other, to drive our culture and to guide our strategy and decision-making.

The Board has recently examined our purpose and concluded that whilst it is fully integrated into many of our key processes and decision-making forums, we have further work to do to bring to life: to express and apply it consistently across the Group, and for it to better connect all of our stakeholders, our businesses, ESG activities and ambitions. This work is under way.

Our values were adopted in January 2013. They were, and remain, fully embedded and integrated into the Group.

Our culture is a core area of focus for the Board, which believes that the right culture and values, supported by effective leadership and a consistent tone from the top, are crucial to the success of the Group.

How does the Board review our culture?

The Board reviews our culture in a number of ways, including:

- quantitative and qualitative feedback on how our culture aligns with our purpose, values and strategy through Culture Dashboards, so the Board can see the effect our people engagement has on our performance, and the continued strength of our culture
- analysis of employee survey results
- face-to-face engagement with employees locally to hear what they think
- review of people policies, which are designed to provide equal opportunities and create an inclusive culture, in line with our values and in support of our long-term success.

Ensuring reporting integrity and an effective controls environment

The Board Audit Committee has a central role in maintaining and challenging the quality of Barclays' external disclosures and its internal control environment.

Dear Fellow Shareholders

2019 was a year of steady progress for the Group both in enhancing its control environment and embedding new financial reporting requirements, particularly in relation to the expected credit loss (ECL) model introduced by the implementation of IFRS 9 in 2018.

Ensuring focus on strengthening the Barclays' internal control environment has continued to be a key activity for the Committee. 2019 was an important year for the Barclays Internal Control Environment Programme (BICEP) which commenced in January 2017 and is on track to complete by the end of March 2020. As at the end of 2019, 94% of issues were either closed or in validation with 96% of the BICEP milestones achieved. When BICEP is fully completed, the Group's control environment will be in a much stronger position, but inevitably, as expectations and standards change and new control events occur, work is still required both to maintain and to further develop it. The Committee is therefore working to ensure that as we transition to 'business as usual', management has a robust framework for identifying and responding to control issues with appropriate reporting to the Committee and other Board Committees. A key component of this will be the work the Chief Controls Office is doing to further streamline and automate the Risk and Controls Self-Assessment (RCSA) process to make it more dynamic.

In assessing general control issues for disclosure in this Annual Report, the Committee continued to apply similar concepts to those used for assessing internal financial controls for the purposes of the US Sarbanes-Oxley Act (SOX). 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.

IFRS 9 continued to be a major focus for the Committee this year as models continue to be validated and refined. In addition, disclosures have been enhanced, although more work is required to develop the ability to generate and disclose more meaningful sensitivity analyses. Following the introduction of the time bar by the FCA at the end of August, the level of subjectivity of the PPI provision at 31 December 2019 has been considerably reduced. However the Committee did consider whether the 'spike' in complaints received just before the deadline might have been anticipated and was satisfied that there was no evidence that would have justified an earlier significant increase in the provision.

I continued my regular meetings with the Chairs of the main subsidiary audit committees, including the Chair of the BBPLC audit committee until the consolidation of the BPLC and BBPLC boards. Since that time I have also met with the Chair of the Barclays US LLC audit committee, attended a meeting of the Barclays Bank Ireland PLC audit committee, and attended the meeting of the BBUKPLC audit committee which considered the main year-end accounting issues. The Chair of the BBUKPLC audit committee also attends the meeting of the Committee where we consider the control environment of BBUKPLC as part of our year-end evaluation. I also continued to meet frequently with members of senior management, including the Group Finance Director and Chief Internal Auditor. In relation to the latter, I am pleased that the Committee approved the appointment in September 2019 of Lindsay O'Reilly as the new Chief Internal Auditor following a joint recommendation from myself and the Group Chief Executive Officer. As she was appointed to this role from a first line of defence function, the Committee have taken steps to understand and safeguard against potential and perceived conflicts of interest that may arise in order to support BIA's continued independence from the business. BIA is a key component in supporting the Committee's work and I am pleased with the way that the function has continued to develop throughout the year in scoping, performing and reporting the outcomes of its work both to management and the Committee.

I have also continued my regular engagement with the Group's regulators both in the UK and US. This has encompassed not only my work as the Chair of the Committee, but also my role as the Group's Whistleblowing Champion. In that respect, I also oversaw the production of the first of three annual reports which we have agreed to submit to the FCA and PRA in the UK and also the New York Department of Financial Services containing certain information regarding our whistleblowing programme.

Committee performance

The performance of the Committee was assessed internally as part of the annual effectiveness review of the Board. In line with the approach adopted for all Board Committees in 2019, the process involved completion of a tailored questionnaire by Committee members and standing attendees.

The results confirm that the Committee is operating effectively, and the Board takes a high level of assurance from the technical and commercial competence and diligence of the Committee's work. It is considered well-constituted, with the right balance of skills and experience to provide an appropriately broad level of challenge and oversight of the areas within its remit. Consideration will need to be given to adding an additional member of the Committee with recent and relevant financial experience following the departure of Matthew Lester at the end of the year.

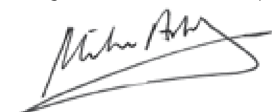
Last year's review commented on the improved focus of the Committee on key issues in the context of managing a demanding agenda efficiently so that time is allocated to the most significant items for discussion. As the Committee has taken on additional responsibilities during the year, for example the oversight of tax matters, continued focus on this area will be beneficial.

In response to a request to provide feedback on the interaction with subsidiary audit committees, the review highlighted that interaction with the BBUKPLC audit committee had been helpful and effective. Following the consolidation of the membership of the Committee with the BBPLC audit committee, coverage of BBPLC matters within concurrent meetings was considered adequate, noting that it will benefit from further embedment.

Looking ahead

In 2020, the Committee will still continue to monitor the embedment of IFRS 9 processes and further enhancements to our disclosure, particularly as regards sensitivities.

We will also be looking to assess the reporting of control issues after the conclusion of BICEP as well as monitor the satisfactory completion of remediation programmes which are due to extend beyond 31 March 2020, in particular the Designated Markets Activity remediation plan.



Mike Ashley
Chair, Board Audit Committee
12 February 2020

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 SOX 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, who resigned from the Committee on 1 January 2020, 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 44 to 46.

During 2019, the Committee met 10 times and the chart opposite shows how it allocated its time. Attendance by members at Committee meetings is also shown opposite. Committee meetings were attended by representatives from management, including the Group Chief Executive Officer, Group Finance Director, Chief Internal Auditor, Chief Controls Officer, Chief Risk Officer, Chief Operating Officer, Group General Counsel and Group Chief Compliance Officer, as well as representatives from the businesses and other functions. The lead audit engagement partner of KPMG, Michelle Hinchliffe, also attended Committee meetings. The Committee held a number of separate private sessions with each of the Chief Internal Auditor and the lead audit engagement partner, which were not attended by management.

Committee roles and responsibilities

The Committee is responsible for:

- assessing the integrity of the Group's financial reporting and satisfying itself that any significant financial judgements made by management are sound
- evaluating the effectiveness of the 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 Group's external auditor
- reviewing and monitoring the effectiveness of the Group's whistleblowing policies and procedures
- overseeing significant legal and regulatory investigations, including the proposed litigation statement for inclusion in the statutory accounts.

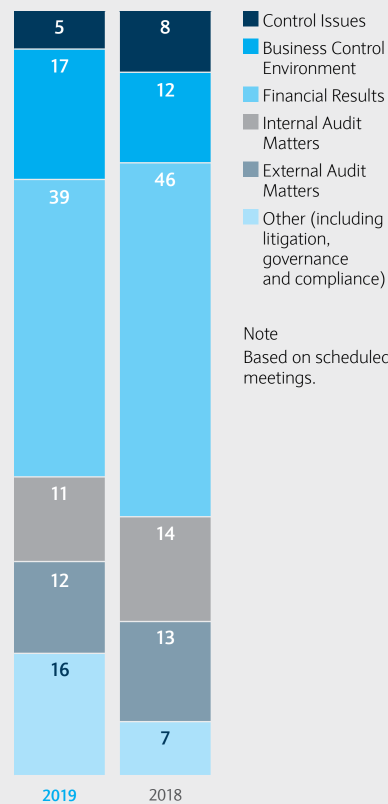
The Committee's terms of reference are available at **home.barclays/corporategovernance**

Committee members

Member	Meetings attended/ eligible to attend
Mike Ashley	10/10
Tim Breedon	10/10
Crawford Gillies	10/10
Matthew Lester	10/10
Diane Schueneman	10/10

Committee allocation of time

%



Note
Based on scheduled meetings.

Ensuring reporting integrity and an effective controls environment

Area of focus	Reporting issue	Role of the Committee	Conclusion/action taken
Fair, balanced and understandable reporting (including Country-by-Country Reporting and Modern Slavery Statement)	In light of the Board's obligation under the Code, the Committee assesses external reporting to ensure it is fair, balanced and understandable.	In addition to this Annual Report and associated year-end reports, the Committee also reviewed the Group's quarterly reports and the GFD's presentations to analysts. The Committee informed these reviews by: ▪ consideration of reports of the Disclosure Committee which included views on content, accuracy and tone ▪ direct questioning of management including the CEO and GFD on the transparency and accuracy of disclosures ▪ consideration of management's response to letters issued by the FRC ▪ evaluation of the output of the Group's internal control assessments and SOX s404 internal control process ▪ consideration of the results of management's processes relating to financial reporting matters and to evidence the representations provided to the external auditors.	The Committee noted specifically that whilst the disclosures regarding IFRS 9 met nearly all the recommendations from the Enhanced Disclosure Task Force these were still evolving. The Committee encouraged management to continue to enhance the disclosure particularly as the ability to analyse sensitivities was developed. Having evaluated all of the available information, the assurances by management and underlying processes used to prepare the published financial information, the Committee concluded and advised the Board that the 2019 Annual Report and financial statements are fair balanced and understandable.
Going concern and long-term viability (refer to the Viability Statement on pages 39 and 40)	Barclays is required to assess whether it is appropriate to prepare the financial statements on a going concern basis and also, in accordance with the Code, Barclays must provide a statement of its viability.	The Committee considered both the going concern assumption and the form and content of the Viability Statement having regard to: ▪ the MTP and WCR ▪ the forecasted liquidity and funding profile ▪ the results of stress tests based on both internal and regulatory specified assumptions as reviewed by the Risk Committee ▪ current risk and strategy disclosures.	The Committee recommended to the Board that the financial statements should be prepared on a going concern basis and that there were no material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. The Committee also agreed that the appropriate time frame for the viability statement continued to be three years and recommended the viability statement to the Board for approval.

Area of focus	Reporting issue	Role of the Committee	Conclusion/action taken
Impairment (refer to Note 7 to the financial statements)	Following implementation of IFRS 9, ECLs are modelled using a range of forecast economic scenarios. The key areas of judgement include setting the modelling assumptions, developing the macroeconomic scenarios and the methodology for weighting them, establishing the criteria to determine significant deterioration in credit quality and the application of management adjustments to the modelled output.	As part of their monitoring the Committee considered a number of reports from management on: ▪ the continued development and embedding of controls over the internal processes supporting the ECL calculation and related assessment of SOX compliance (including by the external auditors) ▪ model changes and refinements to the staging criteria ▪ regeneration of the macroeconomic variables and associated weighting ▪ adjustments made to the modelled output to reflect updated data and known model deficiencies ▪ comparisons between actual experience and forecast losses ▪ single name exposures.	Having considered and scrutinised the reports, the Committee agreed with management's conclusion that the impairment provision (including specifically the £150m for anticipated economic uncertainty in the UK) was appropriate. Going forward, the Committee also agreed with management that it would be appropriate to review the frequency of regenerating the macroeconomic scenarios.
Conduct provisions (refer to Note 24 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 PPI.	With a view to evaluating adequacy of the provision, the Committee analysed the judgements and estimates made with regard to Barclays' provisioning for PPI claims, taking into account: ▪ forecasts and assumptions made for PPI complaints ▪ actual claims levels and validity of claims ▪ increased levels of claims based on the August 2019 time bar for claims (including claims from the Official Receiver).	In light of information received, the Committee agreed with management that the PPI provision was adequate during H1 2019 and did not need to be increased. The PPI provision was increased in Q3 2019 by £1.4bn due to the exceptionally high volume of claims received in late August 2019 prior to the time bar. The Committee agreed with this increase and that the level of provision at the end of the year was appropriate. The Committee also made recommendations regarding the sensitivity disclosures.
Legal, competition and regulatory provisions (refer to Notes 24 and 26 to the financial statements)	Barclays is engaged in various legal, competition and regulatory matters which may give rise to provisioning based on the facts. The level of provisioning is subject to management judgement on the basis of legal advice and is, therefore, an area of focus for the Committee.	Evaluated advice on the status of current legal, competition and regulatory matters and assessed management's judgements on the levels of provisions to be taken and accompanying disclosure.	The Committee discussed provisions and utilisation and 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 Group.

Ensuring reporting integrity and an effective controls environment

Area of focus	*Reporting issue*	*Role of the Committee*	*Conclusion/action taken*
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.	The Committee: ▪ evaluated reports from the Group Financial Controller ▪ monitored the valuation methods applied by management requiring significant judgement such as the ESHLA portfolio ▪ reviewed the restructuring of the long-dated derivative portfolio which had previously given rise to a significant valuation disparity with the counterparty.	The Committee noted that there were no new significant valuation judgements at the end of the year. The Committee was satisfied with the accounting treatment on an amortised cost basis of the investments now held as a result of the restructuring of the long-dated derivative portfolio. The Committee was also satisfied that the day one valuation ascribed to resultant instruments was appropriate by reference both to the existing valuation methodology and the ongoing profitability of the instruments now held.
Tax (refer to Note 9 to the financial statements)	Barclays is subject to taxation in a number of jurisdictions globally and makes judgements with regard to provisioning for tax at risk, and on the recognition and measurement of deferred tax assets.	The Committee is responsible for considering the Group's tax strategy and overseeing compliance with the Group's Tax Code of Conduct. In this regard the Committee received reports from the Tax Management Oversight Committee and in particular considered the utilisation of the Luxembourg tax losses and revised US holding company structure. The Committee reviewed the appropriateness of provisions made for uncertain tax positions, including the retrospective de-grouping of certain entities from the UK VAT group. The Committee also confirmed that the estimates and assumptions used in assessing the recoverability of deferred tax assets were supported by the MTP.	The Committee was satisfied that specific strategies were in line with the Group's Tax Code of Conduct and on behalf of the Board approved the UK Tax Strategy statement published as part of the Country-by-Country Report. The Committee noted that the uncertain tax positions covered a diverse range of issues and as a consequence agreed with management's view that there was not a significant risk of a material adjustment during the next year. The Committee was also satisfied that deferred tax assets recognition was appropriate.

Area of focus	*Reporting issue*	*Role of the Committee*	*Conclusion/action taken*
Internal controls and business control environment Read more about Barclays' internal control and risk management processes on pages 78 to 79.	The effectiveness of the overall control environment, including the status of any significant control issues and the progress of specific remediation plans.	The Committee: ▪ evaluated and tracked the status of the most significant control issues through regular reports from the Chief Controls Officer, including updates on lessons learned and assessment against the Controls Maturity Model. The Committee also received independent evaluations from BIA and external auditors ▪ evaluated the status of specific significant control Hot Spots, specifically; transaction operations, cyber, treasury and capital liquidity risk reporting and model risk (control framework and model reporting) ▪ scrutinised reports from individual businesses and functions on their control environment and focused on the progress relating to remediation areas ▪ monitored CASS updates and associated remediation activities. At its next meeting, the Committee will receive feedback from the Chief Controls Office on the 2019 RCSA process, which will help inform the Committee's overall assessment of the Group's control environment. The Committee also received preliminary feedback from the Chief Controls Officer on the 2019 RCSA process which helped inform the Committee's overall assessment of the Group's control environment.	Throughout 2019, the Committee has: ▪ monitored progress of BICEP against completion. At the end of 2019, the Committee noted that BICEP was on target for completion by March 2020 ▪ monitored key control issues through a series of deep dives and scrutinised the pathway to 'Return to Satisfactory' in respect of internal controls operated by the various functions and businesses ▪ recommended enhancements to the RCSA review process, including streamlining review through integration with the internal control process review ▪ enhanced monitoring of liquidity risk remediation actions relating to buffer increases, following an increase in regulatory technical breaches.
Raising concerns	The adequacy of the Group's arrangements to allow employees to raise concerns in confidence and anonymously without fear of retaliation, and the outcomes of any substantiated cases.	The Committee: ▪ has overseen the embedding of a new centralised team to manage concerns raised ▪ received reports from management and monitored whistleblowing metrics and retaliation reports.	The Committee received two in-depth semi-annual reports on whistleblowing from management. At year end the Committee noted the recent 'Satisfactory' rating by BIA of the audit of the centralised team and considered that the whistleblowing programme generally met with best practice as identified by the PRA. However the Committee encouraged the team to consider how interaction with whistleblowers might be further enhanced to improve their experience with the process. In addition the Committee stressed the importance of ensuring the time taken to investigate concerns robustly was as short as possible in order to minimise the potential stress for all concerned.

Ensuring reporting integrity and an effective controls environment

Area of focus	Reporting issue	Role of the Committee	Conclusion/action taken
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.	The Committee has: ▪ scrutinised and agreed internal audit plans, methodology and deliverables for 2020 including assessing internal audit resources and hiring levels, and any impacts on the audit plan ▪ tracked the levels of unsatisfactory audits, and monitored related remediation plans ▪ considered the recommendation for the appointment of the Chief Internal Auditor ▪ discussed BIA's approach to data analytics ▪ discussed BIA's assessment of the management control approach and control environment in BBUKPLC, BBPLC and the functions ▪ evaluated the outcomes from BIA's annual self-assessment.	At year-end the Committee approved the 2020 Audit Plan detailing the number of audits and areas of focus, and was satisfied with the level of resource to be allocated. In particular, the Committee has scrutinised: ▪ the appointment of the new Chief Internal Auditor ▪ internal audit resource and the ability of BIA to support the 2020 Audit Plan ▪ BIA's assessment of the overall control environment.
External audit	The work and performance of KPMG.	The Committee: ▪ met with key members of the KPMG audit team to discuss the 2019 Audit Plan and KPMG's areas of focus ▪ assessed regular reports from KPMG on the progress of the 2019 audit and any material accounting and control issues identified ▪ discussed KPMG's feedback on Barclays' critical accounting estimates and judgements ▪ discussed KPMG's draft report on certain control areas and the control environment ahead of the 2019 year-end ▪ considered the draft SOX control report and the draft audit opinion.	The Committee approved the audit plan and the main areas of focus. Read more about the Committee's role in assessing the performance, effectiveness and independence of the external auditor, opposite.

External auditor

Following an external audit tender in 2015, KPMG was appointed as Barclays' statutory auditor with effect from the 2017 financial year. Michelle Hinchliffe of KPMG is the Senior Statutory Auditor and was appointed to this role with effect from the 2018 financial year.

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

The Committee is responsible for assessing the effectiveness, objectivity and independence of the Group's auditor, 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 Group policy on the *Provision of Services by the Group Statutory Auditor* (the Policy) and regularly analysed reports from management on the non-audit services provided to Barclays
- evaluated and approved revisions to the 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
- considered the formal report from the Public Company Audit Oversight Board on their review of KPMG's audit of the 2017 financial statements and the consequential revisions made by KPMG to their audits for both the 2018 and 2019 financial statements. These were in line with the provisional results reported last year
- assessed any potential threats to independence that were self-identified and reported by KPMG.

The Committee is aware that the FRC has also reviewed certain aspects of KPMG's audit of the 2018 financial statements although its report is not yet available. KPMG has informed the Committee of areas for improvement which are likely to be reported by the FRC and how these matters have been addressed in the 2019 audit. Based on its understanding to date, the Committee believes that KPMG's audit work should provide reasonable assurance that the financial statements are free of material misstatement.

KPMG's performance, independence and objectivity during 2019 were also formally assessed at the beginning of 2020 by way of a questionnaire completed by key stakeholders across the Group, including the chairs of the BBUKPLC, Barclays US LLC and Barclays Bank Ireland 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 their assessment of audit quality.

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

> The Committee considered that KPMG maintained its independence and objectivity, and that the audit process was effective.

Non-audit services

In order to safeguard the auditor's independence and objectivity, Barclays 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 Group audit. 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 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. A summary of the Policy can be found at **home.barclays/who-we-are/our-governance/auditor-independence**

The Policy is reviewed on an annual basis to ensure that it is fit for purpose, and that it reflects applicable rules and guidelines.

The Policy is also aligned with KPMG's own internal policy on non-audit services for FTSE 350 companies which broadly restricts non-audit work to services that are 'closely related' to the audit.

Any changes to the Policy are approved at a 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) are required to approve non-audit services provided by their auditors to such entities, and subsidiary Public Interest Entities in the UK – such as BBUKPLC and BBPLC – 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 also 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 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.

Ensuring reporting integrity and an effective controls environment

During 2019, 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 2019 (2018: none). On a quarterly basis, the Committee reviewed 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.

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 trivial in terms of its impact on Barclays' financial statements and requires 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 2019 and satisfied itself that such pre-approved services were trivial in the context of their impact on the financial statements.

The fees payable to KPMG for the year ended 31 December 2019 amounted to £56m, of which £11m (2018: £11m) 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 2019, 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
- other services in connection with regulatory, compliance and internal control reports and audit procedures, required by law or regulation to be provided by the statutory auditor
- other attest and assurance services, such as ongoing attestation and assurance services for treasury and capital markets transactions to meet regulatory requirements, including regular reporting obligations and verification reports.

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 Group's statutory 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 Group has no intention of appointing an alternative external auditor before the end of the current required period of 10 years.

Delivering effectiveness

An effective Board is a cohesive Board that provides informed and constructive support and challenge to the management team. This is vital to the generation of increased and sustainable stakeholder value.

Achieving this – through its focus on the composition of the Board, its Committees and the ExCo, and by ensuring a pipeline of succession to these and other senior management key roles – is the main role of the Nominations Committee.

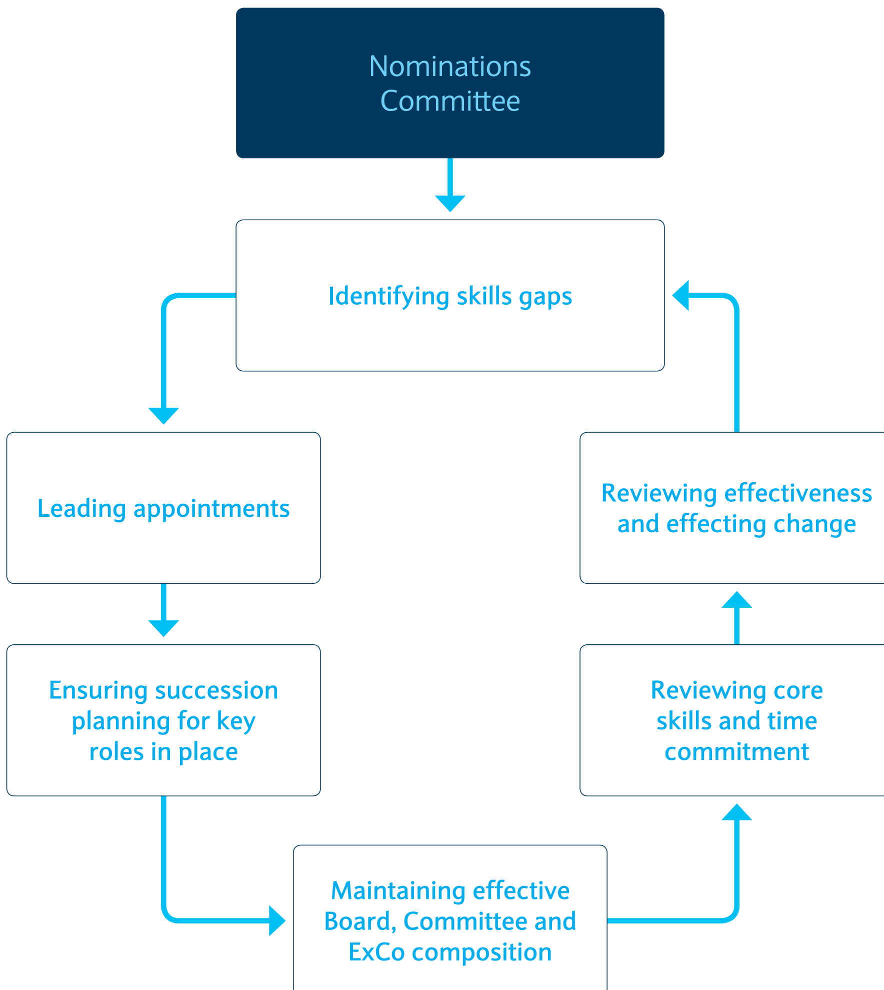
Delivering effectiveness is not however just about the continuous task of evolving the composition of the Board, a Committee or the ExCo to ensure that each is diverse and well balanced with the right mix of talent, skills and experience (illustrated below). As important is how the Board operates – the quality of its agenda and its engagement with management, of the papers and presentations it considers and of the rigour of its discussions. The effectiveness of the Board was enhanced in 2019 through revisions to the Board engagement process with an intensive focus on the preparation of our Board papers, the delivery of targeted training sessions to the Board and our new programme of prioritised deep dives discussed on page 51.

Much was done in 2019 on all of these fronts, and there is more to do.

The Committee comprises solely Non-Executive Directors and is chaired by our Group Chairman. Details on Committee membership and attendance are set out on this page.

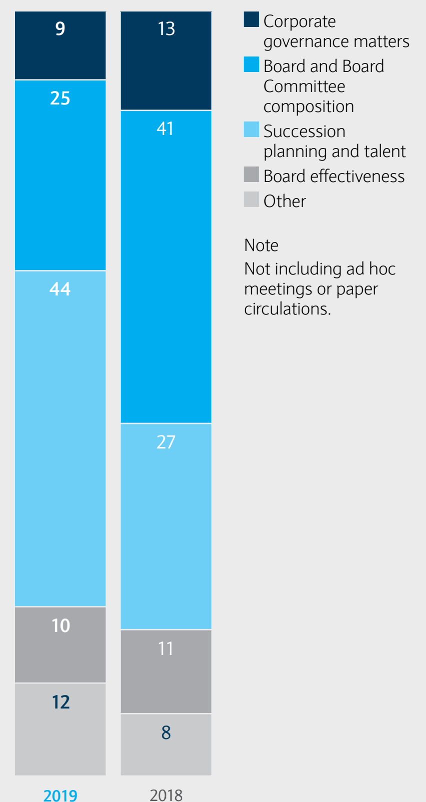
Committee members

Member	Meetings attended/ eligible to attend
Nigel Higgins	3/3
Mike Ashley	3/3
Tim Breedon	3/3
Sir Ian Cheshire	3/3
Crawford Gillies	3/3
Diane Schueneman	3/3



Committee allocation of time

%



Note
Not including ad hoc meetings or paper circulations.

Delivering effectiveness

Principal activities

The Committee's allocation of time and the principal activities during the year under review are set out on pages 61 to 63.

Board composition

With the restructuring of Barclays largely complete, and a new Chairman in place, the Nominations Committee recognised that balancing the existing skills on the Board with further banking and technology experience would enhance its ability to provide informed and constructive challenge to management, and therefore its effectiveness.

Building on the work of the Committee under previous Chairman John McFarlane, the Committee analysed the skills and experience on the Board against those required to drive forward the execution of the Group's strategy and the performance of the business. The Committee concluded that the Board must now include more Directors with experience in technology, retail banking and wholesale banking. Capturing the clear benefits of greater diversity of background and opinion was also recognised as a top priority. The Committee also concluded that to be more effective the Board would need to be smaller.

Working alongside independent external search firms Egon Zehnder and Spencer Stuart, neither of which has any connection to Barclays or any of the Directors other than to assist with searches for executive and non-executive talent, the Committee set rigorous criteria for the roles it was seeking to fill, both in terms of technical capabilities and cultural/style attributes, and conducted extensive search and selection processes. Open advertising for Board positions was not used this year.

The Board was delighted to announce the appointment in September 2019 of two new Non-Executive Directors, Dawn Fitzpatrick and Mohamed A. El-Erian, and is confident that each will make a very significant contribution to the effectiveness of the Board. Their respective skills and experience are set out in their biographies on page 45. Since the year-end, the Board has announced the appointment of Brian Gilvary. The Committee's focus now is on securing a further Non-Executive Director with outstanding retail banking and technology experience to join the Board, with the benefits of diversity remaining a key consideration.

The Committee has also made progress against its goal of delivering a smaller Board – a reduction in membership during 2019 from 15 to 11, going up to 12 with the appointment of Dawn Fitzpatrick. On 1 January 2020, Mohamed A. El-Erian joined the Board and Matthew Lester stepped down, as announced on 16 December 2019. Brian Gilvary joined the Board on 1 February 2020.

Executive succession

Executive succession is a key consideration and during the year, the Committee closely monitored the status and progress of Barclays' strategies for attracting and retaining the best talent.

The Committee played an important role in the management changes at ExCo level which took place in March 2019. It recognised the significant strategic and operational benefits of:

- elevating to the ExCo the heads of key businesses within the CIB
- aligning the Group's global consumer banking and payments business under a newly created ExCo role of Global Head of Consumer Banking and Payments.

You can read more about these and the other management changes on page 47.

Simplification of governance

The Board is already a little smaller than it was, and with the support of our regulators we have simplified the multi-tier structure at the top of the organisation by bringing about a much greater overlap between the Board and the board of BBPLC. We expect this to produce more cohesive and efficient governance, and to enhance oversight by, and accountability to, the Board for this key part of our business.

Diversity

At the end of 2019 we had met our 2020 Board gender diversity target of 33%. Although recent appointments took us to 31% we are committed to continuing to bring the very best, diverse talent we can attract to the Board.

Alongside the Board, the Committee continues to champion the benefits of diversity – be it religious, ethnic or gender diversity or diversity of social backgrounds or cognitive and personal strengths – at Board, Committee and senior management level. In pursuit of this, the Committee is monitoring and supporting the Group's focus on accelerated development of the female talent pipeline, with the aim of moving more female talent into the 'Ready Now' succession positions. The mechanisms being used Group-wide to achieve this include:

- identifying female talent
- providing leadership and mentoring programmes
- launching 'Aspire' – a programme used to fast track the development of high potential Vice Presidents to Director (of which the majority in the programme are female).

Successful leadership and governance comes from different experiences and perspectives, not just one point of view. Our commitment is to attract and retain a broad based pool of talent – not a particular type of person – and the Board Diversity Policy and the Committee terms of reference support this. Both are available at **home.barclays/corporategovernance**.

For additional information on diversity and inclusion, our Diversity Policy and data on the percentage of females in senior management positions, please see pages 28 and 31 respectively.

> The Board was delighted to announce the appointment of Dr. El-Erian, Ms Fitzpatrick and Dr. Gilvary as Non-Executive Directors. Each will make a significant contribution to the effectiveness of the Board.

Committee responsibilities

1. Ensuring the right individuals are appointed – in line with suitability criteria – who can discharge the duties and responsibilities of Directors.
2. Effective ExCo, Board and Committee composition, through focus on appointment and succession based on merit and skill, through a diversity lens.
3. Leading candidate search and identification.
4. Regular review of succession planning and recommendations for key executive and non-executive roles.
5. Monitoring of time commitments for incoming and existing Directors to ensure sufficient time for effective discharge of duties.
6. Monitoring compliance against corporate governance guidelines and the Diversity Policy, including yearly review and any recommendations for enhancements.
7. Ensuring compliance by the Board with legal and regulatory requirements.
8. Individual Director, Board and Committee effectiveness reviews and implementing any required actions.
9. Considering and authorising, subject to ratification by the Board, any conflicts of interest.

Principal activities

Activity	Responsibilities
Approval of re-allocation of management positions and reporting lines following the reorganisation of the Group's consumer banking and payments business.	1 2 3 4
Approval of key executive appointments including the Global Head of Markets.	1 2 3 4
Consideration and approval of new Group Chief Operating Officer and CEO of BX, allowing the previous role holder (Paul Compton) to focus on the role of BBPLC President.	1 2 3
Candidate evaluation for both executive and non-executive current and future roles including review of core skills and (for internal candidates) scrutiny of internal feedback.	1 2 3 4
Review of the balance of skills and diversity on the Board, and leading the search and recruitment process (including conflict analysis) for candidates with relevant banking and technology experience. The Committee utilised external search consultants Egon Zehnder and Spencer Stuart to facilitate the targeted external search processes based on agreed and reviewed criteria.	1 2 3 4 6 9
Directors' tenure and effectiveness review, and identifying candidates for re-election.	1 2 4 6 7 8
Approval of the appointment of Ms Schueneman to the Nominations Committee.	1 2 5
Analysed ExCo composition and succession planning for strengths and weaknesses, focusing on increasing diversity. Reviewed 'Ready Now' successors for key roles such as Group Chief Risk Officer, Group Human Resources Director and Group Chief Compliance Officer and suggested external market mapping for any roles where a lack of a strong pipeline was identified.	2 3 4 6
Reviewed recommendations and suggested improvements arising from the 2018 Board Effectiveness Review.	1 2 7 8
Approved that the 2019 Effectiveness Review be conducted internally, led by the SID with support from the Company Secretary and Nominations Committee oversight.	8
Approved further enhancements to Director training through deep dive Director training sessions.	7
Review and approval of the composition of the Board Committees.	1 2 5

Delivering effectiveness

Review of Board, Committee and individual Director effectiveness

Progress against 2018 Board effectiveness review

The 2018 externally-facilitated effectiveness review outlined the following key recommendations:

- **Board size and composition:** The 2018 review highlighted that the Board, at 15 members, was large relative to peers and suggested that a Board of 10 to12 members is optimal, with 8 to 10 Non-Executive Directors, provided that diversity, succession planning and skills mix criteria continue to be met.

  2019: The size of the Board was reduced to 11 (post AGM) and is currently 13. The Committee believes that the size of the Board is now more appropriate, with more work to do to reduce it further in size, and that its effectiveness, and the balance of skills, experience and diversity on the Board, have been enhanced during 2019.

- **Culture, purpose and values:** The 2018 review recommended that the Board ensure that the Group's purpose and values are fully aligned with its culture and that all Directors lead by example and promote the desired culture.

  2019: Deep dives have been held by the Board covering purpose, values and culture and considerable progress has been made in relation to these recommendations.

- **Director training and development:** The 2018 review recommended that enhanced training be provided for Board members and senior executives on UK corporate governance, and that refresher training sessions and more opportunities for site visits be made available.

  2019: Training on UK corporate governance has been delivered in 2019 to Non-Executive Directors and to key executives, and a new programme of training sessions for Directors has been implemented, with sessions held to date focusing on technical aspects of some of the more complex areas of the business, in particular within the CIB. Opportunities for site visits in the US and the UK have been made available to all Board members.

- **Board objectives:** The 2018 review recommended that to enable the Board to spend more time on longer-term and strategic issues a short set of annual objectives would help to bring focus to key issues and would result in papers and meetings being more effective.

  2019: Through the programme of deep dives, which covers a rolling 18-month period and reflects the Board's key priorities and objectives, and through the effort to address the deep dive topics effectively in the papers to the Board, the Committee believes that this recommendation has, in substance, been addressed. Time is now devoted to strategy and strategic issues at every meeting of the Board, rather than once a year.

2019 Board effectiveness review

The 2019 Board effectiveness review was conducted internally, in line with the Code, and was led by the SID with support from the Company Secretary. The review followed a structured interview process with Board members, senior management and other stakeholders, including our auditors, building on past year's externally facilitated review.

The review is an important part of the way Barclays monitors and improves Board performance and effectiveness; maximising strengths and highlighting areas for further development.

Feedback indicated that recent changes in the composition of the Board have made it more effective, with the new mix of skills and experience enhancing the quality of discussion.

Board members commented that meetings are characterised by constructive dialogue on strategic issues, and healthy challenge in an open and collegiate environment. The quality of management's input to Board meetings is felt to have improved, in part as a result of more active Board engagement in shaping materials for debate.

The induction of the new Chairman has been effective, enabling him to quickly understand the organisation and provide effective challenge and a strong platform for inclusive debate.

The integration of BBPLC and BPLC board meetings is viewed as efficient, whilst still enabling the appropriate focus on matters relevant to each entity.

Recommendations

- The breadth and complexity of some issues may necessitate a deeper discussion than is currently possible in Board meetings. Consideration will be given to the best way to achieve this without significantly increasing demands on the Board's time.
- As Barclays, and the wider industry, becomes increasingly more digital, there may be benefit to adding greater technology expertise to the Board. This could be achieved either through greater external input, or by looking to expand or adjust Board membership.
- There may also be opportunities to increase the input to the Board from outside Barclays on a wider range of issues, thereby further strengthening decision-making and ensuring that Board members have the fullest understanding of the context for their decisions.
- Barclays should ensure that its ongoing, structured approach to workforce engagement includes appropriate opportunities for Board members to engage directly with employees, to help the Board take the issues of interest to employees into account in decision-making.

Review of Nominations Committee effectiveness

The performance of the Committee was assessed internally, in line with the approach adopted for all Board Committees in 2019. The process involved completion of a tailored questionnaire by Committee members and standing attendees.

The results confirm that the Committee is operating effectively. This year's review highlights that the Committee continues to be well constituted and that the role and responsibilities of the Committee are clear and well understood. The Committee's interaction with the Board, Board Committees and senior management is considered effective. In particular, this year's review noted the positive steps which had been taken to address feedback from the previous review on ensuring the same flow of information is received by all Non-Executive Directors in relation to discussions and decisions made by the Committee.

The review also noted that the Committee may benefit from a more formalised meeting schedule. It was acknowledged that due to the nature of the Committee's roles and responsibilities this is not always possible, but further consideration will be given to this during the year.

In response to a request to provide feedback on interaction with subsidiary committees, the review noted that interaction with the BBUKPLC nominations committee had been effective. Following the consolidation of the membership of the Committee with the BBPLC nominations committee, coverage of BBPLC matters within concurrent meetings was considered adequate, noting that it will benefit from further embedment.

Review of the effectiveness of the other Committees

In addition to reviewing its own effectiveness, the Committee also reviewed the outcomes of the effectiveness reviews conducted by the Audit, Remuneration and Risk Committees which had also been conducted by way of tailored questionnaire. You can read about those reviews in the individual Committee reports elsewhere in this Governance Report.

Following consideration of the findings of the 2019 Board and Board Committee effectiveness reviews, the Directors remain satisfied that the Board and each of the Board Committees are operating effectively.

Individual Director effectiveness

All Directors in office at the end of 2019 (with the exception of Matthew Lester who stepped down on 1 January 2020) were subject to an individual effectiveness review. The Chairman and the SID considered each Director's individual contribution to the Board as well as any feedback received as part of the broader Board and Committee effectiveness review. The reviews were conducted by the Chairman and the Chairman's review was conducted by the SID. The Committee also reviewed the independence of the Directors, and in the cases of Tim Breedon, Mike Ashley and Crawford Gillies, all of whom have served (or will have by the time of the 2020 AGM) on the Board for more than six years, their independence was subjected to a more rigorous review as required by the Code.

Based on these reviews, and the additional review in respect of Mr. Staley described below, the Board accepted the view of the Committee that each Director proposed for election or re-election at the 2020 AGM continues to be effective, and contributes to the Company's long-term sustainable success.

Director effectiveness assessment: disclosure of regulatory investigation

In accordance with the Code, all of the current Directors of the Company will be submitting themselves for election or re-election at the 2020 AGM to be held on 7 May 2020, and will be unanimously recommended by the Board for election or re-election as appropriate. Further information in this regard will be set out in the Notice of Meeting which will be published in due course.

In deciding whether to recommend Jes Staley for re-election, the Board has carried out its usual formal and rigorous performance assessment, which it does in respect of the effectiveness of each of the Directors. As part of its determination in respect of Mr Staley, the Board has had regard to media reports in the past six months that have highlighted historical links between Mr Staley and Jeffrey Epstein.

As has been widely reported, earlier in his career Mr Staley developed a professional relationship with Mr Epstein. In the summer of 2019, in light of the renewed media interest in the relationship, Mr Staley volunteered and gave to certain executives, and the Chairman, an explanation of his relationship with Mr Epstein. Mr Staley also confirmed to the Board that he has had no contact whatsoever with Mr Epstein at any time since taking up his role as Barclays Group CEO in December 2015.

The relationship between Mr Staley and Mr Epstein was the subject of an enquiry from the FCA, to which the Company responded. The FCA and the PRA subsequently commenced an investigation, which is ongoing, into Mr Staley's characterisation to the Company of his relationship with Mr Epstein and the subsequent description of that relationship in the Company's response to the FCA.

Based on a review, conducted with the support of external counsel, of the information available to us and representations made by Mr Staley, the Board (the Executive Directors having been recused) believes that Mr Staley has been sufficiently transparent with the Company as regards the nature and extent of his relationship with Mr Epstein. Accordingly, Mr Staley retains the full confidence of the Board, and is being unanimously recommended for re-election at the 2020 AGM.

The Board will continue to co-operate fully with the regulatory investigation, and will provide a further update as and when it is appropriate to do so.

Effective risk management: designed to identify, assess and control our risks

As a British universal bank, Barclays is subject to a variety of financial, operational, legal and conduct risks.

Dear Fellow Shareholders

During 2019, the Committee maintained its focus on the potential impact of macro-economic developments and market volatility on the risk profile of the Group. These issues remain challenging and we continue to work with management to position the Group conservatively in response to a heightened risk environment.

UK risks were the subject of particular attention due to the economic uncertainty arising from the planned withdrawal from the EU. The October 2019 withdrawal agreement and the subsequent General Election result have reduced political uncertainty significantly but the future trading relationship with the EU is yet to be agreed. Given the tight timetable and the potential economic consequences, this remains a significant area of risk. The Committee has also been active in ensuring the operational resilience of the Group should the UK leave the EU without reaching an agreement on the future trading relationship.

We have continued to encourage management to manage consumer and corporate credit exposure in the UK in a cautious manner and this has helped the Group to limit losses and avoid a number of the high profile corporate failures seen during 2019.

Other key risks with potential for wider contagion include those related to the US economy where underlying economic performance remains robust but growth has slowed and consumer and corporate indebtedness is high and growing. Political and trade tensions, notably with China and Europe, have increased and present a threat to growth globally.

Despite the strength of the US economy in 2019, the Committee remains focused on the credit quality of our consumer and corporate lending portfolios. In particular, the US credit cards strategy was reviewed and the Committee supported a continued steady transition to a higher quality book and lower-risk new business mix.

The Committee has also considered the ageing of the credit cycle and rising recessionary risks in our major markets. In the second half of 2019, central banks undertook synchronised rate cuts and other monetary easing measures, with the Federal Reserve Bank reversing its 2018 rate increases in the face of moderate inflationary pressure and a weaker growth outlook. This has supported asset markets but increased the margin pressures on banks from very low or negative interest rates, whilst also presenting operational challenges. Policy tools available to central banks to deal with further economic weakness are limited and with abundant liquidity influencing risk-pricing in financial markets, the potential exists for extreme market moves to occur, not least in response to policy errors. These risks are actively managed and the Committee maintains regular oversight of the overall risk profile of the Group's balance sheet and actions taken. The ongoing focus on book quality is evidenced by another positive impairment performance this year.

The Committee again reviewed in detail with management the Group's leveraged finance business in light of continued concerns regarding reduced market liquidity, particularly for larger transactions, lower quality issues and more aggressive structures. The balance of risk and reward in this market continues to be acceptable and underwriting losses in the year were modest. However, management was encouraged to remain particularly vigilant to these trends.

Barclays' strategy includes some expansion of structured credit exposures and an enhanced control framework has been established to control exposures and to ensure they are in line with strategy in both scale and type.

The Committee also took on responsibility for Conduct risk following the dissolution of the Board Reputation Committee in September. The role of the Committee is to oversee the management of regulatory risk and challenge the business to continue to deliver fair outcomes for customers. We have welcomed the opportunity to achieve further alignment in the consideration of both financial and non-financial risks. In addition to focusing on the Conduct risk profile of our core businesses, the Committee has identified a number of key conduct themes requiring active management.

Finally, the Committee reviewed the significant enhancements the Group has made in its approach to the management of the risks of climate change. Both physical and transition risks across all portfolios were considered in the context of a severe but plausible climate stress. This analysis will support the Group's response to the forthcoming Bank of England (BoE) industry-wide stress test. This progress was welcomed whilst acknowledging the need for risk management practices generally to evolve further across the whole industry in respect of climate change risk.

Operational risk

During the year, the Committee continued to monitor and challenge the progress being made by management in the identification, assessment and management of operational risk. A key part of this was the further delivery and embedding of work commenced in prior years. Two complementary risk management tools used by management are the RCSAs and Structured Scenario Assessments (SSAs).

The RCSAs give 'day-to-day' coverage of the risk and control environment of the Group. They are built on a foundation of the actual processes the Group employs and the risks it faces from its activities. This approach enables management to better identify and manage operational risks going forward and also to review in detail risk events that have occurred in order to identify root causes.

The Committee continued to see progress on SSAs and a number of specific scenarios were reviewed during the course of the year covering both Conduct (e.g. mis-selling of products) and Non-Conduct (e.g. customer data compromise, supplier financial failure) scenarios. The SSAs are used to evaluate operational risk arising from more extreme but plausible situations and so complement the RCSA approach, in combination they enable the Committee to oversee the risk the Group faces at both ends of the risk likelihood spectrum. The SSAs are also an important input to our Operational risk stress testing and capital frameworks.

Risk appetite and risk models

One of the most important roles of the Committee is to recommend to the Board an appropriate risk appetite for the Group. This represents the amount of risk the Group is able to take to earn an appropriate return whilst meeting minimum internal and regulatory capital requirements in a severe but plausible stress environment. The Committee analyses Barclays performance in both its internally-generated stress tests and those run externally by such bodies as the BoE, the European Banking Authority and the Federal Reserve Board, and following such analysis, will recommend adjustments to the Group's overall risk profile.

For our internal stress test, the Committee received a detailed briefing on the process being applied and was satisfied that the internally-generated scenario was appropriately calibrated, and also stressed the particular vulnerabilities of the Group. They were further satisfied that the Group would meet internal and regulatory requirements for capital and liquidity in such a scenario.

The Committee continued to oversee the improvement of model risk management in the Group and the ongoing validation of our models, with specific progress and methodology enhancements in the model outputs supporting our stress tests, including the Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP). Our models are the core foundation upon which the majority of our internal assessment processes run. The Committee is pleased to report that progress has continued during 2019 to embed the Model risk management framework as evidenced by an increasingly stable model inventory and further improvements in documentation and control. However, models remain a key risk area for the Group, and the Committee is closely monitoring the development of the Group's approach.

Risk function

The Committee is responsible for ensuring the independence and effectiveness of the Risk function whose primary role is the oversight and challenge of risk-taking as the second line of defence. It accomplishes this by establishing the policies, limits, rules and constraints under which first line activities shall be performed, consistent with the Group's risk appetite and through monitoring the performance of the first line of defence against these policies, limits and constraints. The Committee's responsibilities include designing a consistent classification of the risks faced by the Group in order to organise their management and reporting; designing and operating the process of setting risk appetite and material limits for the Group as a whole and its main entities; setting or approving strategies for approvals of transactions, and sanctioning large individual agreements; and establishing key controls requirements to which customer-facing areas of Barclays must adhere in the conduct of their businesses.

The Committee reviewed the Risk function's own assessment of its capability in late 2019 which showed the function continues to meet regulatory expectations in providing effective and independent oversight with strong stewardship and technical competency. Progress continued in 2019 to ensure systems and strategic architecture are fit for purpose with further enhancement on technology capabilities due from the delivery of further strategic infrastructure in 2020.

Compliance function

The Compliance function is responsible for the overall management and oversight of Conduct and Reputation risk management practices as the second line of defence. Compliance participates in the prevention, detection and management of breaches of applicable laws, rules, regulations and relevant procedures and has a key role in helping Barclays achieve the right conduct outcomes. The Committee supports the Compliance function to be independent from operational functions and have sufficient authority, stature, resources and access to the management body.

The Committee monitored the delivery of the Compliance function's Annual Plan for 2019 and approved the Compliance function's Annual Plan for 2020.

Committee effectiveness

The 2019 Committee effectiveness review was conducted in line with the Code. This internal review involved completion of a tailored questionnaire by Committee members, senior management and other stakeholders, including our auditors, building on the prior year's externally-facilitated review. The review is an important part of the way Barclays monitors and improves Committee performance and effectiveness, maximising strengths and highlighting areas for further development.

The results of the review were positive and indicated that the Committee is operating effectively; and that it provides an effective and broad level of challenge and oversight of the areas within its remit. During the year, the Committee took on oversight of Conduct and Compliance matters, following re-allocation of the responsibilities from the Reputation Committee.

Effective risk management: designed to identify, assess and control our risks

Following the consolidation of the membership of the Committee with the BBPLC risk committee, coverage of BBPLC matters within concurrent meetings was considered appropriate, noting that it will benefit from further embedment.

Looking ahead

In 2020, the Committee will continue to focus on the impact of the external environment on the Group's risk profile, particularly as the negotiations on the future trade relationship with the EU progress and the broader geopolitical context evolves in the run up to the US presidential election.

Tim Breedon
Chair, Board Risk Committee
12 February 2020

Committee meetings

During 2019, the Committee met nine times and the chart opposite shows how it allocated its time. Two of the meetings were held at Barclays' New York offices. Attendance by members at Committee meetings is shown on this page. Committee meetings were attended by representatives from management, including the Group Chief Executive Officer, Group Finance Director, Group Chief Internal Auditor, Group Chief Risk Officer, Group Treasurer, Group Chief Compliance Officer and Group General Counsel, as well as representatives from the businesses and other representatives from the Risk function. The lead audit engagement partner of KPMG, Michelle Hinchliffe, also attended Committee meetings. The Committee held a number of separate private sessions with the Group Chief Risk Officer and the Group Chief Compliance Officer, which were not attended by management.

Committee roles and responsibilities

The Committee is responsible for:

- recommending to the Board the 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 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
- oversight of conduct and compliance.

The Committee's terms of reference are available at **home.barclays/corporategovernance**

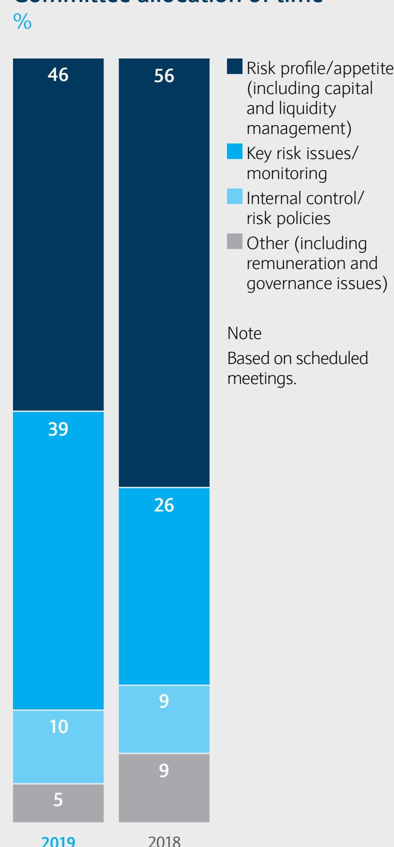
Committee members

Member	Meetings attended/ eligible to attend*
Tim Breedon	9/9
Mike Ashley	9/9
Mary Anne Citrino	7/9
Matthew Lester	9/9
Diane Schueneman	8/9
Reuben Jeffery (1 Jan 2019 – 2 May 2019)	3/3

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

Committee allocation of time

%



Note
Based on scheduled meetings.

Primary activities

The Committee has diligently discharged its responsibilities in 2019, reviewing Group exposures in the context of the current and emerging risks facing Barclays. It has sought to promote a strong culture of disciplined risk management.

Area of focus	*Matter addressed*	*Role of the Committee*	*Conclusion/action taken*
Risk appetite and stress testing i.e. the level of risk the Group chooses to take in pursuit of its business objectives, including testing whether the Group's financial position and risk profile provide sufficient resilience to withstand the impact of severe economic scenarios.	The risk context to the MTP, the financial parameters and constraints and mandate and scale limits for specific business risk exposures; the 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 BoE.	▪ To advise the Board on the appropriate risk appetite and tolerance for the principal risks, including the proposed overall Group risk appetite and limits. ▪ To discuss and agree stress loss and mandate and scale limits, for Credit risk, Market risk and Treasury and Capital risk. ▪ To consider and approve internal stress test themes and the financial constraints and scenarios for stress testing risk appetite for the MTP. ▪ To evaluate the results of the BoE's annual cyclical stress test and the BoE's Biennial Exploratory Scenario. ▪ To consider the Federal Reserve Board's feedback of the Barclays US LLC's Comprehensive Capital Analysis and Review (CCAR) following the submission of the CCAR stress test results.	The Committee reviewed and recommended the proposed risk appetite to the Board for approval. It discussed and approved the 2019 mandate and scale limits for the Group, which included changes to A-level stress loss limits. The Committee reviewed proposed enhancements to the Group's stress testing processes and models. It also attended a stress test briefing providing additional background and context to aid the review and approval of various stress tests. The Committee reviewed and approved the scenarios for, and the financial results of, the MTP internal stress test exercise, and on the basis that the results remained within the Group's risk appetite constraints, subsequently recommended the MTP to the Board for approval. It gave particular attention to the severity of the internal stress test scenario, as well as the application of 'perfect foresight' methodology through the test. The Committee evaluated the results of the 2018 Annual Cyclical Scenario, which included increased focus on strategic management actions, and approved the 2019 submission to the BoE. Similarly, the Committee approved Barclays' initial Biennial Exploratory Scenario submission to the BoE. The Committee received updates on the 2019 CCAR submission, and reviewed the feedback from the Federal Reserve Board following the release of the results.

Effective risk management: designed to identify, assess and control our risks

Area of focus	Matter addressed	Role of the Committee	Conclusion/action taken
Capital and funding i.e. having sufficient capital and financial resources to meet the Group's regulatory requirements and its obligations as they fall due, to maintain its credit rating, to support growth and strategic options.	The trajectory to achieving required regulatory and internal targets and capital and leverage ratios.	▪ To review, on a regular basis, capital performance against plan, tracking the capital trajectory, any challenges and opportunities, and regulatory policy developments. ▪ To assess, on a regular basis, liquidity performance against both internal and regulatory requirements. ▪ To monitor capital and funding requirements.	The Committee examined and supported the forecast capital and funding trajectory and the actions identified by management to manage the Group's capital position, taking into account the potential impact of macroeconomic factors. The Committee considered and approved the Group's capital adequacy assessment, together with the methodologies and results of the reverse stress test for submission of the 2019 ICAAP, as well as approving the Group's 2019 ILAAP. Committee members also attended an ICAAP and ILAAP briefing to further support their review and approval of the submissions. The Committee evaluated regulatory feedback on the ICAAP and ILAAP and oversaw the continued improvement of the processes. The Committee reviewed and agreed with management's approach to an out-of-cycle refresh of the Group's 2018 ICAAP following an increase to PPI provisioning. The Committee reviewed and scrutinised the Group Recovery Plan, which forms a part of the Group's capital and liquidity risk management framework, and confirmed that it was fit for purpose, ahead of its presentation to the Board for approval. The Committee approved risk appetite constraints in relation to capital and funding which require capital and liquidity ratios to remain at a level where all internal and regulatory requirements, and all obligations as they fall due can be met under stress.
Political and economic risk i.e. the impact on the Group's risk profile of political and economic developments and macroeconomic conditions.	The potential impact on the Group's risk profile of geopolitical developments, as well as continuing to monitor the political and economic impact of Brexit scenarios.	▪ To review and discuss plans for the impacts of Brexit under various withdrawal scenarios. ▪ To consider trends in the UK and US economies. ▪ To assess the transmission effects of Chinese/US trade tensions and monitor the impacts of slowing growth in China. ▪ To review exposures to emerging markets as a result of volatility in these markets arising from the impact of global political and economic events.	The Committee monitored the potential risk impacts of Brexit, giving particular consideration to the impact risk of an exit without an agreement in place. It received updates on, and oversaw management's preparations for, Brexit from a risk perspective, reviewing in particular any potential impact to the capital and liquidity positions. The Committee monitored the Group's performance in light of a backdrop of uncertain global political and economic conditions, with particular focus on Barclays' European exposures. Other key material risk themes discussed and monitored by the Committee included rising global debt and the response of Central Banks, the low rates environment and potential for weakness in US consumer credit. The Committee received updates on the progress of the global transition to alternative risk-free reference rates including on preparations by the LIBOR Transition Programme to manage and mitigate the financial and non-financial risks associated with the transition.

Area of focus	Matter addressed	Role of the Committee	Conclusion/action taken
Credit risk i.e. the potential for financial loss if customers fail to fulfil their contractual obligations.	Conditions in the UK housing market; levels of UK consumer indebtedness; and the performance of the UK and US cards businesses, including levels of impairment.	▪ To assess conditions in the UK property market and monitor signs of stress. ▪ To monitor how management was tracking and responding to persistent rising levels of consumer indebtedness, particularly unsecured credit in both the UK and US. ▪ To review leveraged finance portfolios in order to assess these were within risk appetite and manageable limits. ▪ To review business development activities in the CIB.	The Committee continued to iterate the need to ensure appropriate credit selection and discipline when selecting business, and the importance of consumer profiling to achieve improved risk selection. It encouraged management to consider the impact of all associated risks. The Committee oversaw improvements to the control environment in the US cards business, and received updates on the impacts of US economic conditions on the portfolio. The Committee was updated on programmes initiated to assist customers to meet their contractual credit obligations in the UK including the review of practices in relation to customer affordability and persistent debt. The Committee also reviewed the procedures implemented to manage corporate exposure to UK sectors primarily driven by consumer spending. The Committee received an update on the leveraged finance business, which continues to be one of the largest businesses within the Investment Bank, noting that portfolios were within appetite and that management had a strong focus on regulatory compliance in this area. The Committee also received updates on the structured finance business, noting the growth in this activity and the fact that exposures remained within appetite.
Operational risk i.e. costs arising from human factors, inadequate processes and systems or external events.	The Group's operational risk capital requirements and any material changes to the Group's operational risk profile and performance of specific operational risks against agreed risk appetite.	▪ To track operational risk key indicators. ▪ To consider specific areas of operational risks, including fraud, conduct risk, cyber risk, execution risk, technology and data, including the controls that had been put in place for managing and avoiding such risks. ▪ To review Barclays' approach to scenario analyses as a risk management tool and assess a range of SSAs which had been created to support assessments and management of tail risk within the business, stress testing and risk tolerance.	The Committee continued to focus its attention on the financial and capital impacts of operational risk. The Committee approved and recommended the 2019 Operational Risk Tolerance Statement to the Board, which included financial loss appetites for fraud and transaction operations for the first time. The Committee used SSAs to evaluate operational risks that might arise in extreme but plausible scenarios. They heard updates on SSAs, including, those in relation to unauthorised trading and supplier risk, and requested that SSAs continue to be presented in 2020, specifically those in relation to data privacy and misuse.

Effective risk management: designed to identify, assess and control our risks

Area of focus	Matter addressed	Role of the Committee	Conclusion/action taken
Model risk i.e. the risk of the potential adverse consequences from financial assessments or decisions based on incorrect or misused model outputs and reports.	Model risk governance.	▪ To evaluate the appropriateness of the Model risk management framework, and monitor progress on the implementation of an enhanced modelling framework, including receiving updates on findings in relation to specific modelling processes.	The Committee reviewed and approved the Model Risk Tolerance Criteria for 2019, which included CCAR models at the Committee's request. The Committee maintained oversight of Model risk and in particular monitored planned improvements to Barclays' Model risk management framework and ongoing upgrade plans. The Committee monitored progress to ensure that the scope of Model risk management implementation was expanded to bring into governance non-modelled methods used in a number of large model frameworks. The Committee also maintained oversight of the models used in the 2019 CCAR, ICAAP and ILAAP submissions, and related stress test processes to ensure they were materially brought into governance by management. The Committee recognised the added value that stronger model governance had on the quality of these submissions. The Committee sought, and were provided with, assurance from the Independent Validation Unit of the validation of models in relation to specific processes, including ICAAP and ILAAP.
Risk framework and governance	The frameworks, policies 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 the RCSA process across the Group. ▪ To assess risk management matters raised by Barclays' regulators and the actions being taken by management to respond. ▪ To review the design of the ERMF.	The Committee monitored the delivery of an action plan created by management to review areas identified for potential improvement identified by the independent assessment of the design and effectiveness of the Risk function completed in 2018. The annual update to the ERMF was recommended to the Board by the Committee. The Committee discussed and approved an annual refresh of the Principal Risk Frameworks. The Committee reviewed the results of the 2018 RCSAs across the Group and recognised that its output was extremely useful to inform internal processes, but also to facilitate helpful dialogue with the regulator. The Committee monitored management's progress in achieving compliance with all aspects of BCBS239, and received updates on the level of implementation throughout the year recognising the progress made towards achieving full compliance by the end of 2020. In relation to climate change, the Committee received an update on the associated financial and operational risks and endorsed management's approach to the management of those risks, which included the establishment of a Climate Change Financial Risk and Operational Risk Policy and the inclusion of climate change in the ERMF and Principal Risk Frameworks.
Remuneration	The scope of any risk adjustments to be taken into account by the Board Remuneration Committee when making remuneration decisions for 2019.	▪ To debate the Risk function's view of performance, making a recommendation to the Remuneration Committee on the financial and operational risk factors to be taken into account in remuneration decisions for 2019.	The Committee discussed the report of the Group Chief Risk Officer and considered, and reported to the Remuneration Committee on, the proposal put forward in relation to the impact of relevant risk factors in determining 2019 remuneration.

Area of focus	*Matter addressed*	*Role of the Committee*	*Conclusion/action taken*
Conduct Risk* i.e. the risk of detriment to customers from the inappropriate supply of financial services.	Conduct robust reviews of any current and emerging risks arising from the inappropriate provision of financial services, including instances of wilful negligent misconduct.	■ To receive updates from management on Conduct risk and consider performance against key Conduct risk indicators, and the status of initiatives in place to address those risks to further strengthen the culture of the business. ■ To review the effectiveness of the Conduct risk framework and approve any amendments to it. ■ Reviewed the Compliance function's Annual Compliance Plan.	The Committee accepted oversight of Conduct risk following the disbanding of the Reputation Committee in September 2019. Since then, the Committee has received a deep dive on Conduct risk which provided a detailed overview of recent developments made in the area as well as an update on the current Conduct risk environment, and proposed areas of focus for the future. The Committee approved the revised Conduct risk management framework which provided greater clarity on roles and responsibilities in relation to Conduct risk compared to previous versions. The Committee also approved the Annual Compliance Plan which contained key initiatives which would be implemented in 2020.

* The Risk Committee remit extended to include the oversight of Conduct risk and Compliance on 25 September 2019, following the disbanding of the Reputation Committee.

How we comply

The 2018 UK Corporate Governance Code

As Barclays PLC is listed on the London Stock Exchange, we apply the principles and provisions of the Code, as set out below. A revised version of the Code was published in 2018, and came into effect for our financial year beginning on 1 January 2019 and accordingly, Barclays PLC has reported against the requirements of the Code in this annual report.

A copy of the Code can be found at **frc.org.uk**. For the year ended 31 December 2019, and as at the date of this report, we are pleased to confirm that we complied in full with its principles and provisions.

Disclosure Guidance and Transparency Rules

By virtue of the information included in this Governance section of the Annual Report, we comply with the corporate governance statement requirements of the FCA's Disclosure Guidance and Transparency Rules. Certain additional information that is required to be disclosed pursuant to DTR7.2.6 can be found on pages 80 to 84.

New York Stock Exchange (NYSE)

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

Board leadership and company purpose

Role of the Board

As highlighted earlier in this report, our governance is structured to deliver an effective and entrepreneurial Board which:

- is effective in providing challenge, advice and support to management
- provides checks and balances and encourages constructive challenge
- drives informed, collaborative and accountable decision-making
- creates long-term sustainable value for our shareholders, having regard to our other stakeholders.

Culture

The Barclays Way sets the framework for achieving a dynamic and positive culture. The Board supports *The Barclays Way* and the Barclays Purpose and Values. It promotes personal accountability and leadership and monitors our culture to satisfy itself as to the alignment of Barclays' culture to its purpose, values and strategy. See pages 34 and 128 for more details.

Our whistleblowing policy enables employees to raise any matters of concern anonymously and is embedded into our business. For more detail please refer to page 57 of the Audit Committee Report.

Relations with shareholders and stakeholders

The Board recognises the importance of listening to, and understanding the views of, our shareholders and stakeholders in order to inform the Board's decision-making. Our comprehensive Investor Relations engagement helps us to understand investor views about Barclays, which are communicated regularly to the Board, and our Chairman engages with shareholders on governance and related matters. Our shareholder communication guidelines are available on our website at **home.barclays/investorrelations**. Our approach to stakeholder engagement is described on pages 14 to 17.

Institutional investors

Our engagement with institutional investors increased throughout the year as compared to prior years.

In 2019, the Directors, in conjunction with the senior executive team and Investor Relations colleagues, participated in investor meetings, seminars and conferences across many locations, reflecting the diverse nature of our equity and debt institutional ownership. We held conference calls/webcasts for our quarterly results briefings and an in-person presentation of our 2018 full year results for both our equity and fixed income investors.

During 2019, discussions with investors included, but were not limited to:

- introducing our new Group Chairman, Nigel Higgins
- addressing shareholder queries relating to the requisitioned resolution at the AGM to appoint Mr Edward Bramson as a Director of the Company
- the continued digitisation of Barclays and the value being created by BX in improving the efficiency of our cost base
- topics including risk management and steps taken to mitigate the potential impact from Brexit, as well as ESG factors, our CIB strategy, and valuation and capital levels
- corporate governance policy and practice.

Private shareholders

During 2019, we continued to communicate with our private shareholders through our shareholder mailings and via the information available on our website and through our AGM. Shareholders can also choose to sign up to Shareview so that they receive information about Barclays PLC and their shareholding directly by email. We continue to endeavour to trace shareholders who did not take up their share entitlement following the Rights Issue in September 2013, and offer a Share Dealing Service aimed at shareholders with relatively small shareholdings for whom it might otherwise be uneconomical to deal in Barclays shares. For more detail, please see pages 338 to 339.

Our AGM

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

All of the resolutions proposed by the Board at the 2019 AGM were considered on a poll and were passed with votes 'For' ranging from 70.79% to 99.87% of the total votes cast. Resolution 24 of the AGM was a requisitioned resolution submitted by Sherborne Investors Management LP to appoint Mr Edward Bramson as a Director of the Company and the Board recommended shareholders to vote against it. The resolution was considered on a poll and was not passed, with votes 'Against' being 87.21% of the total votes cast.

At the 2019 AGM, the vote on the 2018 Directors' Remuneration Report (Resolution 2) was passed with 70.79% of votes cast in favour. For further information on Barclays' response to the significant vote against the 2018 Directors' Remuneration Report, please see page 121.

The Board has decided to hold the 2020 AGM in Glasgow and thereafter expects to alternate AGM venues between London and a venue other than London where we have a significant business or customer presence. The 2020 AGM will be held on 7 May 2020 at 11:00am at the Scottish Events Campus (SEC) in Glasgow, Scotland.

Stakeholder engagement

The Board continues to seek to understand all stakeholders' views, and the impact of our behaviour and business on customers and clients, colleagues, suppliers, communities and society more broadly. Accordingly, the Board monitors key indicators across areas such as culture, citizenship, conduct, and customer and client satisfaction on an ongoing basis. In 2019, we built on conversations started at the AGM to engage in a continuing dialogue with NGOs and other interest groups, to improve our understanding of emerging and existing environmental and societal topics. We will publish the Barclays ESG Report in March 2020, which will be made available on our website at **home.barclays/annualreport**.

Throughout 2019, we have engaged with these stakeholders through participation in forums and round tables and joined industry, sector and topic debates and this will continue in 2020.

For more detail, please see **pages 14 to 17.**

Colleague engagement

The Group has a long-standing commitment to the importance and value of colleague engagement. Our colleagues drive our success. You can read more about our commitment to colleagues and our workforce engagement in the Our people and culture section on pages 28 to 31.

Conflicts of interest

In accordance with the Companies Act 2006 and the Articles of Association (the Articles), the Board has the authority to authorise conflicts of interest, and this ensures that the influence of third parties does not compromise the independent judgement of the Board. 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 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 these authorisations at any time.

Division of responsibilities

Roles on the Board

Executive and Non-Executive Directors share the same duties. However, in line with the principles of the Code, a clear division of responsibilities has been established. The Chairman is responsible for:

- leading the Board and its overall effectiveness
- demonstrating objective judgement
- promoting a culture of openness and constructive challenge and debate between all Directors
- facilitating constructive board relations and the effective contribution of all Non-Executive Directors
- ensuring Directors receive accurate, clear and timely information.

Responsibility for the day-to-day management of the Group is delegated to the Group Chief Executive Officer who is supported in this role by the ExCo. Further information on the membership of the ExCo can be found on page 47.

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), SID, Non-Executive Directors, Executive Directors and Committee Chairs. Pursuant to the *Charter of Expectations*, Non-Executive Directors provide effective oversight and scrutiny, strategic guidance and constructive challenge, whilst holding the Executive Directors to account against their agreed performance objectives. The Non-Executive Directors, led by the Nominations Committee, have primary responsibility for the appointment and removal of the Executive Directors.

The SID 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 accurately reflects the requirements of the Code and the Regulations, and industry best practice. A copy of the *Charter of Expectations* can be found at **home.barclays/corporategovernance**.

Information provided to the Board

It is the responsibility of the Chairman, as set out in our *Charter of Expectations*, to ensure that Board agendas are focused on key strategy, risk, performance and other value creation issues, and that members of the Board receive timely and high-quality information to enable them to make sound decisions and promote the success of the Company. Working in collaboration with the Chairman, the Company Secretary is responsible for ensuring good governance and information flow, to ensure an effective Board.

Throughout the year, both the Executive Directors and senior executives keep the Board informed of key business developments through regular 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.

How we comply

Attendance

Directors are expected to attend every Board meeting. In 2019, attendance was very strong both at scheduled and additional meetings (including those called at short notice), reflected in the table below. The Chairman also met privately with the Non-Executive Directors ahead of three Board meetings. If, owing to exceptional circumstances, a Director was not able to attend a Board meeting he or she ensured that his or her views were made known to the Chairman in advance of the meeting. In addition, the SID met the other Non-Executive Directors individually, without the Chairman, to appraise the Chairman's performance, the details of which are included on page 65.

*Board attendance in 2019**	*Independent/Executive*	*Scheduled meetings eligible to attend*	*Scheduled meetings attended*	*% attendance*	*Additional meetings eligible to attend*	*Additional meetings attended*
Chairman						
Nigel Higgins	on appointment†	6	6	**100%**	0	0
Executive Directors						
Jes Staley	Executive Director	7	7	**100%**	1	1
Tushar Morzaria	Executive Director	7	7	**100%**	1	1
Non-Executive Directors						
Mike Ashley	Independent	7	7	**100%**	1	1
Tim Breedon	Independent	7	7	**100%**	1	1
Sir Ian Cheshire	Independent	7	7	**100%**	1	1
Mary Anne Citrino	Independent	7	7	**100%**	1	1
Dawn Fitzpatrick	Independent	3	3	**100%**	0	0
Mary Francis	Independent	7	7	**100%**	1	1
Crawford Gillies	Senior Independent Director	7	7	**100%**	1	1
Matthew Lester	Independent	7	7	**100%**	1	1
Diane Schueneman	Independent	7	7	**100%**	1	1
Former Chairman						
John McFarlane	on appointment†	2	2	**100%**	1	1
Former Directors						
Sir Gerry Grimstone	Independent	1	1	**100%**	0	0
Reuben Jeffery	Independent	2	2	**100%**	1	1
Dambisa Moyo	Independent	2	2	**100%**	1	1
Mike Turner	Independent	2	2	**100%**	1	1
Secretary						
Stephen Shapiro		7	7	**100%**	1	1

* Mohamed A. El-Erian and Brian Gilvary did not join the Board until 2020.
† As required by the Code, the Chairman was independent on appointment.

Board Committee cross-membership

The table below shows the number of cross-memberships of our Non-Executive Directors across our Board Committees as at 31 December 2019.

	Board Audit Committee	Board Nominations Committee	Board Remuneration Committee
Board Risk Committee	4	3	1
Board Remuneration Committee	2	2	
Board Nominations Committee	4		

Composition of the Board

In line with the requirements of the Code, a majority of the Board is comprised of independent Non-Executive Directors. We consider the independence of our Non-Executive Directors annually, having regard to the independence criteria set out in the Code. As part of this process, the Board keeps under review the length of tenure of all Directors, which can affect independence. The independence of Tim Breedon, Mike Ashley and Crawford Gillies – all of whom have served (or will have by the time of the 2020 AGM) on the Board for more than six years – was subjected to a more rigorous review as recommended by the Code. 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. During 2019, the previous Chairman and the following Non-Executive Directors stepped down from the Board. None of these Directors raised any concerns about the operation of the Board or management:

- John McFarlane
- Dambisa Moyo
- Reuben Jeffery
- Mike Turner
- Sir Gerry Grimstone
- Matthew Lester

The Nominations Committee Report describes the renewal of the Board in 2019, and steps taken to further strengthen the Board.

Time commitment

All potential new Directors are asked to disclose their other significant commitments. The Nominations Committee then takes this into account when considering a proposed appointment to ensure that Directors can discharge their responsibilities to Barclays effectively. This means not only attending and preparing for formal Board and Committee meetings, but also making time to understand the business, and to undertake training. As stated in our *Charter of Expectations*, the time commitment is agreed with each Non-Executive Director on an individual basis. In addition, all Directors must seek approval before accepting any significant new commitment. Set out below is the average time commitment expected for the role of Non-Executive Directors and the other Non-Executive positions on the Board.

Following careful review, the expected time commitments for Non-Executive Directors, and for the Chairs of the Audit and Risk Committees, were increased as set out below.

Time commitment

Role	*Expected time commitment (increased during the year)*
Chairman	Equivalent to up to 80% of a full-time position.
Senior Independent Director	As required to fulfil the role.
Non-Executive Director	35–40 days per year (membership of one Board Committee included, increasing to 50 days a year if a member of two Board Committees). This expectation was increased from 30 days and 40 days respectively.
Committee Chairs	At least 80 days per year (including Non-Executive Director time commitment) for Risk and Audit Committee Chairs, increased from 60 days, and at least 60 days for the Remuneration Committee Chair.

Where circumstances require it, all Directors are expected to commit additional time as necessary to their work on the Board. The Company Secretary maintains a record of each Director's commitments. For the year ended 31 December 2019 and as at the date of publication, 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.

Composition, succession and evaluation

The Company has a Nominations Committee, the purpose and activities of which are contained in the Nominations Committee Report on pages 61 to 65.

Board appointments

All appointments to the Board and senior management are viewed through a diversity lens and are based on merit and objective criteria, which focus on the skills and experience required for the Board's effectiveness and the delivery of the Group strategy. Board appointments are made following a rigorous and transparent process facilitated by the Nominations Committee, with the aid of an external search consultancy firm. You can read more about the work of the Nominations Committee on pages 61 to 65.

Diversity across the Group remains a key area of focus. For more detail on our actions to increase diversity please see pages 28 to 31.

The Nominations Committee regularly reviews the composition of the Board, Board Committees and the ExCo. It frequently considers the skills required for the Board, its Committees and the ExCo, identifying the core competencies, diversity and experience required. This, along with the annual evaluation, helps to refresh the thinking on Board, Committee and ExCo composition and to determine a timeline for proposed new appointments. For the Board, it is standard practice to appoint any new Non-Executive Director or Chairman for an initial three-year term, subject to annual re-election at the AGM, which may be extended for up to a further three-year term. As such, Non-Executive Directors typically serve up to a total of six years.

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

Each year we carry out an effectiveness review in order to evaluate our performance as a Board, as well as the performance of each of the Board Committees and individual Directors. More information on the 2019 Board evaluation and effectiveness review can be found on pages 64 to 65.

How we comply

Our biographies containing our relevant skills and experience, Board Committee memberships and other principal appointments can be found on pages 44 to 46. Details of changes to the Board in 2019 and year to date are disclosed on pages 48 and 49.

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 and at our AGM.

Induction

On appointment to the Board, all Directors receive a comprehensive induction that is tailored to the new Director's individual requirements. The induction schedule is designed to provide the new Director with an understanding of how the 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.

Following their appointment, Dawn Fitzpatrick, Mohamed A. El-Erian and Brian Gilvary are receiving such an induction. They have met or will meet with the Company Secretary, the current Non-Executive Directors, members of the ExCo and certain other senior executives, as part of that process.

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 as required. In 2019, Directors received ongoing training in relation to legal and regulatory developments in the form of regular briefings and the Board has enhanced this proposition with bi-annual training sessions intended to deepen and broaden the Board's understanding in some of the more complex and technical areas of the business. Each of these training events typically comprises four topics.

Audit, Risk and Internal Control

Accountability

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

The Company has an Audit Committee and a Risk Committee. The purposes and activities of the Audit and Risk Committees are contained within their respective reports on pages 52 and 66 respectively.

Internal and external audit functions

The Board together with the Audit Committee is responsible for ensuring the independence and effectiveness of the internal and external audit functions. For this reason, the Audit Committee members met regularly with the Group Chief Internal Auditor and external audit partner, without management present. The appointment and removal of the Group Chief Internal Auditor is a matter reserved to the Audit Committee and the appointment, and removal, of the external auditors, is a matter reserved to the Board. Neither task is delegated to management. This is explained in detail on pages 52 to 60 of the Audit Committee report.

Company's position and prospects

The Board, together with the Audit Committee, is responsible for ensuring the integrity of this Annual Report and that the financial statements as a whole present a fair, balanced and understandable assessment of the Group and the Company's performance, position and prospects. This is explained in detail on pages 52 to 58 of the Audit Committee report.

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 Group is committed to operating within a strong system of internal control. Barclays has an overarching framework that sets out the approach of the Group to internal governance, *The Barclays Guide*. This establishes the mechanisms, principles and processes through which management implements the strategy set by the Board.

Processes are in place for identifying, evaluating and managing the Principal Risks facing the Group in accordance with the 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting, published by the FRC. A key component of *The Barclays Guide* is the ERMF. The purpose of the ERMF is to identify and set minimum requirements in respect of the main risks to the strategic objectives of the 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 system of risk management and internal control is 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. 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 these assessments, where appropriate, are reported to the Audit Committee. You can read more about the work of the Audit Committee on pages 52 to 60.

The Audit Committee also reviews annually the risk management and internal control system, which includes the ERMF. It has concluded that, throughout the year ended 31 December 2019 and to date, the Group has operated a sound system of internal control that provides reasonable assurance of financial and operational controls and compliance with laws and regulations. For more details on that evaluation and its conclusions please see pages 52 to 60.

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

Regular reports are made to the Risk Committee and the Board covering significant risks, measurement methodologies and appropriate risk appetite for the Group. 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 and risk management sections on pages 125 to 203.

Controls over financial reporting

A framework of disclosure controls and procedures is in place to support the approval of the financial statements of the 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 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 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 under the supervision of the principal executive and financial officers, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements, in accordance with International Financial Reporting Standards (IFRS). 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 2019. 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 2019.

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 204 to 210.

Changes in internal control over financial reporting

There have been no changes that occurred during the period covered by this report, which have materially affected or are reasonably likely to materially affect the Group's internal control over financial reporting.

Remuneration

The Company has a Remuneration Committee, the purpose and activities of which are described in the Remuneration Committee reports on pages 85 to 123.

The Board has delegated responsibility for the consideration and approval of the remuneration arrangements of the Chairman, the Executive Directors, other senior executives and certain Group employees to the Remuneration Committee. The Remuneration Committee, when considering the remuneration policies and practices, seek to ensure that they support the Company's strategy and promote the long-term success of the business and that they are aligned to the successful delivery of the Group's strategy. All executive and senior management remuneration policies are developed in accordance with the Group's formal and transparent procedures (ensuring that no Director is involved in deciding his/her own remuneration outcome) and having regard to workforce remuneration and related policies and the alignment of incentives and rewards with culture. All Remuneration Committee members demonstrate independent judgement and discretion when determining and approving remuneration outcomes. 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 2019 can be found in the Remuneration Report on pages 85 to 123.

Other statutory information

The Directors present their report together with the audited accounts for the year ended 31 December 2019.

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

	Page
Remuneration policy, including details of the remuneration of each Director and Directors' interests in shares	92
Corporate governance report	43
Risk review	125

Disclosures required pursuant to Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as updated by Companies (Miscellaneous Reporting) Regulations 2018 can be found on the following pages:

	Page
Engagement with employees (Sch. 7, para 11 and 11A 2008/2018 Regs.)	28-31
Policy concerning the employment of disabled persons (Sch. 7, para 10 2008 Regs)	31
Engagement with suppliers, customers and others in a business relationship (Sch. 7, para 11B 2008/2018 Regs)	14-15 and 32-34
Financial instruments (Sch. 7, para 6 2008 Regs)	269
Hedge accounting policy (Sch. 7, para 6 2008 Regs)	273

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

	Page
Long-term incentive schemes	95
Waiver of Director emoluments	123
Allotment for cash of equity securities	309
Waiver of dividends	80

Section 414A of the Companies Act 2006 requires the Directors to present a Strategic Report in the Annual Report. The information can be found on pages 1 to 43.

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

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

The particulars of important events affecting the Group since the financial year-end can be found in the Strategic Report and Note 26, Legal, competition and regulatory matters.

Profit and dividends

Statutory profit after tax for 2019 was £3,354m (2018: £2,583m). The 2019 full year dividend of 6.0p per share will be paid on 3 April 2020 to shareholders whose names are on the Register of Members at the close of business on 28 February 2020. With the 2019 half year dividend totalling 3.0p per ordinary share, paid in September 2019, the total distribution for 2019 is 9.0p (2018: 6.5p) per ordinary share. The half year and full year dividends for 2019 amounted to £1,201m (2018: £768m).

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

The nominee company of certain Barclays' employee benefit trusts holding shares in Barclays in connection with the operation of the Group'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 2019 was £1.58m (2018: £0.85m).

The Company understands the importance of delivering attractive cash returns to shareholders. The Company is therefore committed to maintaining an appropriate balance between total cash returns to shareholders, investment in the business, and maintaining a strong capital position. Going forward, the Company intends to pay a progressive ordinary dividend taking into account these objectives, and the earnings outlook of the Group. It is also the Board's intention to supplement the ordinary dividends with additional cash returns, including share buy-backs, 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 44 to 46 and are incorporated into this report by reference. Changes to Directors during 2019 are set out below.

Name	*Role*	*Effective date of appointment/ resignation*
Nigel Higgins	Non-Executive Director & Chairman	Appointed 1 March 2019
John McFarlane	Chairman	Resigned 2 May 2019
Sir Gerry Grimstone	Non-Executive Director	Resigned 28 February 2019
Reuben Jeffery	Non-Executive Director	Resigned 2 May 2019
Dambisa Moyo	Non-Executive Director	Resigned 2 May 2019
Mike Turner	Non-Executive Director	Resigned 2 May 2019
Dawn Fitzpatrick	Non-Executive Director	Appointed 25 September 2019

Appointment and retirement of Directors

The appointment and retirement of Directors is governed by the Company's Articles of Association, 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. Consistent with the recommendation in the Code, all Directors will stand for election or re-election at the 2020 AGM.

Directors' indemnities

Qualifying third party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force during the course of the financial year ended 31 December 2019 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 Group 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 2019 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 that company's activities as Trustee of the Barclays Bank UK Retirement Fund.

Similarly, qualifying pension scheme indemnities were in force during 2019 for the benefit of directors of 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 that company's activities as Trustee of the schemes above.

Political donations

The 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 2019 totalled $46,000 (2018: $140,000).

Country-by-Country reporting

The Capital Requirements (Country-by-Country reporting) Regulations 2013 require the Company to publish additional information in respect of the year ended 31 December 2019. This information is available on the Barclays website: **home.barclays/annualreport**.

Environment

Banks have a direct environmental and social impact through their operational footprint, as well as indirectly in the way that they mobilise capital, advise clients and develop products. Our aim is to help facilitate the transition to less carbon intensive sources of energy, while supporting economic development and growth in society by helping to ensure the world's energy needs are met responsibly.

Barclays invests in improving the energy efficiency of our operational footprint and offsets the emissions remaining through the purchase of carbon credits. In 2019, we set an 80% reduction target from our combined scope 1&2 emissions aligned to Science Based Target methodology by 2025, and committed to procure 100% renewable electricity for all operational needs by 2030 with an interim goal of 90% by 2025. At the end of 2019 we have achieved a 53% emissions reduction and are currently procuring 60% of our electricity through renewable means. We also have a long-standing commitment to managing the environmental and social risks associated with our lending practices, which is embedded into our 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 will provide additional 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 Strategic report as set out on page 35 and in Barclays ESG Report which will be available on our website at **home.barclays/annualreport** in March 2020.

Other statutory information

	Current Reporting Year[a] 2019		Previous Reporting Year 2018	
	UK & Offshore	Global Green House Gas Emissions	UK & Offshore	Global Green House Gas Emissions
Global Green House Gas (GHG) Emissions[b]				
Total CO_2e (tonnes)	**146,873**	**278,156**	164,197	298,227
Scope 1 CO_2e emissions (tonnes)[c]	**17,760**	**24,276**	17,576	25,868
Scope 2 CO_2e emissions (tonnes)[d]	**99,276**	**185,743**	116,409	203,126
Scope 3 CO_2e emissions (tonnes)[e]	**29,837**	**68,137**	30,212	69,233
Intensity Ratio				
Total Full Time Employees (FTE)	**47,800**	**80,800**	49,000	83,500
Total CO_2e per FTE (tonnes)[f]	**3.07**	**3.44**	3.35	3.57
Market-based emissions				
Scope 2 CO_2e market-based emissions (tonnes)[d]	**7,464**	**110,071**	142,107	260,731
Total gross Scope 1 & 2 (market-based) emissions (tonnes)	**25,224**	**134,347**	159,683	286,599
Energy consumption used to calculate above emissions (kWh)[g]	**439,840,511**	**686,138,107**	449,546,050	698,527,190

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. Details of our approach to assurance over the data will be included in the 2019 Barclays ESG report due be released in March 2020.

b The methodology used to calculate our GHG is the Greenhouse Gas Protocol. 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 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 emission factors, improvements in data quality and updates to estimates previously applied. For 2019 we have applied the latest emission factors available at the time of reporting. Where our performance has changed by more than 1% we have restated the balances and baseline. 2018 emissions have been updated to reflect additional consumption data which was not available at the time of reporting. The previously reported figure was 292,151 tCO_2e.

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, India and Europe.

d Scope 2 covers emissions from electricity and steam purchased for own use. Market-based emissions have been reported for 2018 and 2019. We have used a zero emission factor where we have renewable contracts already in place in the UK, US and Continental Europe.

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.

g Energy consumption data is captured through utility billing; meter reads or estimates. In 2019, we have reduced our energy consumption by 1.8% versus 2018. We continue to work on improving the operational efficiency of our property portfolio and in 2019 conducted a number of projects globally which have achieved a total energy reduction of 2GWH's since implementation, enough energy to boil 13 million kettles. In 2019 we have conducted a number of LED installations across our sites in the USA, India and in the UK, saving 490 MWh. We also saved 180 MWh of electricity globally through our switch off campaign as part of Earth Hour 2019. Across a number of our large buildings we have conducted improvements to the building management systems to ensure efficient plant run times and aligning heating and air conditioning to the occupancy of our buildings, saving 1,300 MWh. Globally, we have conducted end of life asset replacement installing more energy efficient plants in our buildings and achieving a 200MWh saving. Finally, we have continued with Server Decommissioning in the UK and completed cold aisle containment as well as LED lighting retrofits at our Cranford data centre in the USA saving circa 260MWh.

Research and development

In the ordinary course of business, the 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 Articles also allow for the issuance of sterling, US dollar, euro and yen preference shares (preference shares). No preference shares have been issued as at 11 February 2020 (the latest practicable date for inclusion in this report). Ordinary shares therefore represent 100% of the total issued share capital as at 31 December 2019 and as at 11 February 2020 (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 28 on page 309.

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 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 (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, and in priority to the holders of the ordinary shares and any other lower ranking shares in the Company, and pari passu with any other class of preference shares of similar ranking, 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 or (subject to the effect of any economic sanctions that may be in force from time to time) by current UK laws which relate only to non-residents of the UK and which limit the rights of such non-residents to hold or (when entitled to do so) vote the ordinary shares.

Exercisability of rights under an employee share scheme

Employee Benefit Trusts (EBTs) operate in connection with certain of the 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 2019, the Company had been notified under Rule 5 of the Disclosure Guidance and Transparency Rules of the following holdings of voting rights in its shares.

Person interested	Number of Barclays Shares	% of total voting rights attaching to issued share capital[a]	Nature of holding (direct or indirect)
BlackRock Inc[b]	1,039,595,156	6.02	indirect
Qatar Holding LLC[c]	1,017,455,690	5.87	direct
Sherborne Investors[d]	943,949,089	5.48	indirect
The Capital Group Companies Inc[e]	855,511,385	4.96	indirect

Notes

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

b Total shown includes 6,950,721 contracts for difference to which voting rights are attached. Part of the holding is held as American Depositary Receipts. On 4 February 2020, BlackRock Inc. disclosed by way of a Schedule 13G filed with the Securities Exchange Commission beneficial ownership of 1,149,011,610 ordinary shares of the company, representing 6.6% of that class of shares.

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

d 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 of each of the three funds beneficially interested in the Sherborne shares being Whistle Investors LLC, Whistle Investors II LLC and Whistle Investors III LLC. Amendment No.2 to a Schedule 13D filing, filed on 7 November 2019, also disclosed that certain funded derivative transactions, which were used to purchase 505,086,254 of such shares, have been extended to expire on various dates during the period beginning 14 December 2021 (previously 21 October 2019) and ending 22 July 2022 (previously 16 March 2021).

e The Capital Group Companies Inc (CG) holds its shares via CG Management companies. Part of the CG holding is held as American Depositary Receipts.

Other statutory information

Between 31 December 2019 and 11 February 2020 (the latest practicable date for inclusion in this report), the Company was notified that Capital Group Companies Inc, now holds 863,929,297 Barclays shares, representing 4.99% of the total voting right attached to the shares and that Norges Bank now holds 525,031,736 Barclays shares, representing 3.03% of the total voting rights attached to the shares.

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 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 2019 AGM. It will be proposed at the 2020 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 2019 (2018: none). As at 11 February 2020 (the latest practicable date for inclusion in this report) the Company had an unexpired authority to repurchase ordinary shares up to a maximum of 1,714m ordinary shares.

Distributable reserves

As at 31 December 2019, the distributable reserves of Barclays PLC were £22,457m.

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.

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 Auditors' report set out on page 232 to 240, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the auditors in relation to the accounts.

Going concern

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

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

In preparing each of the Group and Company financial statements, the Directors are required to:

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

Preparation of 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 Group and the Company and of their profit or loss for that period.

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

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 Group and the 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 Group keep accounting records which disclose with reasonable accuracy the financial position of the Company and the Group and which enable them to ensure that the accounts comply with the Companies Act 2006.

The Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement in accordance with applicable law and regulations.

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

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

The Directors, whose names and functions are set out on pages 44 to 46, confirm to the best of their knowledge that:

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

(b) the management report, on pages 6 to 42, which is incorporated in the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Stephen Shapiro
Company Secretary

12 February 2020

Registered in England.
Company No. 48839

Annual statement from the Chairman of the Board Remuneration Committee

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Remuneration Committee members

Chairman	*Meetings attended/ eligible to attend*
Crawford Gillies	5/5
Members	
Tim Breedon	5/5
Mary Francis	5/5
Dambisa Moyo (1 January 2019 – 2 May 2019)	2/2

Dear Fellow Shareholders

I am pleased to present the Directors' Remuneration Report for 2019. The Committee has had many important matters to consider during the year. Barclays' Fair Pay agenda continues to play an important role in guiding the Committee in its decision-making, and we are proud to publish our second Fair Pay Report. We are also publishing a separate Pay Gaps Report, so that our pay gaps are explained as clearly as possible.

As part of this report we are introducing our new Directors' remuneration policy (DRP) for shareholders to consider as part of voting at the 2020 Annual General Meeting (AGM) in May. The current DRP was approved by shareholders in 2017. A summary of the changes proposed is included in this statement, and the full policy is detailed on pages 93 to 103 of this report.

We also met with multiple shareholders following the voting outcome on the Directors' Remuneration Report (Resolution 2) at the 2019 AGM. The engagement was constructive, and helped to clarify the reasons for the outcome of the vote. Following the engagement, we published a statement setting out our response to the voting outcome. The statement is set out on page 121.

Our stakeholders

One of the key principles of our remuneration philosophy is that stakeholder views are considered when we design remuneration policies and determine pay outcomes. In practice, this means listening to and engaging with our stakeholders, including our shareholders, employees and regulators, as well as considering broader societal factors.

Our Fair Pay agenda helps us to engage with different stakeholders on pay. Key highlights for 2019 include the agreement of a new one-year pay deal with Unite, with an above inflation budget of 2.75%, and with higher increases for the most junior entry grades. We have also started to expand globally our UK living wage commitment by working with the Fair Wage Network. Separately, the Committee has focused on reviewing wider workforce policies as well as their pay outcomes in more detail. We have a strong partnership with Unite in the UK, and actively engage with Works Councils in other locations.

We discussed our new plans for the DRP with major shareholders. The discussions were informative and productive, and we thank our shareholders for their willingness to engage. The main change, aligned with our Fair Pay agenda, is a reduction in pension allowance for the Executive Directors. This voluntary change by the Executive Directors is set out in more detail on page 88.

While we have considered alternative variable pay structures for the Executive Directors, we cannot see a superior acceptable approach and so have decided to retain the existing structure. We will keep this under review as market practice develops.

Fair Pay and Pay Gaps Reports

We have continued to evolve our Fair Pay agenda during 2019, and are pleased to publish our second Fair Pay Report, reporting our progress against our five themes.

This year we have also published a Pay Gaps Report, including both our Gender Pay Gap results and our Ethnicity Pay Gap disclosure, which we are making for the second year on a voluntary basis.

Annual statement: Summary of 2019 pay outcomes

Group profit before tax (excluding L&C)

2018: £5,701m

Group ROTE (excluding L&C)

2018: 8.5%

Cost: income ratio (excluding L&C)

2018: 66%

CET1 ratio

2018: 13.2%

Group compensation to income ratio[a]

2018: 34.1%

Group incentive pool

2018: £1,649m

Note

a 2018 Group compensation to income ratio excludes £140m relating to a GMP charge within post-retirement benefits.

Performance and pay

Rewarding sustainable performance is a crucial aspect of our remuneration philosophy and so the Committee spent considerable time understanding performance. While it was another challenging year with global macroeconomic and political uncertainties at play, profit before tax excluding litigation and conduct (PBT) is up 9% from 2018. Group return on tangible equity excluding litigation and conduct (RoTE) is 9.0%, in line with our target for 2019, and costs are also in line with our 2019 guidance of less than £13.6bn. Our capital position is strong, with a CET1 ratio of 13.8%. The Committee recognises that significant progress on financial performance has now been achieved over a sustained period.

Non-financial performance has also been strong. Customer and client outcomes are positive, with improvements in Net Promoter Score® (NPS) for Barclays UK and Barclaycard, and an increase in the take-up of mobile banking. Complaints in Barclays UK are down 8% from 2018, though we recognise we need to go further and faster. Our employee engagement survey score is down slightly on 2018, driven by various factors including the tools and resources available to employees. This is already an area of management focus and investment for the Group. Considering our broader impact on society, global carbon emissions are down by 53%, and we have helped over 2 million people improve their employability skills through LifeSkills.

Over the years, we have considered the appropriate balance between returns to shareholders and rewarding employees. This year, the Committee has approved an incentive pool of £1,490m, down 10% from 2018. After much deliberation, we feel that this outcome strikes the right balance between our shareholders and our employees, enabling us to further improve returns to our shareholders while also maintaining a competitive pay opportunity for our wider workforce.

Executive Director remuneration outcomes

The annual incentive outcomes for Jes Staley and Tushar Morzaria are assessed with reference to a set framework against pre-determined financial, strategic and personal measures and objectives. For 2019, performance against the financial objectives (representing 60% of the overall measures) has been very strong, with targets exceeded. Strategic and personal performance has also been strong – full details of this assessment are set out on pages 104 to 109.

Using the framework, the annual bonus outcomes for Jes Staley and Tushar Morzaria were 83.3% and 84.3% of maximum respectively. The Committee considered these outcomes in the context of pay outcomes for the wider workforce for 2019.

As part of its deliberations, the Committee noted that the outcomes for the Executive Directors were increasing at a time when the overall incentive pool was decreasing. While recognising that this is not an unusual outcome given the structured formulaic approach applied to Executive Directors' incentives (e.g. in 2018, Executive Directors' outcomes were down slightly, while the overall incentive pool was up), the Committee determined that for 2019 it would be appropriate to apply a discretionary reduction to the formulaic Executive Directors' outcome in line with the broader pool reduction. Applying the 10% discretionary reduction results in a bonus outcome of 75.0% for Jes Staley and 75.9% for Tushar Morzaria.

Separately, the Committee decided to make an award under the 2020-2022 Long Term Incentive Plan (LTIP) cycle to both Executive Directors with a face value at grant of 120% of Total fixed pay, reflective of the strong 2019 performance.

The outcome of the 2017-2019 LTIP, which is due to vest in June 2020, is set out on pages 109 to 111.

Looking ahead

We will continue to focus on our Fair Pay agenda during 2020, including reviewing living wages for locations outside of the UK, US and India. We will also look to further our work on pay simplification, and will continue to engage with our shareholders and other stakeholders on pay.

Crawford Gillies
Chairman,
Board Remuneration Committee

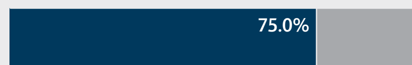
February 2020

Annual bonus

Jes Staley

£1,647k

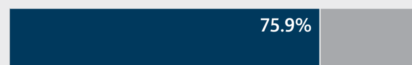
75.0% of maximum



Tushar Morzaria

£1,123k

75.9% of maximum

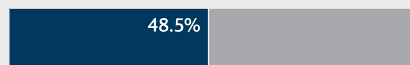


2017-2019 Long Term Incentive Plan (LTIP)

Jes Staley

£1,478k

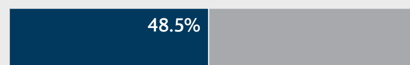
48.5% of maximum



Tushar Morzaria

£942k

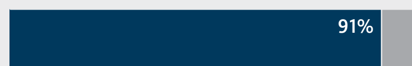
48.5% of maximum



Annual bonus performance measures (% weighting)

Financial (60%)

Profit before tax excluding L&C and material items (50%)[a]

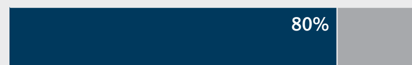


Cost: income ratio excluding L&C and material items (10%)[a]

Strategic non-financial (20%)

Personal objectives (20%)

Jes Staley



Tushar Morzaria

Notes

The Committee applied a discretionary reduction of 10% (in line with the broader pool reduction) to the formulaic outcome outlined above, which resulted in an overall outcome of 75.0% for Jes Staley and 75.9% for Tushar Morzaria.

a No material items.

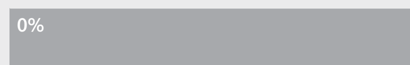
LTIP performance measures (% weighting)

Financial (70%)

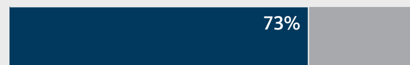
RoTE excluding material items (25%)

CET1 ratio (25%)

Cost: income ratio excluding material items (20%)



Risk Scorecard (15%)

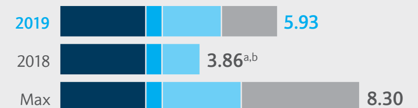


Strategic non-financial (15%)

Executive Directors: remuneration outcomes

Jes Staley

£m



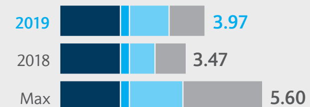
Fixed Pay
Pension and benefits
Annual bonus
LTIP

a Jes Staley was not a participant in the 2016-2018 LTIP cycle; the LTIP figure for 2018 is therefore zero for him.

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

Tushar Morzaria

£m



Fixed Pay
Pension and benefits
Annual bonus
LTIP

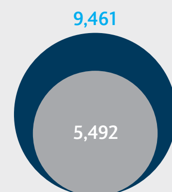
Executive Directors: share ownership

Actual
Requirement

Jes Staley

Date of appointment: 1 December 2015

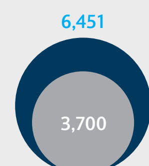
£000



Tushar Morzaria

Date of appointment: 15 October 2013

£000



Annual statement: Key changes to the DRP

Directors' remuneration policy

Barclays' policy on remuneration for the Directors was last reviewed in 2016, and approved by 97.91% of the shareholder vote at the May 2017 AGM.

Overall, the current DRP has served its purpose, enabling the Committee to deploy remuneration in a manner consistent with our philosophy, while recognising that the Committee is unable to change some aspects of the policy (e.g. because of regulatory requirements).

The review of the DRP by the Committee has provided an opportunity to consider the policy against the Fair Pay agenda and the most recent guidance from shareholders and proxy agencies.

Following engagement with major shareholders, the Investment Association, ISS and Glass Lewis, the key changes proposed are set out below.

Please see **page 93** for the full Directors' remuneration policy.

What are the key changes to the DRP?

	Key changes
Fixed Pay	In line with the approach outlined at the start of the last DRP, the Committee has reviewed its approach to Fixed Pay for the Executive Directors. Consequently, having taken into account a number of factors, the following Fixed Pay increases are proposed: CEO: An increase of 2.1%, resulting in proposed Fixed Pay of £2,400,000. Jes Staley joined Barclays in December 2015, and this is the first Fixed Pay increase proposed since that time. His increase is below the average increase for UK employees, for the 2019/20 annual pay review. Group Finance Director (GFD): An increase of 4.5%, resulting in proposed Fixed Pay of £1,725,000. Since the last DRP, Tushar Morzaria has taken on additional responsibilities as a result of our new legal entity structure. He oversees additional complexities associated with capital management and financial reporting post ring-fencing and the establishment of the US Intermediate Holding Company. In addition, he has taken accountability for Group Strategy. This is the first increase for Tushar Morzaria proposed since the last DRP was approved in 2017. We will continue to deliver Fixed Pay 50% in cash and 50% in shares (delivered quarterly and subject to a holding period with restrictions lifting over a period of five years). Going forward, it is intended that Fixed Pay for the Executive Directors is reviewed annually, to align with the employee review cycle, and enhance transparency. Wider workforce context The average annual increase for Fixed Pay for UK employees is 2.7%, with differentiation within that based on a number of factors. We agreed a one-year pay deal with Unite, covering c.45,000 UK employees at junior and middle management levels with a Fixed Pay increase budget of 2.75%. Over the term of the prior DRP, the average cumulative increase provided to the UK wider workforce was 10%.
Pension	In our new policy, our Executive Directors have volunteered to reduce their contractual pension allowance to 5% of Fixed Pay (equivalent to 10% of Fixed cash) – a decrease of £276,000 for the CEO and a decrease of £113,750 for the GFD. Wider workforce context For comparison, we operate two pension plans in the UK: Afterwork, a contributory legacy cash balance defined benefit plan (effective employer contribution cost of 21.2% of salary), and the Barclays Pension Savings Plan, a defined contribution plan for new joiners (current employer contribution rate of 10% of salary). The Committee also reviewed the pension arrangements for the wider workforce. The outcome of this review was to change the employer contribution rate from 10% to 12% for our most junior employees (c.17,500 employees). This will be implemented during 2020. In addition, the following actions have already been taken to further improve pensionable pay. ▪ We have rolled all fixed and permanent allowances into pensionable pay. ▪ In BUK, we have transferred a material portion of bonus opportunity into salary for customer-facing staff (c.19,500 employees), further increasing pensionable pay. Our policy on pension for any new Executive Director will also be changed to align with the revised approach for existing Executive Directors.

What are the key changes to the DRP? continued

Key changes

Variable pay

Going forward we will express the variable pay opportunity as a proportion of Fixed Pay, excluding pension.

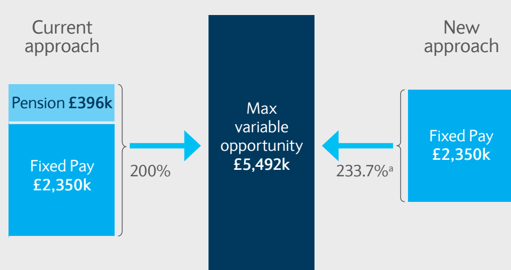
This presentational change is required as variable pay opportunity is currently presented as a multiple of Total fixed pay (i.e. Fixed Pay and pension). This approach was initially adopted to clearly demonstrate compliance with the regulatory 2:1 regime (which classifies pension as fixed remuneration for 2:1 purposes). Without making this change, there would be an unintended reduction in the maximum variable pay opportunity for the Executive Directors.

This new way of expressing the variable pay opportunity does not affect regulatory compliance.

The maximum variable pay opportunity will therefore be 233% of Fixed Pay for the CEO and 224% for the GFD. The apportionment between annual bonus and LTIP (currently 40:60) will be maintained, resulting in a maximum annual bonus opportunity of 93% for the CEO and 90% for the GFD and a maximum LTIP opportunity of 140% and 134% respectively.

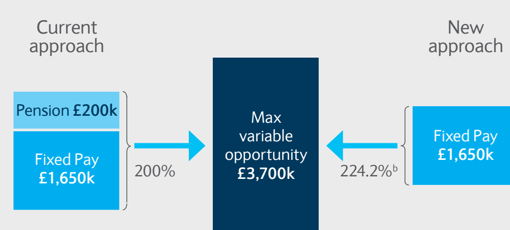
The diagrams below illustrate the maintenance of the variable pay opportunity based on the current level of Fixed Pay.

Jes Staley



Note
a Rounded down to 233% for the purposes of the DRP.

Tushar Morzaria



Note
b Rounded down to 224% for the purposes of the DRP.

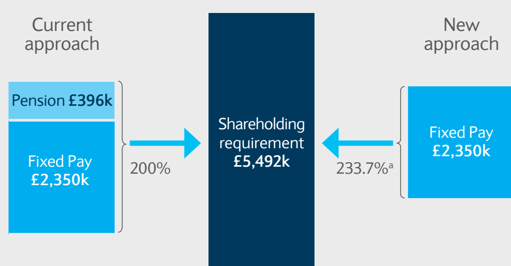
Shareholding requirements

In line with best practice guidance, post-termination shareholding requirements will be increased to align with requirements during employment. Unvested shares (net of tax) may contribute to meeting this post-termination requirement provided that there are no outstanding performance conditions.

Shareholding requirements during employment remain unchanged, although going forward we will express them as a proportion of Fixed Pay only, in line with our approach to variable pay. This also ensures that our shareholding requirements are not reduced because of the change to pension allowance.

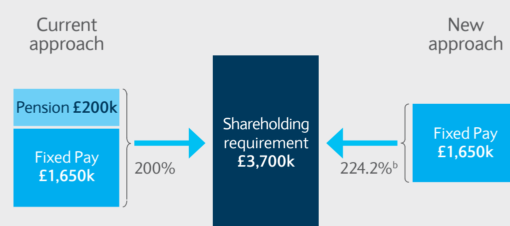
The requirement during employment will therefore be: 233% of Fixed Pay for the CEO and 224% of Fixed Pay for the GFD.

Jes Staley



Note
a Rounded down to 233% for the purposes of the DRP.

Tushar Morzaria



Note
b Rounded down to 224% for the purposes of the DRP.

Summary

Overall, under the new policy, the net outcome across Fixed Pay and pension is a reduction of £226,000 for the CEO and £38,750 for the GFD. Maximum total compensation is down 2% for the CEO and up 2% for the GFD.

Group-wide remuneration philosophy

Remuneration philosophy

While 'fairness' has been a consideration and focus when making pay decisions at Barclays for many years, we reported on our approach to pay fairness for the first time in 2018, when we published our Fair Pay agenda as part of the 2017 Annual Report. Given the importance of our Fair Pay agenda, we have now formally included 'fairness' in our remuneration philosophy. Similarly, we have incorporated our long-held view with regard to the need to consider the perspectives of all of our stakeholders, not just investors.

To attract and retain the people who can best deliver for our customers and clients, we must pay fairly and appropriately – balancing the interests of all our stakeholders. Our policies and practices reward sustainable performance in line with our values and risk expectations. They are fair, transparent and as simple as possible.

This is our remuneration philosophy. It's how we have continued to make remuneration decisions and set remuneration policies during 2019, and it applies to all of our employees globally, as well as our Executive Directors.

Barclays' remuneration philosophy

Attract and retain talent needed to deliver Barclays' strategy	Long-term success depends on the talent of our employees. This means attracting and retaining an appropriate range of talent to deliver against our strategy, and paying the right amount for that talent
Align pay with investor and other stakeholder interests	Remuneration should be designed with appropriate consideration of the views, rights and interests of stakeholders. This means listening to our shareholders, other investors, regulators, government, customers and employees and ensuring their views are appropriately considered in remuneration decision-making
Reward sustainable performance	Sustainable performance means making a positive contribution to stakeholders, in both the short and longer term, playing a valuable role in society
Support Barclays' values and culture	Results must be achieved in a manner consistent with our values. Our values and culture should drive the way that business is conducted
Align with risk appetite, risk exposure and conduct expectations	Designed to reward employees for achieving results in line with the Bank's risk appetite and conduct expectations
Be fair, transparent and as simple as possible	We are committed to ensuring pay is fair, simple and transparent for all our stakeholders. This means all employees and stakeholders should understand how we reward our employees and fairness should be a lens through which we make remuneration decisions

Review of wider workforce policies, practices and pay outcomes

During 2019, the Committee formalised its approach to ensuring consideration of wider workforce interests in remuneration, reviewing both remuneration policies, practices and pay outcomes for the wider workforce.

Wider workforce remuneration policies were reviewed against the following criteria:

- the remuneration philosophy
- Barclays' Fair Pay agenda
- Barclays' purpose, values, conduct expectations and supporting long-term success
- Executive Director and senior management remuneration policies.

The policies were found to be well-aligned with the criteria. The remuneration philosophy principles are reflected in the policies, while the themes of our Fair Pay agenda are embedded in our practices. Barclays' purpose, values, conduct expectations and long-term success are supported by our approach to performance management and remuneration. Remuneration is also adjusted to take account of risk and conduct matters.

Wider workforce policies are also well aligned with those for the Executive Directors and senior management, including the setting of Fixed Pay using market benchmarks and the determination and delivery of annual discretionary incentives. Where differences occur, they are based on policies that reflect senior management's ability to influence overall business outcomes (e.g. greater portion of pay delivered through variable pay) and align senior colleagues more closely with shareholders such as the delivery of some Fixed Pay in shares, delivery of a high proportion of incentives in shares and the use of LTIP for the Executive Directors.

As outlined earlier, the Executive Directors have voluntarily decided to reduce their contractual pension allowance to 5% of Fixed Pay (equivalent to 10% of Fixed cash).

The Committee took both top-down and bottom-up approaches to the review of pensions, agreeing to reduce the pension allowance for Executive Directors, and also reviewing the offering for the wider workforce. As a result, we are enhancing the employer pension contribution for c.17,500 UK employees, increasing from 10% to 12%, as outlined on page 88.

The Committee also reviewed the 2019 remuneration outcomes for the wider workforce, in particular in comparison with senior management outcomes. The Committee satisfied itself that there was appropriate alignment. The Committee Chairman provides updates to the Board on these matters following each meeting.

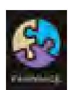
Be fair, transparent and as simple as possible

Paying fairly and transparently is a key priority at Barclays and updating the Remuneration Philosophy to formalise the link to the Fair Pay agenda indicates our ongoing commitment to this. The Fair Pay agenda brings together the five themes which explain how we think about fair pay at Barclays.

Last year we published our first standalone Fair Pay Report, which set out both our achievements and future priorities. In this year's report, we provide an update on our progress, and details of our next priorities. We use our Fair Pay Report to engage our employees on pay, explaining our approach to fair pay, including the alignment of the Executive Directors' and employee pay.

The infographic below highlights our 2019 achievements. We encourage you to read the full Fair Pay Report and a separate Pay Gaps Report, setting out our mandatory UK Gender Pay Gap disclosure and voluntary Ethnicity Pay Gap disclosure, which can both be found on **home.barclays/annualreport**.

Fair pay for the lowest paid



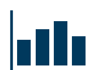
We worked with the Fair Wage Network to start to implement living wage benchmarks globally.

In 2020, the employer pension contribution will increase to 12% for c. 17,500 employees.

c21k We simplified our pay structures for c.21,000 employees in the UK, reclassifying allowances as salary and increasing pensionable pay.

24/7 We have made plans to provide 24/7 access to a GP via a video or telephone appointment for all UK employees, starting later in 2020.

Equal opportunities to progress



We have invested in data analytics capabilities to allow leaders to track female representation in their business, in particular, the rates of hiring, promotion and retention.

A dedicated Pay Gaps Report covers our Gender Pay Gap and voluntary Ethnicity Pay Gap disclosure.

Parental leave and carers' policies externally disclosed for the first time.

25% Our senior leadership is now 25% female, up 1% from 2018, moving us closer to our target of 28% by the end of 2021.

Listening to employees

- We agreed a new pay deal with Unite, with a one-year budget increase of 2.75%, well in excess of inflation.
- We implemented the new Reward strategy in Barclays UK, which was designed with employee feedback in mind.
- We will check that our approach to Fair Pay is clear and understandable to employees, through our regular sentiment tracking and well-established engagement plans.

"Unite is committed to fair pay and works in partnership with Barclays to negotiate and improve pay, shape policies and push for greater equality."

DOMINIC HOOK, UNITE NATIONAL OFFICER

Alignment of employee and executive remuneration

Our pay policies are strongly aligned across the wider workforce, senior employees and Executive Directors.

The Directors' Remuneration Policy has been refreshed taking account of wider workforce policies.

Equal Pay

We are explicit that pay decisions must not take into account gender, age, ethnicity, disability, sexual orientation or any other protected characteristic.

All grievances raised by employees, including any issues related to pay, are investigated.

Remuneration policy for all employees

As outlined on page 90, Barclays has a clearly articulated remuneration philosophy. This continues to drive our thinking in how we structure and determine remuneration for all employees from the most senior (e.g. our Executive Directors) to our new apprentices and graduates. This year we reviewed our remuneration policies and practices for alignment with the Directors' remuneration policy and approaches for senior management, the long-term success of Barclays and the Fair Pay agenda.

We continue to ensure that we comply with all prevailing regulation. We identify individuals who may expose Barclays to material risk, and pay them in a way which encourages alignment of their interests and Barclays. Further information in relation to Material Risk Takers (MRTs) is set out in Appendix E of the Barclays PLC Pillar 3 Report.

The table below provides a summary of the remuneration approach for employees below the Board, alongside changes made during 2019.

	Remuneration features	*Changes in 2019*
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. We have been a real living wage employer in the UK since 2013.	Across the UK, the roll-in of permanent allowances to salary has increased the pensionable salary for c.21,000 UK employees. We have introduced a minimum wage of $15 per hour in the US, and have engaged the Fair Wage Network to further expand our living wage coverage to India, covering 93% of our population globally with 'living wage' initiatives. For c.19,500 customer-facing staff in Barclays UK, we have rebalanced pay (more Fixed, less variable) meaning the amount delivered as pensionable salary has been further increased.
Role Based Pay (RBP)	A small number of senior employees (c.1% UK employees) receive a class of Fixed Pay called RBP to recognise the seniority, scale and complexity of their role. This may change where justified by role or responsibility change or a change in the appropriate market rate.	No change.
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, health care, life assurance and Barclays' share plans as well as other voluntary employee funded benefits. The cost of providing these benefits is defined and controlled.	The employer pension contribution is set to increase from 10% to 12% for c.17,500 UK junior employees, remaining at 10% for more senior employees.
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. All employees are considered, subject to eligibility criteria. For senior employees, an appropriate proportion of their incentive amount is deferred to future years. Deferred bonuses are generally delivered in equal portions as deferred cash and shares. They are subject to either a three, five or seven-year deferral period (and further holding periods of six or 12 months for deferrals in shares) in line with regulatory requirements. Consistent with regulation, the remuneration of MRTs is subject to the 2:1 maximum ratio of variable to fixed remuneration.	A new reward strategy for Barclays UK has aligned a portion of incentives for all front-office Barclays UK employees, measuring success against the same customer-focused metric for all.
Share plans	We encourage wider employee share ownership through the all-employee share plans.	99% (2018: 98%) of the global employee population is eligible to participate.
Performance management	Performance assessment is based on 'what' is achieved in relation to individual, team and business objectives, as well as 'how' this is achieved in the context of Barclays' values. Both elements are assessed independently of each other with no requirement to have an overall rating. This reinforces the equal importance of the 'what' and 'how'.	No change.
Risk and conduct	Risk and conduct events are taken seriously at Barclays and the Committee ensures that there are in-year adjustments, malus or clawback applied to individual remuneration, where appropriate. In addition to individual adjustments, the Committee considers collective adjustment to the incentive pool for risk and conduct.	For 2019, the impact of collective adjustments is a reduction of c.£160m.

More information on our approach to Performance Management, and Risk and Conduct are set out in Appendix E of the Barclays PLC 2019 Pillar 3 Report, which can be found on home.barclays/annualreport.

Directors' remuneration policy

This section sets out the proposed new Barclays' forward-looking remuneration policy for Directors, which has evolved from the existing policy and explains each element of remuneration and how it operates. The policy described in this section is intended to apply for three years beginning on the date of the 2020 AGM, subject to shareholder approval.

The existing policy can be found on pages 108 to 112 of the 2016 Annual Report or at **home.barclays/annualreport**

Remuneration policy – Executive Directors

Element and purpose	*Operation*	*Maximum value and performance measures*
Fixed Pay To reward skills and experience appropriate for the scale, complexity and responsibilities of the role and to provide the basis for a competitive remuneration package	Fixed Pay is determined based on the individual's role, skills and experience with reference to market practice and market data (on which the Committee receives independent advice). Executive Directors' total compensation is benchmarked against comparable roles in the following banks: Bank of America, BNP Paribas, Citigroup, Credit Suisse, Deutsche Bank, HSBC, JP Morgan Chase & Co, Lloyds, Morgan Stanley, Standard Chartered and UBS. The Committee may amend the list of comparator companies to ensure it remains relevant to Barclays or if circumstances make this necessary (for example, as a result of takeovers or mergers). 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. Risk and conduct adjustment, malus and clawback provisions do not apply to Fixed Pay.	Fixed Pay for Executive Directors is set within the benchmark range determined by the Committee taking into account their skills, experience and performance. The Fixed Pay is £2,400,000 for Jes Staley (Group Chief Executive) and £1,725,000 for Tushar Morzaria (Group Finance Director). Increases will normally be aligned to the annual increase for UK employees, and will take into account changes in responsibilities and market conditions. There are no performance measures.
Pension To enable Executive Directors to build long-term retirement savings	Executive Directors receive an annual cash allowance in lieu of participation in a pension arrangement. Risk and conduct adjustments, malus and clawback provisions do not apply to pension.	The maximum annual cash allowance is 5% of Fixed Pay (equivalent to 10% of fixed cash). There are no performance measures.
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, and use of a Company vehicle and driver when required for business purposes (including any tax liabilities that may arise from this benefit). Relocation: If an Executive Director were to relocate to perform their role, additional support would be provided for a defined and limited period of time in line with Barclays' general employee mobility policy including, but not restricted to, the provision of temporary accommodation, tax advice, home leave related costs, payment of removal costs and relocation flights for the Executive Director, spouse and children. Barclays will pay the Executive Director's tax on the relocation costs but will not tax equalise and will also not pay the tax on any other employment income.	The maximum value of benefits is determined by the nature of the benefit itself and costs of provision may depend on external factors, e.g. insurance costs.

Directors' remuneration policy

Element and purpose	Operation	Maximum value and performance measures
Annual bonus To reward delivery of short-term financial targets set each year, the individual performance of the Executive Directors in achieving those targets, and their contribution to delivering Barclays' strategic objectives Delivery in part in shares with holding period increases alignment with shareholders. Deferred bonuses encourage longer term focus and retention	**Determination of annual bonus** Individual bonuses are entirely discretionary and decisions are based on the Committee's judgement of Executive Directors' performance in the year, measured against Group and personal objectives. **Delivery structure** 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 (currently 60%). Deferred bonuses are granted by the Committee (or an authorised sub-committee) at its discretion, subject to the relevant plan rules as amended from time to time. The number of deferred bonus shares to be awarded will be based on a share price discounted by reference to an expected dividend yield over the vesting period, where dividend equivalents cannot be awarded due to regulations. In such circumstances, the Committee has discretion to reduce (not increase) the number of shares that vest if actual dividends paid over the period are materially lower than the original dividend assumption. A notional discount may be applied to the deferred bonus awards for the purposes of calculating the 2:1 cap to the extent this is permitted by regulations (currently a discount is permitted on up to 25% of variable pay where the conditions for applying such a discount are met). **Timing of receipt** 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 and with release no faster than permitted by regulations (currently one year). Deferred share bonuses are structured so that no deferred shares vest faster than permitted by regulations. Vesting is also subject to the provisions of the plan rules including employment and the malus and clawback provisions. Any shares that vest are subject to an additional holding period (after payment of tax) in line with regulations and with release no faster than permitted by regulations (currently one year). Risk and conduct adjustment, malus and clawback provisions apply to any bonus awards, as set out on page 96.	The maximum annual bonus opportunity is 93% of Fixed Pay (cash and shares) for the CEO and 90% of Fixed Pay (cash and shares) for the GFD. The Committee will consider the previously disclosed financial and non-financial (including risk-related measures and personal objectives) measures in determining the annual bonus for the Executive Directors. Financial factors will guide at least 60% of the bonus opportunity. Any bonus is discretionary and any amount may be awarded from zero to the maximum value. The Committee has the discretion to vary the measures and their respective weightings within each category. The measures and weightings will be disclosed annually as part of the annual report on Directors' remuneration, at the beginning of the performance year (typically February).

Element and purpose	*Operation*	*Maximum value and performance measures*
Long Term Incentive Plan (LTIP) award To incentivise execution of Barclays' strategy over a multi-year period Long-term performance measurement, deferral and holding periods encourage a long-term view and align Executive Directors' interests with those of shareholders Malus and clawback provisions discourage excessive risk-taking and inappropriate behaviours	**Determination of LTIP award** LTIP awards are made by the Committee following discussion of recommendations made by the Chairman (for the Group Chief Executive's LTIP award) and by the Group Chief Executive (for other Executive Directors' LTIP awards) based on satisfactory performance over the prior year. **Delivery structure** LTIP awards are granted subject to the plan rules and are satisfied in Barclays' shares (although they may be satisfied in other instruments as may be required by regulation). 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 (currently 60%). For each award, forward-looking performance measures are set at grant and there is no retesting allowed of those conditions. The Committee has, within the parameters set out across, the flexibility to vary the weighting of performance measures and calibration for each award prior to its grant. The Committee has discretion, and in line with the plan rules approved by shareholders, in exceptional circumstances to amend targets, measures, or the number of awards if an event happens (for example, a major transaction) that, in the opinion of the Committee, causes the original targets or measures to be no longer appropriate or such adjustment to be reasonable. The Committee also has the discretion to reduce the vesting of any award, including to nil, if it deems that the outcome is not consistent with performance delivered. The number of shares to be awarded will be based on a share price discounted by reference to an expected dividend yield over the vesting period, where dividend equivalents cannot be awarded due to regulations. In such circumstances, the Committee has discretion to reduce (not increase) the number of shares that vest if actual dividends paid over the period are materially lower than the original dividend assumption. A notional discount may be applied to LTIP awards for the purposes of calculating the 2:1 cap to the extent this is permitted by regulations (currently a discount is permitted on up to 25% of variable pay where the conditions for applying such a discount are met). **Timing of receipt** Barclays LTIP awards are structured so that no 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, with restrictions lifting no faster than permitted by regulations (currently one year). Malus and clawback provisions apply to LTIP awards, as set out on page 96.	The maximum annual LTIP award for the CEO is 140% of Fixed Pay (cash and shares) and 134% of Fixed Pay (cash and shares) for the GFD. Vesting is dependent on performance measures and service. Forward-looking performance measures will be based on financial performance and other long-term strategic measures. The Committee has discretion to change the weightings but financial measures will be at least 70% of the total opportunity. Measures and weightings will be set in advance of each grant. The threshold and maximum level of performance for each financial performance measure will be disclosed annually as part of the annual report on Directors' remuneration. Straight-line vesting applies between threshold and maximum for the financial measures with no more than 25% vesting at threshold performance.

Directors' remuneration policy

Element and purpose	Operation	Maximum value and performance measures
Risk and conduct adjustment, malus and clawback Malus and clawback provisions discourage excessive risk-taking and inappropriate behaviours	Any bonus or LTIP awarded is subject to malus and clawback provisions. The malus provisions enable the Committee to reduce the amount of unvested bonus or LTIP (including to nil) prior to vesting in specified circumstances, including, but not limited to: ▪ a participant deliberately misleading Barclays, the market and/or shareholders in relation to the financial performance of the Barclays Group ▪ a participant causing harm to Barclays' reputation or where his/her actions have amounted to misconduct, incompetence or negligence ▪ a material restatement of the financial statements of the Barclays Group or any subsidiary, or the Group or any business unit suffering a material downturn in its financial performance ▪ a material failure of risk management in the Barclays Group ▪ a significant deterioration in the financial health of the Barclays Group. The clawback provisions enable amounts to be recovered after they have vested (for a period of seven years from grant/10 years in circumstances where a relevant investigation is ongoing at the end of the initial seven-year period) where (i) a participant's actions or omissions have amounted to misbehaviour or material error and/or (ii) Barclays or the relevant business unit has suffered a material failure of risk management.	
All-employee share plans To provide an opportunity for Executive Directors to voluntarily invest in the Company through UK HMRC employee tax advantaged share schemes	Executive Directors are entitled to participate in: (i) Barclays Sharesave under which they can make monthly savings out of post-tax pay over a period of three or five years linked to the grant of an option over Barclays' shares which can be at a discount of up to 20% on the share price set at the start. (ii) Barclays Sharepurchase under which they can make contributions (monthly or lump sum) out of pre-tax pay (if based in the UK) which are used to acquire Barclays' shares.	(i) Savings between £5 and the maximum set by Barclays (which will be no more than the HMRC maximum) per month. There are no performance measures. (ii) Contributions of between £10 and the maximum set by Barclays (which will be no more than the HMRC maximum) per tax year which Barclays may match up to HMRC maximum (current match is £600). There are no performance measures.
Outside appointments To encourage self-development	Executive Directors may accept one Non-Executive Director Board appointment in another listed company. The Chairman's approval must be sought before accepting an appointment. Fees may be retained by the Executive Director. Neither of the Executive Directors currently hold an outside appointment.	Not applicable.

Element and purpose	Operation	Maximum value and performance measures
Shareholding requirement To further enhance the alignment of shareholders' and Executive Directors' interests in long-term value creation	Executive Directors have a contractual obligation to build up a shareholding equivalent to the maximum variable pay opportunity within five years from the date of appointment as Executive Director, i.e.: ▪ Group Chief Executive: 233% of Fixed Pay ▪ Group Finance Director: 224% of Fixed Pay Executive Directors will have a reasonable period to build up to this requirement again if it is not met because of a significant share price depreciation. Executive Directors also have a contractual obligation to maintain their shareholding for two years following the last day of active service as follows: (i) if the Executive Director has been employed for more than five years: 233% of Fixed Pay for the CEO and 224% of Fixed Pay for the GFD; or (ii) if the Executive Director has been employed for less than five years: either (a) grow their holding to the pro-rated requirement if the pro-rated requirement has not been met. Directors would only be allowed to sell shares to pay for tax liabilities which crystallise when deferred awards vest on or after termination; or (b) if the pro-rated requirement has been exceeded, Executive Directors would be allowed to sell shares above this requirement and also sell shares to pay for tax liabilities which crystallise when deferred awards vest on or after termination. Shares that count towards the requirement are beneficially owned shares including any vested share awards subject only to holding periods (including vested LTIPs, vested deferred share bonuses, Fixed Pay shares, and any legacy RBP shares). Shares from unvested deferred share bonuses and unvested LTIPs do not count towards the requirement during employment, but will count towards post-termination requirements (net of tax) provided that there are no remaining untested performance conditions.	Barclays' shares worth a minimum of 233% of Fixed Pay for the CEO and 224% of Fixed Pay for the GFD must be held within five years, as well as for two years post-termination (or pro rata thereof) commencing from last day in office.

Performance measures and targets

The Committee selects financial performance measures which are fundamental to delivery against the Bank's strategy and are considered to be the most important financial measures used by the Executive Directors to oversee the direction of the business. The non-financial performance measures and sources of data are chosen to represent key indicators of sustainable performance, aligned with strategy and culture, that are robustly monitored and reported on to management. The measures are determined in consultation with major shareholders.

Financial targets are set to be stretching but achievable and are aligned to enhancing shareholder value. In respect of the LTIP, the financial measures, weightings and targets will be disclosed at the start of the relevant performance period. In respect of the annual bonus, the financial measures and weightings will be disclosed at the start of the relevant performance year. The Committee is of the opinion that the financial targets for the annual bonus are commercially sensitive in respect of the Company and that it would be detrimental to disclose details at the start of the relevant performance year. Performance against the targets will be disclosed at the end of the relevant performance year in that year's remuneration report, subject to commercial sensitivity no longer remaining.

The Performance Measurement Framework assesses progress against our key strategic and non-financial goals. The evaluation will focus on key performance measures with a detailed retrospective disclosure on progress throughout the period against each category, together with supporting rationale for payments.

Directors' remuneration policy

Alignment between the Executive Directors' remuneration policy and all employees' policy of the Group

The structure of remuneration packages for Executive Directors is closely aligned with that for the broader employee population. Employees receive salary, pension and benefits and are eligible to be considered for a bonus and to participate in all-employee share plans. The broader employee population typically does not have a contractual limit on the quantum of remuneration and does not receive Role Based Pay (RBP) which is paid only to some, but not all, MRTs and other senior employees.

As with Executive Directors, variable pay for the broader employee population is performance based. Variable pay for Executive Directors and the broader employee population is subject to deferral requirements. Executive Directors and other MRTs are subject to deferral at a minimum rate of 40% (for variable pay of less than £500,000) or 60% (for variable pay between £500,000 and £1,000,000). For non-MRTs, bonuses in excess of £65,000 are currently subject to a graduated level of deferral. The terms of deferred bonus awards for Executive Directors and the wider employee population are broadly the same, in particular the vesting of all deferred bonuses is subject to service and malus conditions. The broader employee population does not participate in the Barclays LTIP.

While we have not sought employee views on the DRP, we have considered all employee policies when reviewing the DRP and have explained the DRP changes in our Fair Pay Report.

How shareholder views are taken into account by the Committee in setting the policy

We recognise that remuneration is an area of particular interest to shareholders and that in setting and considering changes to remuneration, it is important that we listen to and take into account their views. Accordingly, a series of meetings are held each year with major shareholders and shareholder representative groups. The Committee Chairman attended these meetings, accompanied by senior Barclays' employees (including the Group Reward and Performance Director and the Group Company Secretary).

In developing the new policy, we consulted shareholders during 2019. The Committee notes that shareholder views on some matters are not always unanimous; however, the interactions are constructive and insightful. The engagement is meaningful and helpful to the Committee in its work and contributes directly to the decisions made by the Committee.

Discretion

In addition to the various operational discretions that the Committee can exercise in the performance of its duties (including those discretions set out in the Company's share plans), the Committee reserves the right to make either minor or administrative amendments to the policy to benefit its operation or to make more material amendments in order to comply with new laws, regulations and/or regulatory guidance. The Committee would only exercise this right if it believed it was in the best interests of the Company to do so and where it is not possible, practicable or proportionate to seek or await shareholder approval in a General Meeting.

Provisions of previous policy which will continue to apply

For the avoidance of doubt, any awards granted under the previous Directors' remuneration policy which have not yet vested shall continue to be capable of vesting on their normal vesting schedule.

Executive Directors' policy on recruitment

Barclays operates in a highly specialised sector and many of its competitors for talent are outside of the UK. The Committee's approach to remuneration on recruitment is to pay the amount necessary to attract the best candidates to the role.

Approval of the remuneration packages offered on appointment to any new Executive Director is a specific requirement of the Committee's Terms of Reference. The terms of such packages must be approved by the Committee in consultation with the Chairman and (except for the terms of his own remuneration) the Group Chief Executive.

Any new Executive Director's package would include the same elements as those of the existing Executive Directors, as shown below.

Element and purpose	*Commentary*	*Maximum value*
Fixed Pay Determined by skills, experience, market practice, market conditions and ability to recruit	Determined by skills and experience appropriate for the scale, complexity and responsibilities of the role, and by market practice, market conditions and ability to recruit. In line with financial regulations, Fixed Pay is a derivative of total compensation. Executive Directors' total compensation is benchmarked against comparable roles in the following banks: Bank of America, BNP Paribas, Citigroup, Credit Suisse, Deutsche Bank, HSBC, JP Morgan Chase & Co, Lloyds, Morgan Stanley, Standard Chartered and UBS. The Committee may amend the list of comparator companies to ensure it remains relevant to Barclays or if circumstances make this necessary (for example, as a result of takeovers or mergers).	As determined by the Committee with reference to these factors. Fixed Pay will only exceed amounts paid to current Executive Directors, as considered reasonable by the Committee, by reference to these factors. Once appointed, increases will normally be aligned to the annual increase for UK employees, and will take into account changes in responsibilities and market conditions.
Pension	In line with policy	In line with policy
Benefits	In line with policy	In line with policy
Annual bonus	In line with policy	In line with policy
Long Term Incentive Plan (LTIP) award	In line with policy	In line with policy
Buy-out	The Committee can consider buying out forfeited bonus opportunity or incentive awards that the new Executive Director has forfeited as a result of accepting the appointment with Barclays, subject to proof of forfeiture where applicable. As required by the PRA Remuneration Rules, any award made to compensate for forfeited remuneration from the new Executive Director's previous employment may not be more generous than, and must mirror as far as possible the expected value, timing and form of delivery of, the terms of the forfeited remuneration and must be in the best long-term interests of Barclays. Barclays' deferral policy shall however apply as a minimum to any buy-out of annual bonus opportunity.	The value of any buy-out is not included within the maximum incentive levels above since it relates to a buy-out of forfeited bonus opportunity or incentive awards from a previous employer.

Where a senior executive is promoted to the Board, his or her existing contractual commitments agreed prior to his or her appointment may still be honoured in accordance with the terms of the relevant commitment, including vesting of any pre-existing deferred bonus or long-term incentive awards.

Directors' remuneration policy

Executive Directors' policy on payment for loss of office (including or following a takeover)

The Committee's approach to payments in the event of termination is to take account of the individual circumstances including the reason for termination, individual performance, contractual obligations and the terms of the deferred bonus plans and LTIPs in which the Executive Director participates.

Provisions relating to Executive Directors' termination

Standard provision	Commentary	Maximum value
Notice periods in Executive Directors' service contracts	For existing Executive Directors, 12 months' notice from the Company and six months' notice from the Executive Director. For new Executive Director hires, six months' notice from the Company and six months' notice from the Executive Director.	Executive Directors may be required to work during the notice period or may be placed on garden leave or, if not required to work the full notice period, may be provided with pay in lieu of notice (subject to mitigation where relevant).
Pay during notice period or payment in lieu of notice per service contracts	Fixed Pay payable and continuation of pension allowance and other contractual benefits while an employee during notice period.	Fixed Pay delivered in cash is payable in phased instalments (or lump sum) and subject to mitigation if paid in instalments and Executive Director obtains alternative employment during the notice period or while on garden leave. Fixed Pay delivered in shares is delivered on the next quarterly delivery date and is pro-rated for the number of days from the start of the relevant quarter to the termination date. Where Barclays elects to terminate the employment with immediate effect by making a payment in lieu of notice, the Executive Director will not receive any shares that would otherwise have been payable during the period for which the payment in lieu is made (unless required otherwise by regulations or local law). In the event of termination for gross misconduct neither notice nor payment in lieu of notice is given.
Treatment of annual bonus on termination	No automatic entitlement to bonus on termination, but may be considered at the Committee's discretion, pro-rated for service, and subject to performance measures being met. No bonus would be payable in the case of gross misconduct or resignation.	

Standard provision	Commentary	Maximum value
Treatment of unvested deferred bonus awards	In the case of death or if the Executive Director is an 'eligible leaver' the Executive Director would continue to be eligible to be considered for unvested portions of deferred awards, subject to the rules of the relevant plan, unless the Committee determines otherwise in exceptional circumstances. 'Eligible leaver' is defined as leaving due to injury, disability or ill health, retirement, redundancy, the business or company which employs the Executive Director ceasing to be part of the Group or the employer terminating employment, other than in circumstances which amount to gross misconduct or dismissal for cause. In addition, the Committee will apply its discretion to treat resignation on or after the fifth anniversary of the date of grant as 'eligible leaver' status. Outstanding deferred bonus awards would lapse if the Executive Director leaves by reason of resignation prior to fifth anniversary, is terminated for gross misconduct or cause, or is otherwise not designated an 'eligible leaver'. Deferred awards are subject to malus provisions which enable the Committee to reduce the vesting level of deferred bonuses (including to nil) and once vested are subject to clawback provisions (as described above). In the event of a takeover or other major corporate event, the Committee has absolute discretion to determine whether all outstanding awards would vest early or whether they should continue in the same or revised form following the change of control. The Committee may also determine that participants may exchange existing awards for awards over shares in an acquiring company with the agreement of that company.	In an 'eligible leaver' situation, deferred bonus awards may be considered for release in full on the scheduled release dates unless the Committee determines otherwise in exceptional circumstances. On death, awards are accelerated and released in full. After release, the shares are subject to an additional holding period to the extent required by regulations (currently a minimum 12-month holding period applies).
Treatment of unvested awards under the LTIP	In the case of death or if the Executive Director is an 'eligible leaver' the Executive Director would continue to be entitled to be considered for an award. 'Eligible leaver' is defined as leaving due to injury, disability or ill health, retirement, redundancy, the business or company which employs the Executive Director ceasing to be part of the Group or for any other reason if the Committee decides at its discretion. In addition, the Committee will apply its discretion to treat resignation on or after the fifth anniversary of the date of grant as 'eligible leaver' status. Outstanding unvested awards under the LTIP would lapse if the Executive Director leaves by reason of resignation prior to fifth anniversary, is terminated for gross misconduct, or is otherwise not designated an 'eligible leaver'. Awards are subject to malus provisions which enable the Committee to reduce the vesting level of awards (including to nil) and once vested, awards are subject to clawback provisions (as described above). In the event of a takeover or other major corporate event (but excluding an internal reorganisation of the Group), the Committee has absolute discretion to determine whether all outstanding awards vest subject to the achievement of any performance conditions. The Committee has discretion to apply a pro rata reduction to reflect the unexpired part of the vesting period. The Committee may also determine that participants may exchange awards for awards over shares in an acquiring company with the agreement of that company. In the event of an internal reorganisation, the Committee may determine that outstanding awards will be exchanged for equivalent awards in another company.	In an 'eligible leaver' situation awards may be considered for release on the scheduled release date. On death, awards are accelerated. In both cases, awards are pro-rated for time (over the whole performance period, including the assessment period prior to grant) and performance, subject to the Committee's discretion to determine otherwise, in accordance with the plan rules, as amended from time to time. After release, the shares are subject to an additional holding period to the extent required by regulations (currently a minimum 12-month holding period applies).

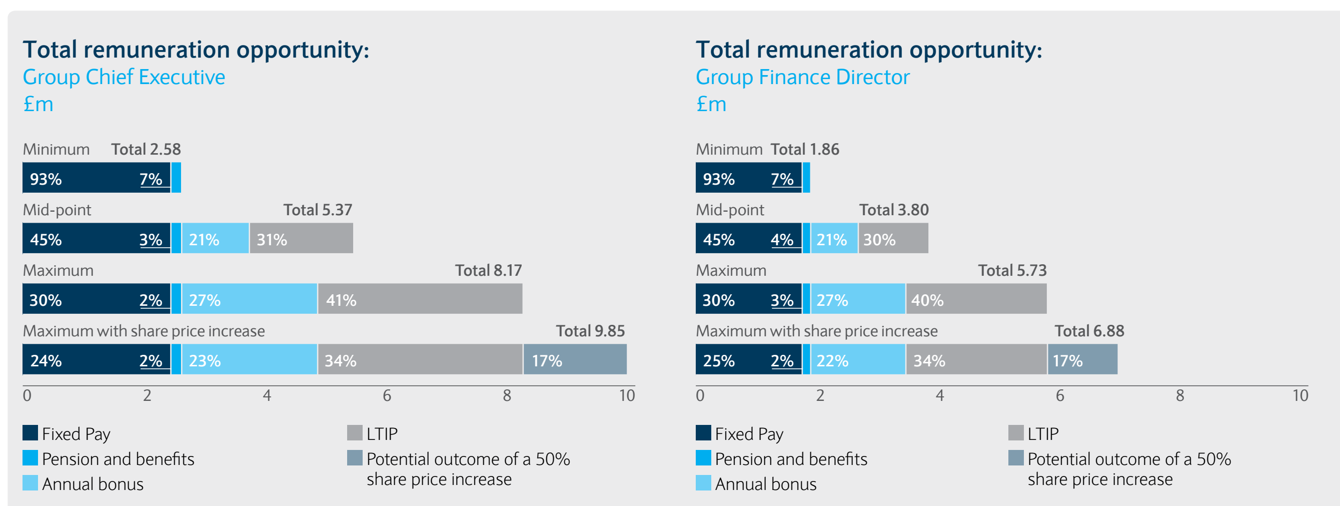
Directors' remuneration policy

Standard provision	Commentary	Maximum value
Repatriation	Except in the case of gross misconduct or resignation, where an Executive Director has been relocated at the commencement of employment, the Company may pay for the Executive Director's repatriation costs in line with Barclays' general employee mobility policy including temporary accommodation, payment of removal costs and relocation flights for the Executive Director, spouse and children. The Company will pay the Executive Director's tax on the relocation costs but will not tax equalise and will also not pay tax on his or her other income relating to the termination of employment.	
Other	Except in the case of gross misconduct or resignation, the Company may pay for the Executive Director's legal fees and tax advice relating to the termination of employment and provide outplacement services. The Company may pay the Executive Director's tax on these particular costs.	

Illustrative scenarios for Executive Directors' remuneration

The charts below show the potential value of the current Executive Directors' 2020 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 2020 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. In line with the new reporting requirements, we have provided an indication of the maximum remuneration receivable, assuming share price appreciation of 50% on the LTIP.



Remuneration policy – Non-Executive Directors

Element and purpose	*Operation*	*Maximum value*
Fees Reflect individual responsibilities and membership of Board Committees and are set to attract Non-Executive Directors who have relevant skills and experience to oversee the implementation of our strategy Fees are set at a level which reflects the role, responsibilities and time commitment which are expected from the Chairman and Non-Executive Directors	The Chairman is paid an all-inclusive fee for all Board responsibilities. The Chairman has a time commitment equivalent of up to 80% of a full-time role. The other Non-Executive Directors receive a basic Board fee, with additional fees payable where individuals serve as a member or Chairman of a Committee of the Board. Fees are periodically reviewed by the Board. Some Non-Executive Directors may also receive fees as directors of subsidiary companies of Barclays PLC. In the case of certain subsidiary appointments, such additional remuneration is approved by the Barclays PLC Board Remuneration Committee.	Fees are reviewed against those for Non-Executive Directors in companies of similar size and complexity. Other than in exceptional circumstances, fees will not increase by more than 20% above the current fee levels during this policy period.
Benefits To provide a competitive and cost-effective benefits package appropriate to the role and location	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 (including settlement of any tax liabilities that may arise from this benefit). Benefits which are minor in nature and in any event do not exceed a cost of £500 may be provided to Non-Executive Directors in specific circumstances. Non-Executive Directors are not eligible to join Barclays' pension plans.	
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.	
Bonus and share plans	The Chairman may be invited to participate in Sharesave, an HMRC employee tax advantaged share scheme, due to the level of his time commitment to the role. The Chairman is not eligible to participate in any other Barclays' cash, share or long-term incentive plans. All other Non-Executive Directors are not eligible to participate in Barclays' cash, share or long-term incentive plans.	
Shareholding requirements	Chairman: £100,000 (Non-Executive Directors: £30,000) gross before deduction of tax and other statutory deductions 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.	
Notice and termination provisions	Each Non-Executive Director's appointment is for an initial three-year term, renewable at Barclays' discretion for a further term of three years thereafter and subject to annual re-election by shareholders. Non-Executive Directors appointed beyond six years will be at the discretion of the Board Nominations Committee. **Notice period** Chairman: Six months from the Company (six months from the Chairman). **Termination payment policy** The Chairman's appointment may be terminated by Barclays on six months' notice or immediately in which case six months' fees are payable in instalments at the times they would have been received had the appointment continued, but subject to mitigation if he or she were to obtain alternative employment. No continuing payments of fees (or benefits) are due if a Non-Executive Director is not re-elected by shareholders at the Barclays AGM.	

In accordance with the policy table above, any new Chairman would be paid an all-inclusive fee only and any new Non-Executive Director would be paid a basic fee for their appointment as a Non-Executive Director, plus fees for their participation on and/or chairing of any Board committees, time apportioned in the first year as necessary. No sign-on payments are offered to Non-Executive Directors.

Annual report on Directors' remuneration

This section explains how our Directors' remuneration policy was implemented for 2019.

Executive Directors

Executive Directors: Single total figure for 2019 remuneration (audited)

The following table shows a single total figure for 2019 remuneration in respect of qualifying service for each Executive Director together with comparative figures for 2018.

		1) Fixed Pay £000	2) Pension £000	3) Taxable benefits £000	**Total Fixed Pay £000**	4) Annual bonus £000	5) LTIP £000	6) Reduction of unvested deferred awards £000	**Total variable pay £000**	**Total £000**
Jes Staley	**2019**	**2,350**	**396**	**58**	**2,804**	**1,647**	**1,478**[a]	**–**	**3,125**	**5,929**
	2018	*2,350*	*396*	*55*	*2,801*	*1,061*	*–*	*(500)*[d]	*561*	*3,362*
Tushar Morzaria	**2019**	**1,650**	**200**	**53**	**1,903**	**1,123**	**942**[a]	**–**	**2,065**	**3,968**
	2018	*1,650*	*200*	*49*	*1,899*	*729*	*845*[b,c]	*–*	*1,574*	*3,473*

Notes

a The LTIP amounts include a 14% share price depreciation between date of grant and vesting date (based on Q4 2019 average price).

b The LTIP amount includes a 4% share price depreciation between date of grant and vesting date.

c LTIP and dividend equivalent figures for 2018 have been adjusted to reflect the share price on the date of vesting (1.60p) rather than the Q4 2018 average price and additional dividend paid in February 2019.

d As previously disclosed, malus was applied to Jes Staley's 2016 variable compensation.

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

1) Fixed Pay

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

2) Pension

Executive Directors are paid cash in lieu of pension contributions. The pension cash allowance in 2019 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.

3) Taxable benefits

Taxable benefits include private medical cover, life assurance, income protection, tax advice, car allowance and the use of a Company vehicle and driver when required for business purposes.

4) Annual bonus

The bonus amount included in the single total figure is the value awarded or scheduled to be awarded in Q1 following the financial year to which it relates. 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 2019. Performance against their individual personal objectives (20% weighting) was assessed on an individual basis.

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. A summary of the assessment is provided in the following table:

					2019 Outcome	
Performance measure	Weighting	Threshold (20%)	Maximum (100%)	2019 Actual	Jes Staley	Tushar Morzaria
Profit before tax excluding L&C and other material items[a] with CET1 ratio underpin	50%	£5.5bn	£6.3bn	£6.2bn	45.3%	45.3%
Cost: income ratio excluding L&C and other material items	10%	64.6%	62.2%	62.8%	8%	8%
Strategic	20%	Performance against strategic measures, organised around three main categories: Customers and Clients, Colleagues and Society.			14%	14%
Personal	20%	Individual performance against each of the Executive Directors' personal objectives assessed by the Committee.			16%	17%
Total					**83.3%**	**84.3%**
Final outcome following Remuneration Committee discretion					**75.0%**	**75.9%**

Note

a No other material items in 2019.

Strategic (20% weighting)

Progress in relation to each of the strategic measures, organised around three main categories, was assessed by the Committee. Within each of the three categories, the overall outcome was assessed based on the following scale: 0% to 1%: Behind track on most measures, 1.5% to 3%: Slightly behind track on most measures, 3.5% to 5.5%: On track or slightly ahead of track for most measures, and 6% or 7%: Ahead of track on most measures. On this basis, the Committee agreed an overall outcome of 14% out of a maximum of 20%. The detail supporting this assessment is provided in the table below:

Customers and clients

Measure	Criteria	Performance	Commentary	Outcome
Net Promoter Scores® (NPS)	Barclays UK: +18 Barclaycard UK: +10	Barclays UK: +18 (+17 in 2018 and +14 in 2017) Barclaycard UK: +11(+9 in 2017/18)	▪ Further positive progress made in Barclays UK ▪ Barclaycard UK progressed significantly	*On track*
Global Markets ranking	Continued improvement	6th (up from 7th in 2018)	▪ In FY2019, Barclays increased its market share across Global Markets and gained a rank to #6 globally from #7 in FY18 per Coalition Institutional Client Analytics (*Source: Coalition FY19 vs FY18 Preliminary Competitor Analysis. Market share represents Barclays' share of the total industry revenue pool)*	*On track*
UK and US investment banking division ranking	5th	5th, improving one rank on 2018	▪ Ongoing progress in gaining fee share and revenue in both Advisory and Equity Underwriting (Dealogic)	*On track*
Complaints	Down 10% excluding PPI in Barclays UK	Down 8% excluding PPI in Barclays UK	▪ Continued reduction in customer pain points, leading to a significant reduction in complaint volumes, just below target level	*Slightly behind track*
Lending volumes	£25.5bn completed mortgages	£25.5bn completed mortgages (£23bn+ in 2018)	▪ Achieved desired lending volumes despite challenging environment	*On track*
Digital	Increase digitally active customers	Barclays UK: 11.4m digitally active customers (10.8m in 2018) Consumer, cards and payments: 71% (2018: 66%)	▪ The Barclays App is the most used mobile banking app in UK	*Ahead of track*

Total Customers and Clients : 4.5%

Colleagues

Measure	Criteria	Performance	Commentary	Outcome
Diversity	28% women in senior leadership by 2021	25% in 2019, increasing one percentage point from 2018 and two points from 2017	▪ Percentage of women on Board at 33%, in line with 2020 target ▪ 34% female graduate hires ▪ Awards include The Times Top 50 Employers for Women, Stonewall Top Global Employer for LGBT Colleagues and the National Organization on Disability Leading Disability Employer's Seal (US)	*On track*
Inclusion	Performance assessed in light of broader context	80% of respondents in our Your View survey would recommend Barclays as a good place to work and 85% said they felt included in their team	▪ 'Inclusion' was in the top six terms used by colleagues to describe Barclays in our Your View survey	*On track*

Annual report on Directors' remuneration

Colleagues

Measure	Criteria	Performance	Commentary	Outcome
Engagement	Performance assessed in light of broader context	Overall engagement score from Your View survey 77%, down 2% from 2018 80% would recommend Barclays as a good place to work	▪ While a small decline is not what we want to see, this reduction in a challenging year is driven by lower scores relating to tools and resources, an area of significant ongoing focus and investment ▪ Other indicators were very positive, for example, 86% of colleagues are proud of our contribution to the community and society ▪ The 'supporting well-being' category also received positive feedback, with 74% saying that Barclays supports employee efforts to enhance their well-being, and 80% that managers also support these efforts	*Behind track*
Conduct and culture	Performance assessed in light of broader context	92% of employees in Your View survey believe that they and their teams demonstrate the values 87% of colleagues believe strongly in the goals and objectives of Barclays	▪ The top ten terms used by colleagues in the Your View survey to describe Barclays are all positive, with the number one term being 'customer satisfaction'. We also have three new entries which are 'inclusion', 'personal accountability' and 'ethical' ▪ 89% of employees believe that Barclays is focused on good customer and client outcomes	*On track*

Total Colleagues : 3.5%

Society

Measure	Criteria	Performance	Commentary	Outcome
Environmental and social financing	£150bn by 2025	£34.8bn (£28.5bn in 2018)	▪ Good progress toward our environmental and social financing commitment ▪ Environmental financing grew by 45% year-on-year to a total of £7.8bn (2017: £5.3bn).	*On track*
Global carbon emissions reduction	80% reduction by 2025	53% reduction against the 2018 baseline	▪ Performance driven by the purchase of renewable energy contracts across our operations in the UK and Europe and is in line with our RE100 commitment.	*Ahead of track*
LifeSkills	10 million people upskilled 2018-2022, 2 million in 2019	2.3 million	▪ Good progress towards 2022 target	*Ahead of track*
Connect with Work	250,000 people placed into work 2018-2022, 62,500 in 2019	66,000 people helped into work	▪ Connect with Work supports people who face barriers getting into work	*Ahead of track*
Unreasonable Impact (partnership with the Unreasonable Group)	Support 250 businesses solving social and environmental challenges (2016-2022)	124 growth-stage ventures had joined the programme by end 2019	▪ The programme provides advice and guidance from a community of world-class mentors and industry specialists, including Barclays colleagues.	*Ahead of track*
Building Thriving Local Economies	2022 target of four pilot studies	Three pilots launched 2018-2019	▪ On track to deliver against 2022 target	*On track*

Total Society : 6%

Overall (out of a maximum possible 20%) : 14%

Further details on the Performance Measurement Framework can be found on pages 18 and 19.

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 121 of the 2018 Annual Report).

The below summarises their performance against the shared personal objectives:

Shared objectives for Jes Staley and Tushar Morzaria	*Outcomes*
Continue to deliver improving shareholder returns, while retaining the focus on delivering the 2019 and 2020 external targets and, specifically, profitability of the CIB	▪ Strong financial improvements delivered, 2019 RoTE in line with target of 9.0%, while CET1 increased to 13.8% ▪ Continued progress towards target of cost: income ratio below 60%, reducing three percentage points over the year from 66% to 63% ▪ Material improvement to CIB profitability, with PBT increasing 15% ▪ Returns to shareholders also significantly increased, with total dividend for 2019 of 9p – up from 6.5p in 2018
Identify opportunities for further cost efficiencies, enabling reinvestment into strategic priorities	▪ Cost guidance of below £13.6bn delivered in 2019 ▪ Significant cost focus, with numerous actions taken to drive efficiencies to create capacity for reinvestment ▪ Reinvestment has been focused in areas such as our long-term technology strategy (including our focus on 'becoming more digital') as well as material growth initiatives in our businesses ▪ We invested nearly twice as much last year in building the Barclays of the future as the year before
Leverage the new Barclays Execution Services platform to drive our technology agenda across operating businesses to improve customer and client experience and enhance value	▪ The Barclays Execution Services platform has helped us to reduce duplication, simplify our operating environment and re-engineer our processes ▪ Changing our businesses to work in a more efficient way has enabled a renewed focus on our customers and clients and how we serve them ▪ Examples include Corporate Banking, where over 80% of our corporate clients are using our single digital platform and our retail businesses, where 91% of customer transactions are now automated across all our channels ▪ This also extends to investment in continuing to protect our customers' data, and ensuring that our businesses are better controlled and more resilient, so things are less likely to go wrong for our customers and clients
Respond to emerging Brexit decisions, managing risks appropriately for the Group, while continuing to support our customers and clients in the UK	▪ Risks associated with Brexit have been proactively managed, with the Bank fully prepared for different potential scenarios ▪ Barclays Bank Ireland fully established and prepared to transact across European client base ▪ UK customer and client service maintained throughout Brexit preparatory work

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

Jes Staley's objectives	*Outcomes*
Oversee the effective management of the risk and controls agenda, including cyber risks	▪ Jes has overseen the effective management of the risk and controls agenda. In particular, his ongoing focus on the Barclays Improved Controls Enhancement Programme (BICEP) has delivered significant improvements in the control environment and is close to conclusion ▪ There has also been a dramatic year on year reduction in more impactful controls-related issues, with a corresponding improvement in performance assessments in internal audits ▪ From a cyber perspective, the result of a recent CapGemini Cyber Security Maturity Assessment was Barclays' highest score in four years
Further improve customer and client satisfaction, with continued focus on complaint reduction	▪ Jes has worked with the Board to ensure that focusing on customers and clients is a key strategic pillar for the Group. This focus has led to a number of process improvements while designing our business around what our customers want and how they would like to achieve it ▪ Jes has also personally increased his client engagement substantially compared with 2018 ▪ He has continued to personally focus on reducing customer complaints volumes, and has overseen a further reduction in 2019 of 8% (excluding PPI), on top of the 9% reduction in 2018

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Jes Staley's objectives	*Outcomes*
Develop further a high performing culture in line with our values, continuing to focus on employee engagement and the talent pipeline for Group, Business and Functional Executive Committees with a particular emphasis on improving the percentage of women in senior leadership roles	▪ As outlined in the 2018 Fair Pay Report, Jes took accountability for increasing female representation in January 2019 ▪ He also personally launched a set of 2019 specific initiatives aiming to make the biggest difference most quickly to the proportion of women in senior leadership positions. The outcome has been an improvement to 25% (2018: 24%), with steady progress made towards the 2021 target ▪ Significant progress has been made in succession planning and the talent pipeline. There are now succession plans in place for all businesses and functions. Additionally, Jes restructured the Group Executive Committee to ensure closer business focus ▪ Employee engagement has remained an important focus of Jes and the Executive Committee. As noted in the non-financial assessment, despite some very positive indicators the overall engagement score reduced slightly based primarily on views relating to tools and resources. Investment in technology is underway to address these issues.
Effectively manage relationships with key external stakeholders and society more broadly	▪ Jes has dedicated a significant amount of time to actively engaging with external stakeholders including regulators, the Government and investors ▪ The impact Jes has had on society more broadly has also been very positive across a large number of areas. Examples include Barclays becoming a founding member of the UN Principles for Responsible Banking, as well as being recognised in Fortune Magazine's 2018 Change the World List for the first time for positive social impact connected to core business strategy ▪ Overall, external relationships have been effectively managed by Jes, with positive feedback received, in particular in relation to the delivery and execution of the Bank's strategy

Recognising his very strong performance against both his individual and shared personal objectives during 2019, the Committee assessed that an outcome of 16% out of a maximum of 20% was appropriate.

The Committee reflected on the aggregate outcome for Jes Staley under the formulaic components of the annual bonus framework.

The Committee noted that the formulaic outcome of 83.3% was supported by very strong delivery against both the financial and non-financial performance measures. In finalising the outcome, the Committee considered all relevant factors, including outcomes for the wider workforce. It noted that overall bonus pool was down 10%. It also observed that the linkage between Executive Director outcomes and those of the wider workforce is not always correlated, e.g. in 2018 the executive bonus outcomes were slightly down based on their performance against plan targets, while the overall bonus pool increased. Recognising the different basis of approaches, the Committee reflected on the appropriate final bonus outcome for the Executive Directors. It decided that to increase alignment with the wider workforce, a discretionary reduction would be applied to the formulaic outcomes for both Executive Directors in line with the reduction to the overall incentive pool, i.e. a reduction of 10%. On that basis the outcome for Jes Staley is a bonus of 75.0% or £1,647,000 (of which 76% will be deferred under the Share Value Plan).

The table below summarises Tushar Morzaria's performance against the objectives specific to him. In addition to his performance against the objectives below, Tushar successfully led a significant project with the UK regulators to change the capital calculation basis. Additionally, he led the successful completion of the external stress tests run by the Bank of England, the European Banking Authority and the Federal Reserve (CCAR). He also continues to oversee the significant additional reporting, capital and liquidity management requirements under the new subsidiary entity structure (following the establishment of the ring-fenced bank and the US Intermediate Holding Company). During 2019, Tushar also became accountable for overseeing the Strategy function, and led the enhanced reviews of strategy by the Board.

Tushar Morzaria's objectives	*Outcomes*
Demonstrate effective management of external relationships, particularly regulators and investors	▪ Feedback continues to indicate that external relationships have been managed very effectively, including both with regulators and investors ▪ Tushar has been appointed by the Bank of England to Chair the Sterling Risk Free Reference Rates Working Group, which demonstrates his ongoing positive external impact
Oversee the effective management of the risk and controls agenda in Group Finance, Tax and Treasury	▪ The Risk and Controls agenda in Group Finance, Tax and Treasury remains an area of focus, with progress made in particular in the Treasury function ▪ While progress has been made, there is still more work to do to ensure our rigorous control environment enables us to deliver the right outcome for all stakeholders
Progress finance transformation programme and drive benefits across Group Finance, Tax and Treasury	▪ The transformation programme is complete, with the new operating model fully embedded across the whole function, including Group Finance, Tax and Treasury ▪ Benefits have included the creation of additional capacity, enabling enhanced focus on process and technology improvements, e.g. the financial planning and related stress testing processes

Tushar Morzaria's objectives	*Outcomes*
Continue to develop talent base, employee engagement and gender diversity in Group Finance, Tax and Treasury	▪ Strong progress has been made on the talent pipeline within the Finance function, combining strategic external hiring with internal talent development. The leadership succession pipeline has been significantly enhanced, in particular with female talent ▪ Gender diversity has also been increased outside of the management team, with a 2% increase in senior women across the function (at 26% before transfers) ▪ Levels of employee engagement have increased by 1% to 76% in the Your View employee survey

The Committee also recognised Tushar Morzaria's very strong performance against both his individual and shared personal objectives during 2019, assessing that an outcome of 17% out of a maximum of 20% was appropriate. In aggregate, this results in an overall formulaic outcome for Tushar of 84.3%. On the same basis as described above, the Committee decided that to increase alignment with the wider workforce, a 10% reduction would be applied to this outcome. On that basis the outcome for Tushar Morzaria is a bonus 75.9% or £1,123,000 (of which 64% will be deferred under the Share Value Plan).

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. 2019 bonuses are subject to clawback provisions and, additionally, unvested deferred 2019 bonuses are subject to malus provisions which enable the Committee to reduce the vesting level of deferred bonuses (including to nil).

5) LTIP

The LTIP amount included in the single total figure is the value of the amount scheduled to be released in relation to the LTIP award granted in 2017 in respect of the performance period 2017-2019 (by reference to Q4 2019 average share price). Release is dependent on, among other things, performance over the period from 1 January 2017 to 31 December 2019 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 excluding material items of 7.5%	RoTE excluding material items of 9.5%	7.7%	8.1%
		CET1 ratio had to remain at or above an acceptable level for any of this element to vest. As CET1 was at or above the end-state target in each year of the period, this element will vest as indicated			
CET1 ratio as at 31 December 2019	25%	6.25% of award vests for CET1 ratio 100 basis points above the mandatory distribution restrictions (MDR) hurdle (12.1% as at 31 December 2019)	CET1 ratio 200 basis points above the MDR hurdle	13.8%	19.4%
Cost: income ratio excluding material items[a]	20%	5% of award vests for average cost: income ratio of 63%	Average cost: income ratio of 58%	66%	0%
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			11%
Strategic non-financial	15%	Performance is measured against the strategic non-financial measures. The Committee determined the percentage of the award that may vest between 0% and 15%. The measures are organised around three equally weighted categories: Customers and Clients, Colleagues and Society			10%
Total	**100%**				48.5%
Final outcome approved by the Remuneration Committee					48.5%

Note

a Material items include impairment and loss on sale of BAGL and the impact of the remeasurement of US deferred tax assets in 2017, and litigation and conduct in 2017, 2018 and 2019 (including PPI and settlement with regard to RMBS).

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A summary of the Committee's assessment against the Risk Scorecard performance measure over the three-year performance period is provided below. Each category is equally weighted at 5%.

Category	Performance	Outcome
Capital and Liquidity	▪ Group CET1% grew from 12.4% to 13.8% over the period, and remained comfortably above the regulatory minimum throughout ▪ Stress test results showed continued improvement over the period. 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 and 2019 tests ▪ Our liquidity risk appetite measure and the Liquidity Coverage Ratio remained above targets	4%
Controls	▪ The Barclays Internal Control Enhancement Programme (BICEP) was launched in 2017 to transform the Bank's approach to the control environment. As at the end of 2019, 99% of BICEP milestones had been achieved ▪ The Bank has now transitioned to a 'business as usual' environment. The Barclays Control Framework has been implemented, enhancing visibility on controls and risks. Assessments of the control environment have continued to improve, reflecting continued focus on identifying and resolving control issues	4%
Conduct	▪ Conduct remains a key focus for Barclays. Senior-level conduct breaches are viewed as a proxy for a culture led 'from the top'. Breaches remained low throughout the period ▪ Conduct Profiles across the Group showed a positive trend over the period, particularly in Culture and Strategy, although a need for continued focus remains	3%
Total	**15%**	**11%**

A summary of the Committee's assessment against the strategic non-financial performance measures over the three-year performance period is provided below. Each category is equally weighted at 5%.

Category		Criteria	Performance	Outcome
Customers and clients	Barclays NPS® Barclaycard NPS®	Improve	▪ NPS scores improved consistently year on year, with substantial improvement in particular in Barclays NPS, up from +10 in 2016 to +18 in 2019. Barclaycard has increased from +9 to +11 over the period	3.5%
	Markets ranking Banking UK+US ranking	Improve	▪ Barclays' Markets ranking improved from 8th globally in 2017 to 6th in 2019 (*Source: Coalition FY19 Preliminary Competitor Analytics. Analysis is based on Barclays' internal business structure and internal revenues*) ▪ Following our shift in strategy in the Investment Bank, Banking rankings initially dropped one place from 5th to 6th in 2017, before improving to 5th in 2019 (Dealogic)	
	Digitally active customers Barclays App users	Become more digital	▪ 20% increase in digitally active users over the period, steady progress each year. ▪ Barclays App was the most used banking app in the UK and named Best Mobile Banking app in 2018	
	YOY complaints reduction (ex PPI)	Reduce complaints	▪ Solid progress in Complaints reduction in Barclays UK, averaging 10% pa over the period, while recognising there is still more to do	
Colleagues	% of senior women	2021 target of 28%	▪ Women in senior leadership increased from 22% in 2016 to 25% in 2019, making steady progress towards the 2021 target of 28%	2.5%
	Engagement score (Your View survey)	Maintain engagement at healthy levels	▪ Engagement scores averaged 78% over the period and were consistently above the 2016 level (75%), despite significant organisational change. More positive movement would have been desirable. There is ongoing focus and investment spend to improve technology and processes to support colleagues in their work	
	'Is it safe to speak up at Barclays?'	Improve from 2016 (81%)	▪ Favourable and increasing in 2017 and 2018. The 2019 score was down on 2018. The average over the period was 83%, two points higher than in 2016	
	'Barclays is focused on good customer and client outcomes'	Improve from 2016 (83%)	▪ The percentage of employees agreeing that Barclays is focused on achieving good customer and client outcomes was at or above 88% throughout the period (above the 2016 level of 83%)	

Category		Criteria	Performance	Outcome
Society	Environmental and social financing	Facilitate £150bn over 2018-25	▪ £95bn of environmental and social financing was facilitated over the period (of which £63bn in 2018 and 2019), exceeding annual targets. We have seen good growth across our product set in all our businesses including the investment, corporate and retail bank	4%
	People upskilled	Upskill 10 million from 2018-22	▪ 6.5 million people were upskilled through our LifeSkills programme (of which 4.6 million in 2018 and 2019), consistently exceeding annual targets and making good progress towards our aspiration of helping 10 million people by 2022	
	Carbon emissions reduction	30% by 2018 80% by 2025	▪ Carbon emissions reduced by 38% by 2018 (over 2015 baseline), exceeding the original 2018 target (-30%). Further year-on-year reduction of 53% in 2019, making very good progress towards the new target of 80% reduction vs 2018 baseline by 2025	
Total	**15%**			**10%**

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 vest at 48.5% of the maximum number of shares under the total award, to be released in five equal tranches annually, starting from June 2020. After release, the shares are subject to an additional six-month holding period.

Outstanding LTIP awards

LTIP awards granted during 2018

The performance measures for the awards made under the 2018-2020 LTIP cycle 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 at the target of c.13.5%)	RoTE of 10.25%
		Vesting of this element will depend on CET1 levels during the performance period: ▪ if CET1 goes below the MDR hurdle (12.1% as at 31 December 2019) in any year of the period, no part of the RoTE element will vest ▪ if CET1 goes below the MDR hurdle +150bps but remains above the hurdle during the period, the Committee will exercise its discretion to determine what portion of the RoTE element should vest, based on the causes of the CET1 reduction.	
Average cost: income ratio excluding material items	20%	4% of award vests for average cost: income ratio of 62.5%	Average cost: income ratio of 58%
Risk Scorecard	15%	The Risk Scorecard captures a range of risks and is aligned with the annual incentive risk alignment framework reviewed with the regulators. The current framework measures performance against three broad categories – Capital and Liquidity, Control Environment and Conduct – using a combination of quantitative and qualitative metrics. The framework may be updated from time to time in line with the Group's risk strategy. Specific targets within each of the categories are deemed to be commercially sensitive. Retrospective disclosure will be made in the 2020 Remuneration Report, subject to commercial sensitivity no longer remaining	
Strategic non-financial	15%	The evaluation will focus on key performance measures from the Performance Measurement Framework, with a detailed retrospective narrative on progress throughout the period against each category. Performance against the strategic non-financial measures will be assessed by the Committee to determine the percentage of the award that may vest between 0% and 15%. The measures are organised around three main categories: Customers and Clients, Colleagues and Society. Each of the three main categories has equal weighting. Measures will likely include, but will not be limited to, the following: ▪ Customers and Clients: NPS for consumer businesses, client rankings and market shares for the CIB, complaints performance and volume of lending provided to customers and clients ▪ Colleagues: Diversity and Inclusion statistics (including women in senior leadership), Employee sustainable engagement survey scores and conduct and culture measures ▪ Society: 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.

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LTIP awards granted during 2019

An award was made to Jes Staley and Tushar Morzaria on 8 March 2019 under the 2019-2021 LTIP at a share price of £1.2288, 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 number of shares below.

	% of Total fixed pay	Number of shares	Face value at grant	Performance period
Jes Staley	120%	2,681,618	3,295,200	2019-2021
Tushar Morzaria	120%	1,806,625	2,220,000	2019-2021

The performance measures for the 2019-2021 LTIP awards are as follows:

Performance measure	Weighting	Threshold	Maximum vesting
Average return on tangible equity (RoTE) ex litigation and conduct and other material items	50%	10% of award vests for RoTE of 8.5% (based on an assumed CET1 ratio at the target of c.13.5%)	RoTE of 10.5%
		Vesting of this element will depend on CET1 levels during the performance period: ▪ if CET1 goes below the MDR hurdle (12.1% as at 31 December 2019) in any year of the performance period, no part of the RoTE element will vest ▪ if CET1 goes below the target (c.13.5%) but remains above the hurdle during the year, the Committee will exercise its discretion to determine what portion of the RoTE element should vest, based on the causes of the CET1 reduction.	
2021 Cost: income ratio ex litigation and conduct and other material items	20%	4% of award vests for cost: income ratio of 60%	Cost: income ratio of 58.5%
Risk Scorecard	15%	The Risk Scorecard captures a range of risks and is aligned with the annual incentive risk alignment framework shared with the regulators. The current framework measures performance against three broad categories – Capital and Liquidity, Control Environment and Conduct – using a combination of quantitative and qualitative metrics. The framework may be updated from time to time in line with the Group's risk strategy. Specific targets within each of the categories are deemed to be commercially sensitive. Retrospective disclosure will be made in the 2021 Remuneration Report, subject to commercial sensitivity no longer remaining	
Strategic non-financial	15%	The evaluation will focus on key performance measures from the Performance Measurement Framework, with a detailed retrospective narrative on progress throughout the period against each category. Performance against the strategic non-financial measures will be assessed by the Committee to determine the percentage of the award that may vest between 0% and 15%. The measures are organised around three main categories: Customers and Clients, Colleagues and Society. Each of the three main categories has equal weighting. Measures will likely include, but not be limited to, the following: ▪ Customers and clients: 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 ▪ Colleagues: Diversity and Inclusion statistics (including women in senior leadership), Employee sustainable engagement survey scores and conduct and culture measures ▪ Society: 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.

LTIP awards to be granted during 2020

The Committee decided to make an award under the 2020-2022 LTIP cycle to Jes Staley and Tushar Morzaria (based on their performance in 2019) with a face value at grant of 120% of their respective Total fixed pay at 31 December 2019.

The key objective of the LTIP is to incentivise the Executive Directors to deliver on the long-term strategy. The LTIP should support a competitive pay package for achieving good performance, while the calibration maximum should incentivise a stretch level of performance without encouraging excessive risk-taking.

In its deliberations on the threshold and maximums for the LTIP financial measures, the Committee considered progress against the external targets. The Committee increased the threshold for the RoTE measure from 8.5% to 9%.

The 2020-2022 LTIP award will be subject to the following forward-looking performance measures:

Performance measure	Weighting	Threshold	Maximum vesting
Average return on tangible equity (RoTE) ex litigation and conduct and other material items	50%	10% of award vests for RoTE of 9.0% (based on an assumed CET1 ratio at the target of c.13.5%)	RoTE of 10.5%
		Vesting of this element will depend on CET1 levels during the performance period: ▪ in line with regulatory requirements, if the CET1 ratio goes below the MDR hurdle during the performance period, the Committee will consider what part, if any, of this element should vest.	
Average cost: income ratio ex litigation and conduct and other material items	20%	4% of award vests for cost: income ratio of 60%	Cost: income ratio of 58.5%
Risk Scorecard	15%	The Risk Scorecard captures a range of risks and is aligned with the annual incentive risk alignment framework shared with the regulators. The current framework measures performance against three broad categories – Capital and Liquidity, Control Environment and Conduct – using a combination of quantitative and qualitative metrics. The framework may be updated from time to time in line with the Group's risk strategy. Specific targets within each of the categories are deemed to be commercially sensitive. Retrospective disclosure will be made in the 2022 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 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 15%. The measures are organised around three main categories: Customer and Client, Colleagues and Society. Each of the three main categories has equal weighting. Measures will likely include, but not be limited to, the following: ▪ Customers and Clients: Improve Net Promoter Scores, Reduce UK customer complaints, Increase digital engagement, Maintain client rankings and increase market shares within CIB ▪ Colleagues: Continue to increase the % of women in leadership roles, Maintain engagement at healthy levels, Improve key metrics from 2019, including Enable scores ▪ Society: Grow social and environmental financing, Reduce carbon footprint and increase use of renewable energy, Continue investing in our communities.	

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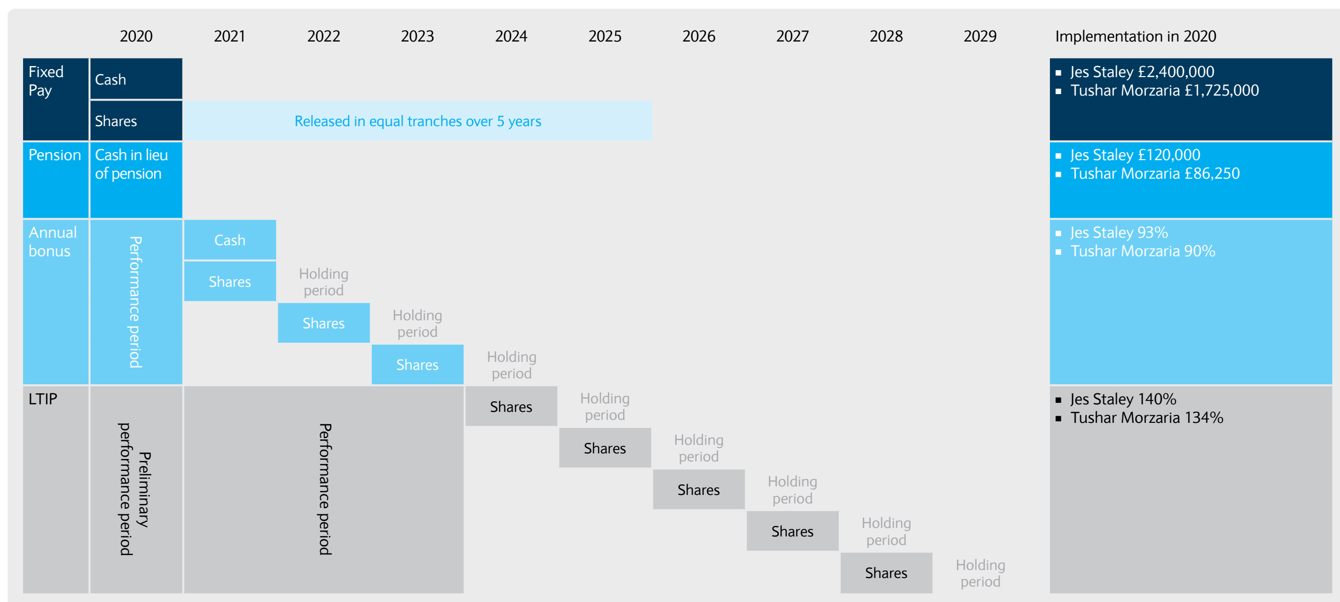
Executive Directors: Statement of implementation of remuneration policy in 2020

The following chart provides an illustrative indication of how 2020 remuneration will be delivered to the Executive Directors.



2020 annual bonus performance measures

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

Financial (60% weighting) A performance target range has been set for each financial measure	▪ Profit before tax excluding litigation and conduct and other material items (50% weighting). Payout of this element will depend on the CET1 ratio during the performance year: – in line with regulatory requirements, if the CET1 ratio goes below the MDR hurdle during the performance year, the Committee will consider what part if any of this element should pay out. ▪ Cost: income ratio excluding litigation and conduct and other material items (10% weighting).
Strategic non-financial (20% weighting)	The evaluation will focus on key performance measures from the Performance Measurement Framework, with a detailed retrospective narrative on progress throughout 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, Colleagues and Society. Each of the three main categories has equal weighting. Measures will likely include, but not be limited to, the following: ▪ Customers and Clients: Improve Net Promoter Scores, Reduce UK customer complaints, Increase digital engagement, Maintain client rankings and increase market shares within CIB ▪ Colleagues: Continue to increase the % of women in leadership roles, Maintain engagement at healthy levels, Improve key metrics from 2019, including scores relating to tools and resources ▪ Society: Grow social and environmental financing, Reduce carbon footprint and increase use of renewable energy, Continue investing in our communities.

Personal (20% weighting)

The Executive Directors have the following joint personal objectives for 2020:

- Continue to deliver improving shareholder returns, including a focus on delivering a RoTE improvement versus 2019
- Maintain robust capital ratios across the Group and within the main operating entities
- Seek opportunities for further cost efficiencies, enabling reinvestment into strategic priorities and growth initiatives
- Continue to drive our technology agenda across the Group, to support improving customer and client experience
- Continue to focus on external societal and environmental stewardship

Jes Staley

- Oversee the effective management of the risk and controls agenda, including cyber risks
- Ensure continued focus on customer and client outcomes, in particular further reductions in complaints
- Continue to develop a high-performing culture in line with our values, with a focus on employee engagement, succession planning, talent and diversity
- Drive growth in fee-based, technology-led annuity businesses with lower capital intensity
- Effectively manage relationships with all external stakeholders

Tushar Morzaria

- Continue to optimise financial management and reporting (particularly through technology) to drive benefits across the Group
- Further improve capital productivity through enhancing capital allocation and the measurement of capital returns
- Oversee the effective management of the risk and controls agenda in Group Finance, Strategy, Tax and Treasury
- Continue to focus on employee engagement, talent and diversity in Group Finance, Strategy, Tax and Treasury
- Effectively manage relationships with key stakeholders including regulators and investors

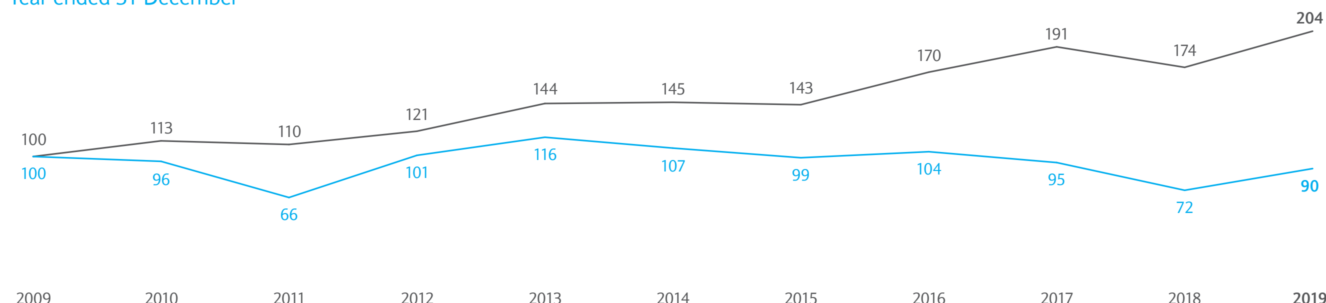
Additional remuneration disclosures

Group performance graph and Group CEO remuneration

The performance graph below illustrates the performance of Barclays over the financial years from 2009 to 2019 in terms of total shareholder return compared with that of the companies comprising the FTSE 100 index. The index has been selected because it represents a cross-section of leading UK companies.

Total shareholder return – rebased to 100 in 2009

Year ended 31 December



The table below presents the single figure for remuneration and annual incentive and long-term incentive plan outcomes for the Group Chief Executive over the past 10 years.

Year	2010	2011	2012		2013	2014	2015			2016	2017	2018	2019
Group Chief Executive	John Varley	Robert Diamond	Robert Diamond	Antony Jenkins	Antony Jenkins	Antony Jenkins	Antony Jenkins	John McFarlane	Jes Staley	Jes Staley	Jes Staley	Jes Staley	Jes Staley
Single total remuneration figure CEO	4,567	11,070[a]	1,892	529	1,602	5,467[c]	3,399	305	277	4,233	3,873	3,362	5,929
Annual bonus award as a % of maximum	100%	80%	0%	0%	0%	57%	48%	N/A	N/A	60%	48.5%	48.3%	75.0%
Long-term incentive plan vesting as a % of maximum	16%	N/A[b]	0%	N/A[b]	N/A[b]	30%	39%	N/A[b]	N/A[b]	N/A[b]	N/A[b]	N/A[b]	48.5%

Notes

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

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

c 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.

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Group Chief Executive Pay ratio

The table below shows the ratios of the Group Chief Executive's total remuneration to the remuneration of UK employees since 2017. The change in the pay ratios for 2019 is explained in more detail below.

	Option	25th percentile	Median	75th percentile
2019	**A**	**213 x**	**140 x**	**77 x**
2018	A	126 x	85 x	45 x
2017	A	153 x	106 x	54 x

The regulations provide three options which may be used to calculate the pay for the employees at the 25th percentile, median and 75th percentile. We have used Option A, following guidance issued by some proxy advisers and institutional shareholders. Option A calculates pay for all employees on the same basis as the single figure for remuneration calculated for Executive Directors. The period for which employee pay has been calculated under Option A is the 2019 calendar year. The CEO pay ratios published in 2017 and 2018 were calculated using the year-end salary and bonus for the relevant performance year only. These have now been recalculated using Option A methodology.

The single figure for remuneration for each employee includes earned salary and allowances, annual incentive awarded for the 2019 calendar year, and an estimate of pension and benefits for 2019. Other elements of pay such as overtime and shift allowances have been excluded on the basis that they are not comparable with the pay structure for the CEO. The estimate of pension for each employee is based on 10% of salary, given that this is the percentage currently available to new hires in the UK. The estimate of benefits is based on the cost of core benefits available at each Corporate Grade, being private medical insurance, income protection and life assurance. The pay for part-time employees has been grossed-up to one FTE.

The pay at each quartile is set out in the table below:

	25th percentile		Median		75th percentile	
	Total pay	Of which is salary	Total pay	Of which is salary	Total pay	Of which is salary
2019	**27,875**	**23,000**	**42,362**	**34,432**	**77,488**	**61,158**
2018	**26,587**	**21,624**	**39,390**	**31,461**	**74,685**	**57,466**
2017	**25,341**	**20,223**	**36,568**	**28,978**	**71,628**	**55,000**

The pay ratios have increased between 2018 and 2019, due to an increase in the CEO single figure of remuneration, though employee pay at the LQ, median and UQ has also increased (up 5%, 8% and 4% respectively).

The CEO single figure of remuneration for 2019 is increased significantly, largely as a result of two exceptional circumstances:

- due to the long-term nature of LTIP awards, the CEO has not received any vesting LTIP for his first four years of service at Barclays. He will receive an LTIP payout for the first time in respect of 2019. This forms part of his remuneration package, as approved by shareholders. In 2019 the LTIP vested at 48.5% of maximum. Going forward, any change in LTIP will be as a result of changes in the amount vesting, rather than entitlement to receive an award
- in 2018, there was a reduction of £500,000 applied to the single figure of remuneration as a result of malus adjustment made to the CEO's 2016 incentive award during 2018. This decreased the CEO pay ratio in 2018.

Excluding these items, the median pay ratios would be 105x in 2019 and 98x in 2018.

The annual bonus for the CEO has also increased during 2019, while the overall incentive pool has decreased. While recognising that this was not an unusual occurrence, given the structured formulaic approach applied to Executive Directors' incentives (e.g. in 2018, Executive Directors' outcomes were down slightly on 2017 and the overall incentive pool was up over the same period), the Remuneration Committee reduced the formulaic bonus outcome against pre-determined performance measures by 10%.

Over the period 2017 to 2019, median employee pay has gone up from £36,568 in 2017 to £42,362 in 2019, up almost 16%. This is aligned with the CEO increase over the same period, excluding the LTIP (up 15%).

Barclays remuneration philosophy is set out earlier in this report, and all remuneration decisions for Executive Directors and the wider workforce are made within this framework. The CEO pay ratio is one of the outcomes of these decisions, which are explained in more detail in the Chairman's statement.

Total remuneration of the employees in the Barclays Group

The table shows the number of employees in the Barclays Group as at 31 December 2018 and 2019 in bands by reference to total remuneration. Total remuneration comprises salary, RBP, other allowances, bonus and the value at award of LTIP awards.

Barclays is a global business. Of those employees earning above £1m in total remuneration for 2019 in the table below, 56% are based in the US, 36% in the UK and 8% in the rest of the world.

	Number of employees	
Remuneration band	2019	2018
£0 to £25,000	**26,706**	31,846
£25,001 to £50,000	**26,989**	25,770
£50,001 to £100,000	**18,266**	18,478
£100,001 to £250,000	**11,428**	10,804
£250,001 to £500,000	**2,259**	2,197
£500,001 to £1,000,000	**884**	916
£1,000,001 to £2,000,000	**290**	306
£2,000,001 to £3,000,000	**68**	82
£3,000,001 to £4,000,000	**23**	19
£4,000,001 to £5,000,000	**5**	6
£5,000,001 to £6,000,000	**11**	11
Above £6,000,000	**2**	6

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 2018 and 2019 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
2019	**Group CEO**	**0%**	**5%**	**55%**
	Average employee	**5%**	**0%**	**-12%**

The percentage change in the average fixed pay and the average annual bonus for UK employees is impacted by the rebalancing of a proportion of annual bonus into fixed pay for c.19,500 customer facing staff in Barclays UK. Without this rebalancing, the percentage change is +4% for fixed pay and -10% for annual bonus. While the average bonus is down by 10%, junior populations have been protected in line with our Fair Pay agenda.

Relative importance of spend on pay

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

Group compensation costs
£m

2019	7,343
2018	7,346

Dividends to shareholders
£m

2019	1,201
2018	768

Annual report on Directors' remuneration

Chairman and Non-Executive Directors

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

Non-Executive Directors are reimbursed expenses that are incurred for business reasons. Any tax that arises on these reimbursed expenses is paid by Barclays.

Chairman and Non-Executive Directors: Single total figure for 2019 fees (audited)

	Fees		Benefits		Total	
	2019 £000	2018 £000	**2019 £000**	2018 £000	**2019 £000**	2018 £000
Chairman						
Nigel Higgins[a]	**541**	–	**3**	–	**544**	–
John McFarlane[b]	**272**	800	**6**	1	**278**	801
Non-Executive Directors						
Mike Ashley[c, d, e]	**222**	215	**–**	–	**222**	215
Tim Breedon[d, e]	**238**	225	**–**	–	**238**	225
Sir Ian Cheshire[f]	**480**	480	**–**	–	**480**	480
Mary Anne Citrino[d]	**113**	39	**–**	–	**113**	39
Dawn Fitzpatrick[d, g]	**29**	–	**–**	–	**29**	–
Mary Francis[d, h]	**155**	154	**–**	–	**155**	154
Crawford Gillies	**231**	222	**–**	–	**231**	222
Sir Gerry Grimstone[i]	**80**	498	**–**	–	**80**	498
Reuben Jeffery III[j]	**41**	120	**–**	–	**41**	120
Matthew Lester[k]	**143**	135	**–**	–	**143**	135
Dambisa Moyo[j]	**46**	135	**–**	–	**46**	135
Diane Schueneman[d, l]	**377**	337	**–**	–	**377**	337
Mike Turner[j]	**36**	105	**–**	–	**36**	105
Total	**3,004**	3,465	**9**	1	**3,013**	3,466

Notes

a Nigel Higgins joined the Board as a Non-Executive Director on 1 March 2019 and assumed the role of Chairman with effect from the conclusion of the 2019 AGM on 2 May 2019. Nigel Higgins was paid an annual fee of £80,000 for the period from 1 March 2019 to 2 May 2019, and an all-inclusive annual fee of £800,000 with effect from 3 May 2019. He was provided with private medical cover and the use of a Company vehicle and driver when required for business purposes during 2019. He does not receive a fee in respect of his role as Chairman of Barclays Bank PLC.

b John McFarlane retired from the Board with effect from the conclusion of the AGM on 2 May 2019.

c Mike Ashley was a member of the Board Reputation Committee until 25 September 2019, when the Committee was disbanded. His additional fee in respect of the Board Reputation Committee is therefore pro-rated for the period of his service in 2019.

d These Non-Executive Directors were appointed to the Board of Barclays Bank PLC from 25 September 2019. They receive an additional annual fee of £30,000, paid by Barclays Bank PLC in respect of this appointment (pro rata for 2019). From 25 September 2019, all Non-Executive Directors of Barclays Bank PLC are also Directors of Barclays PLC. Until that date, Non-Executive Directors of Barclays Bank PLC served only on that Board and received a base fee of £75,000 in respect of that role.

e With effect from 25 September 2019 these Non-Executive Directors received a fee of £20,000 for their services to Barclays Capital Securities Limited (pro rata for 2019).

f Sir Ian Cheshire's figures include fees of £400,000 for his role as Chairman of Barclays Bank UK PLC.

g Dawn Fitzpatrick joined the Board as a Non-Executive Director with effect from 25 September 2019. Her fees are pro-rated for the period of her appointment during 2019.

h Mary Francis was the Chair of the Board Reputation Committee until 25 September 2019, when the Committee was disbanded. Her additional fee in respect of the Board Reputation Committee is therefore pro-rated for the period of her service in 2019.

i Sir Gerry Grimstone retired from the Board with effect from 28 February 2019. His fee is pro-rated for the period of his service and includes an annual fee of £400,000 for his role as the Chairman of Barclays Bank PLC.

j These Non-Executive Directors retired from the Board with effect from 2 May 2019.

k Matthew Lester retired from the Board with effect from 1 January 2020.

l Diane Schueneman is Chair of Barclays Execution Services Limited (the Group Service Company) and is a member of the Barclays US LLC (the US Intermediate Holding Company) Board. The 2019 figure includes fees of £70,000 for her role on the Barclays Execution Services Limited Board and $210k (£164k) for her role on the Barclays US LLC Board.

Chairman and Non-Executive Directors: Statement of implementation of remuneration policy in 2020

Fees for the Chairman and Non-Executive Directors for 2020 are shown below. The Board approved increases to the fees for Board members, the Chair of the Audit and Risk Committees and the members of the Board Risk Committee to take effect from1 January 2020. These increases were made in line with policy and following careful review of time spent on Board and Committee matters, to reflect increased time commitment and responsibilities. The basic Board fee was last revised in 2011.

	1 January 2020 £000	1 January 2019 £000
Chairman[a]	800	800
Board member	90	80
Additional responsibilities		
Senior Independent Director	36	36
Chairman of Board Audit or Risk Committee	80	70
Chairman of Board Remuneration Committee	70	70
Chairman of Board Reputation Committee	–	50
Membership of Board Audit or Remuneration Committee	30	30
Membership of Board Risk Committee	30	25
Membership of Board Nominations Committee	15	15
Membership of Board Reputation Committee	–	25

Notes
a The Chairman does not receive any fees in addition to the Chairman fees.

Directors' shareholdings and share interests

Interests in Barclays PLC shares (audited)

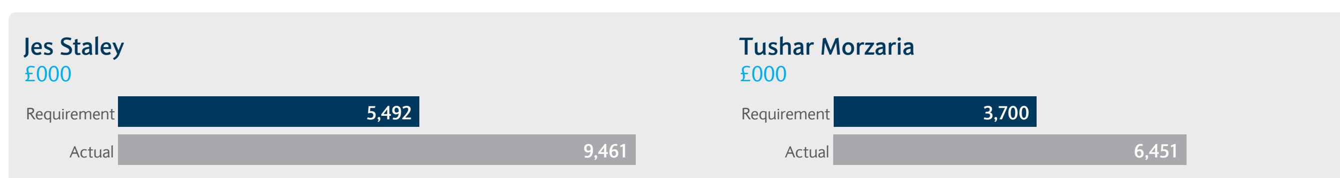
The table below shows shares owned beneficially by all the Directors (including any shares owned beneficially by their connected persons) and shares over which Executive Directors hold awards, which are subject to either deferral terms and/or performance measures. The shares shown below that are subject to performance measures are the maximum number of shares that may be released.

	Owned outright as at 31 December 2019 (or date of retirement from the Board, if earlier)	Unvested		Total as at 31 December 2019 (or date of retirement from the Board, if earlier)	Total as at 11 February 2020
		Subject to performance measures	Not subject to performance measures		
Executive Directors					
Jes Staley	5,284,924	6,221,464	999,491	12,505,879	12,505,879
Tushar Morzaria	3,603,326	4,130,048	638,569	8,371,943	8,371,943
Chairman					
Nigel Higgins	1,010,092	–	–	1,010,092	1,010,092
John McFarlane	119,279	–	–	119,279	–
Non-Executive Directors					
Mike Ashley	130,858	–	–	130,858	130,858
Tim Breedon	112,475	–	–	112,475	112,475
Sir Ian Cheshire	103,530	–	–	103,530	103,530
Mary Anne Citrino	13,700	–	–	13,700	13,700
Dawn Fitzpatrick	909,000	–	–	909,000	909,000
Mary Francis	33,251	–	–	33,251	33,251
Crawford Gillies	127,463	–	–	127,463	127,463
Sir Gerry Grimstone	125,643	–	–	125,643	–
Reuben Jeffery III	308,553	–	–	308,553	–
Matthew Lester	29,222	–	–	29,222	–
Dambisa Moyo	73,977	–	–	73,977	–
Diane Schueneman	56,477	–	–	56,477	56,477
Mike Turner	71,947	–	–	71,947	–

Annual report on Directors' remuneration

Executive Directors' shareholdings and share interests (audited)

The chart below shows the value of Barclays' shares held beneficially by Jes Staley and Tushar Morzaria as at 11 February 2020 that count towards the shareholding requirement of, as a minimum, Barclays' shares worth 200% of Total fixed pay (Fixed Pay and pension). The current Executive Directors have five years from their respective dates of appointment to meet this requirement. At close of business on 11 February 2020, the market value of Barclays' ordinary shares was £1.79.



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

	Effective date of appointment
Chairman	
Nigel Higgins	1 March 2019 (Non-Executive Director), 2 May 2019 (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
Mohamed A El-Erian	1 January 2020
Dawn Fitzpatrick	25 September 2019
Mary Francis	1 October 2016
Crawford Gillies	1 May 2014
Dr Brian Gilvary	1 February 2020
Diane Schueneman	25 June 2015

Payments to former Directors (audited)

Former Group Finance Director: Chris Lucas

In 2019, 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 2019.

Former Chairman: John McFarlane

John McFarlane stepped down as Chairman on 2 May 2019. In accordance with his letter of appointment John McFarlane continued to receive monthly payments equivalent to his monthly fees until 7 November 2019 (being the date his notice period would have ended). These payments were made in monthly cash instalments and were subject to mitigation in the event that he obtained alternative employment and/or appointments. He also received benefits in accordance with his appointment letter for the same period.

Former Non-Executive: Sir Gerry Grimstone

Sir Gerry Grimstone stepped down as Non-Executive Director of Barclays PLC and Chairman of Barclays Bank PLC on 28 February 2019. In relation to his role as Chairman of Barclays Bank PLC and under the terms of his appointment letter, a payment of six months' fees was paid to him in lieu of notice in March 2019. No payment in lieu of notice was made in relation to his role as Director of Barclays PLC.

Former Non-Executive: Reuben Jeffery III

Reuben Jeffery III was appointed as a member of the Barclays US LLC (the US Intermediate Holding Company) Board on 15 October 2019. He received fees of $150,000 per annum for his role on the Barclays LLC Board, pro-rated for his period of service in 2019.

AGM Statement

At the 2019 AGM, the vote on the 2018 Directors' Remuneration Report (Resolution 2) was passed with 70.79% of votes cast in favour. We describe below what we have done to identify and address the concerns of shareholders who voted against this resolution last year.

We offered to engage with those of our top 30 shareholders who voted against Resolution 2, or who withheld their vote in relation to it, and were able to meet with a significant proportion of those shareholders. We understand from those shareholders who we have spoken to that they voted against Resolution 2 because of concerns over the malus adjustment applied in relation to the 2016 incentive award for the Group CEO, particularly in light of the penalty levied against the Company by the New York Department for Financial Services (NYDFS).

Having reflected on the views expressed by the relevant shareholders, and as discussed with them during engagement, we are satisfied that the malus adjustment was appropriate. However, in light of the feedback from our shareholders, we acknowledge that we could have provided further information regarding the factors the Board and Remuneration Committee took into account. In particular, this could have addressed the fact that no material new facts came to light through the investigations conducted by the regulators that had not been taken into account by the Board in its determination of the appropriate malus adjustment, and the fact that the NYDFS penalty was directed against the Bank in relation to failings in its controls, and not against the individual in question.

We will take this into account in all of our external disclosures going forward, to ensure that we provide all of the information needed to properly explain our decisions.

Previous AGM voting outcomes

Shareholder votes on remuneration	***For*** *% of votes cast* *Number*	***Against*** *% of votes cast* *Number*	***Withheld*** *Number*
Vote on the 2018 Remuneration Report at the 2019 AGM	70.79% 8,849,675,682	29.21% 3,652,341,337	477,285,142
Vote on the Directors' remuneration policy at the 2017 AGM	97.91% 12,062,616,141	2.09% 257,416,828	51,369,054

At the AGM held on 24 April 2014, 96.02% (10,364,453,159 votes) of shareholders of Barclays PLC voted 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.

Barclays Board Remuneration Committee

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

Terms of Reference

The role of the Committee is to:

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

The Committee considers the overarching objectives, principles and parameters of remuneration policy across the Group to ensure it is adopting a coherent approach in respect of all employees. In discharging this responsibility the Committee seeks to ensure that the policy is fair and 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 exercises judgement in the application of remuneration policies to promote the long-term success of the Group for the benefit of shareholders. 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**

Annual report on Directors' remuneration

Remuneration Committee in 2019

The performance of the Committee was assessed internally as part of the annual effectiveness review of the Board of Barclays PLC. In line with the approach adopted for all Board Committees in 2019, the process involved completion of a tailored questionnaire by Committee members and standing attendees.

The results confirm that the Committee is operating effectively. The Committee continues to be well constituted and provides an effective level of challenge and oversight of the areas within its remit. Consideration will be given to adding an additional member of the Committee following the departure of Dr Dambisa Moyo earlier in the year.

The Committee's focus has moved towards oversight of an existing and effective policy and management system, having addressed a number of important remuneration related issues in prior years.

The Committee's interaction with the Board, Board Committees and senior management is considered effective. In response to a request to provide feedback on interaction with subsidiary committees, the Committee's interaction with the principal subsidiary remuneration committees was also considered effective, and in line with regulatory requirements.

Advisers to the Remuneration Committee

The Committee appointed PricewaterhouseCoopers (PwC) as the independent adviser 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 £112,000 (excluding VAT) for their advice to the Committee in 2019 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 2019, Willis Towers Watson (WTW) continued to provide the Committee with market data on compensation when considering incentive levels and remuneration packages. WTW were paid £66,000 (excluding VAT) in fees for their services. In addition to the services provided to the Committee, WTW also provides pensions and benefits advice, insurance brokerage 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 profiles 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.

Remuneration Committee activity in 2019

The following provides a summary of the Committee's activity during 2019 and at the January and February 2020 meetings at which 2019 remuneration decisions were finalised. The Committee is also provided with updates at each scheduled meeting on: operation of the Committee's Control Framework on hiring, retention and termination, headcount and employee attrition, and extant LTIP performance.

		January 2019	*February 2019*	*June 2019*	*October 2019*	*December 2019*	*January 2020*	*February 2020*
Overall remuneration	Incentive funding proposals including risk adjustments	●	●		●	●	●	●
	2018 Remuneration Report		●					
	Group Fixed Pay budgets	●	●			●	●	●
	Finance and Risk updates	●	●		●	●	●	●
	Incentive funding approach			●				
	Barclays' Fair Pay agenda and Report		●	●	●	●		●
	2019 Remuneration Report					●		●
	Wider workforce considerations			●	●	●	●	●
Executive Directors' and senior executives' remuneration	Executive Directors' and senior executives' bonus outcomes	●	●			●	●	●
	Review of Directors' remuneration policy			●	●	●	●	●
	Annual bonus and LTIP performance measures and target calibration	●	●			●		●
Governance	Regulatory and stakeholder matters	●	●	●	●	●	●	●
	Discussion with independent adviser		●	●	●	●	●	●
	Remuneration Review Panel update		●		●			●
	Review of Committee effectiveness		●					●

There were two additional Remuneration Committee meetings during the course of 2019. The Committee met on 25 March 2019 and on 31 May 2019 to consider leadership changes across the organisation.

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

Barclays' risk disclosures are provided in the **Annual Report** and in the **Barclays PLC Pillar 3 Report 2019**.

Section	Topic	Annual Report	Pillar 3 Report
Risk management strategy Overview of Barclays' approach to risk management. A detailed overview together with more specific information on policies that the Group determines to be of particular significance in the current operating environment can be found in the Barclays PLC Pillar 3 Report 2019 or at **barclays.com**	▪ Enterprise Risk Management Framework (ERMF)	127	149
	▪ Segregation of duties – the "Three Lines of Defence" model	127	149
	▪ Principal risks	127	149
	▪ Risk appetite for the principal risks	127	150
	▪ Risk committees	128	151
	– Frameworks, policies and standards	n/a	151
	– Assurance	n/a	151
	– Effectiveness of risk management arrangements	n/a	152
	– Learning from our mistakes	n/a	152
	▪ Barclays' risk culture	128	152
	– Group-wide risk management tools	n/a	152
	– Risk management in the setting of strategy	n/a	156
Material existing and emerging risks Insight into the level of risk across our business and portfolios, the material existing and emerging risks and uncertainties we face and the key areas of management focus.	▪ Material existing and emerging risks potentially impacting more than one principal risk	129	n/a
	▪ Credit risk	133	n/a
	▪ Market risk	133	n/a
	▪ Treasury and capital risk	134	n/a
	▪ Operational risk	134	n/a
	▪ Model risk	136	n/a
	▪ Conduct risk	136	n/a
	▪ Reputation risk	137	n/a
	▪ Legal risk and legal, competition and regulatory matters	137	n/a
Climate change risk management Overview of Barclays' approach to managing climate change risk.	▪ Overview, organisation and structure	138	n/a
	▪ Risk management policy	138	n/a
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	139	157
	– Management of credit risk mitigation techniques and counterparty credit risk	n/a	175
	▪ Market risk management	141	178
	– Management of securitisation exposures	n/a	187
	▪ Treasury and capital risk management	142	191
	▪ Operational risk management	143	198
	▪ Model risk management	144	202
	▪ Conduct risk management	145	205
	▪ Reputation risk management	145	207
	▪ Legal risk management	146	209
Risk performance Credit risk: The risk of loss to the Group from the failure of clients, customers or counterparties, including sovereigns, to fully honour their obligations to the Group, including the whole and timely payment of principal, interest, collateral and other receivables.	▪ Credit risk overview and summary of performance	148	n/a
	▪ Maximum exposure and effects of netting, collateral and risk transfer	148	n/a
	▪ Expected Credit Losses	151	n/a
	▪ Movements in gross exposure and impairment allowance including provisions for loan commitments and financial guarantees	154	n/a
	▪ Management adjustments to models for impairment	157	n/a
	▪ Measurement uncertainty and sensitivity analysis	158	n/a
	▪ Analysis of the concentration of credit risk	163	n/a
	▪ The Group's approach to management and representation of credit quality	165	n/a
	▪ Analysis of specific portfolios and asset types	169	n/a
	▪ Forbearance	172	n/a
	▪ Analysis of debt securities	174	n/a
	▪ Analysis of derivatives	175	n/a

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		Annual Report	Pillar 3 Report
Risk performance continued Market risk: The risk of a loss arising from potential adverse changes in the value of the Group's assets and liabilities from fluctuation in market variables including, but not limited to, interest rates, foreign exchange, equity prices, commodity prices, credit spreads, implied volatilities and asset correlations.	▪ Market risk overview and summary of performance	176	122
	– Balance sheet view of trading and banking books	n/a	123
	▪ Review of management measures	176	124
	– Review of regulatory measures	n/a	125
Treasury and capital risk – Liquidity: The risk that the Group is unable to meet its contractual or contingent obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets.	▪ Liquidity risk overview and summary of performance	180	n/a
	▪ Liquidity risk stress testing	180	n/a
	▪ Liquidity pool	182	n/a
	▪ Funding structure and funding relationships	183	n/a
	▪ Credit ratings	185	n/a
	▪ Contractual maturity of financial assets and liabilities	186	n/a
	– Asset encumbrance	n/a	220
Treasury and capital risk – Capital: The risk that the Group has an insufficient level or composition of capital to support its normal business activities and to meet its regulatory capital requirements under normal operating environments or stressed conditions (both actual and as defined for internal planning or regulatory testing purposes). This also includes the risk from the Group's pension plans.	▪ Capital risk overview and summary of performance	190	n/a
	▪ Regulatory minimum capital and leverage requirements	190	8
	▪ Analysis of capital resources	191	18
	▪ Analysis of risk weighted assets	193	26
	▪ Analysis of leverage ratio and exposures	194	31
	▪ Minimum requirement for own funds and eligible liabilities	195	n/a
	▪ Foreign exchange risk	196	42
	▪ Pension risk review	196	43
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Risk management

Barclays' risk management strategy

This section introduces the Group's approach to managing and identifying risks, and for fostering a strong risk culture.

Enterprise Risk Management Framework (ERMF)

The ERMF sets the strategic approach for risk management by defining standards, objectives and responsibilities for all areas of the Group. It is then approved by the Barclays PLC Board on recommendation of the Group Chief Risk Officer. It supports senior management in effective risk management and developing a strong risk culture.

The ERMF sets out:

- segregation of duties: the ERMF defines a Three Lines of Defence model
- principal risks faced by the Group. This list guides the organisation of the risk management function, and the identification, management and reporting of risks
- risk appetite requirements. This helps define the level of risk we are willing to undertake in our business
- roles and responsibilities for risk management: the ERMF sets out the accountabilities of the Group CEO and other senior managers, as well as Barclays PLC committees.

The ERMF is complemented by frameworks, policies and standards which are mainly aligned to individual principal risks:

- frameworks cover the management approach for a collection of related activities and define the associated policies used to govern them
- policies set out principles and other core requirements for the activities of the Group. Policies describe 'what' must be done
- standards set out the key control objectives that describe how the requirements set out in the policy are met, and who needs to carry them out. Standards describe 'how' controls should be undertaken.

Segregation of duties – the 'Three Lines of Defence' model

The ERMF sets out a clear lines of defence model. All colleagues are responsible for understanding and managing risks within the context of their individual roles and responsibilities, as set out below:

- first line comprises all employees engaged in the revenue generating and client facing areas of the Group and all associated support functions, including Finance, Treasury, and Human Resources. The first line is responsible for identifying and managing the risks they generate, establishing a control framework, and escalating risk events to Risk and Compliance
- second line is comprised of the Risk and Compliance functions. 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 the Group, and to monitor the performance of the first line against these limits and constraints. Note that limits for a number of first line activities, related to operational risk, will be set by the first line and overseen by the Chief Controls Office. These will remain subject to supervision by the second line
- third line of defence is Internal Audit, who are responsible for providing independent assurance over the effectiveness of governance, risk management and control over current, systemic and evolving risks
- the Legal function provides support to all areas of the bank and is not formally part of any of the three lines. However, it is subject to second line oversight.

Principal risks

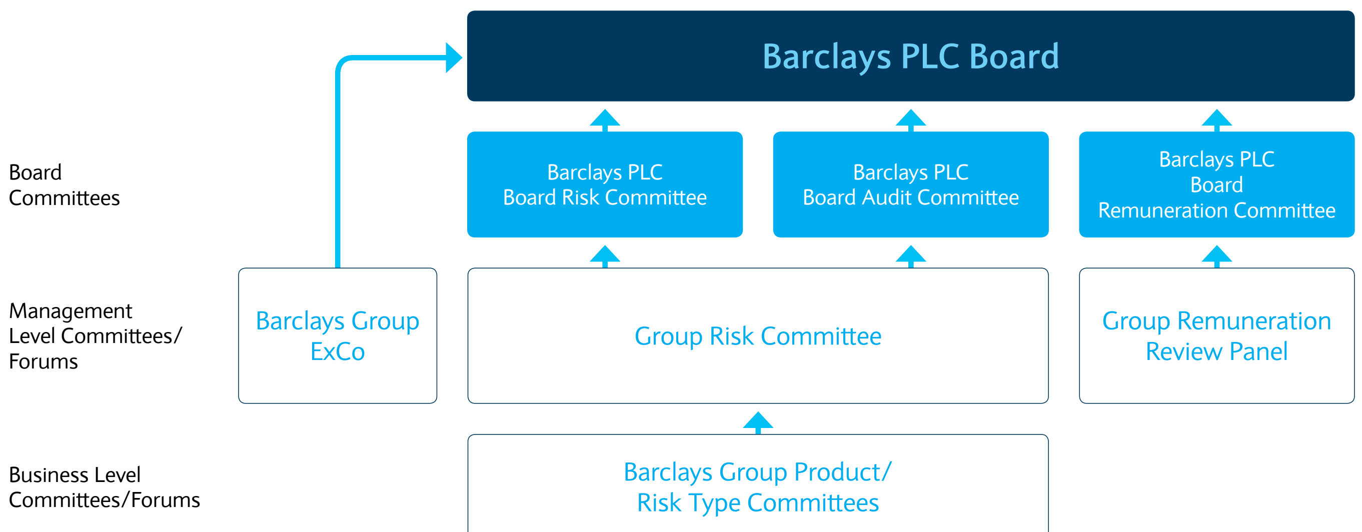
The ERMF identifies eight principal risks (see table on page 38 of this report) and sets out associated responsibilities and expectations around risk management standards.

Each of the principal risks is overseen by an accountable executive within the Group who is responsible for the framework, policies and standards that detail the related requirements. Risk reports to executive and Board committees are clearly organised by principal risk. In addition, certain risks span more than one principal risk; these are also subject to the ERMF and are reported to executive and Board committees.

Risk appetite for the principal risks

Risk appetite is defined as the level of risk which the Group's businesses are prepared to accept in the conduct of their activities. It sets the 'tone from the top' and provides a basis for ongoing dialogue between management and Board with respect to the Group's current and evolving risk profile, allowing strategic and financial decisions to be made on an informed basis.

Risk appetite is approved by the Barclays PLC Board and disseminated across legal entities. Total Group risk appetite is supported by limits to control exposures and activities that have material concentration risk implications.



Risk management

> 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 employees, customers and clients, governments and regulators, business partners, suppliers, competitors and the broader community.

Risk committees

Various committees also fulfil important roles and responsibilities. Barclays business level 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 the Barclays PLC Board Committees and the Barclays PLC Board.

In addition to setting the risk appetite of the Group, the Board is responsible for approving the ERMF, and reviewing all reputation risk matters. It receives regular information on the risk profile of the bank, and has ultimate responsibility for risk appetite and capital plans.

Further, there are three Board-level committees which oversee the application of the ERMF and implementation of key aspects. Membership of these committees is comprised solely of Non-Executive Directors providing independent oversight and challenge. These are detailed below:

- the Barclays PLC Board Risk Committee (BRC): the BRC monitors the 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. The BRC also reviews certain key risk methodologies, the effectiveness of risk management, and the 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 Group CRO or senior risk managers
- 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, Barclays policies and methodologies.
- the Barclays PLC Board Remuneration Committee (RemCo): the RemCo receives a 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 the Barclays website at: **home.barclays/about-barclays/barclays-corporate-governance.html**

The Group Risk Committee (GRC) is the most senior executive body responsible for reviewing and monitoring the risk profile of the Group. This includes coverage of all principal risks, and any other material risks, to which the Group is exposed. The GRC reviews and recommends the proposed risk appetite and relative limits to the BRC. The committee covers all business units and legal entities with the Group and incorporates specific coverage of Barclays Bank Group.

Barclays' risk culture

Risk culture can be defined as the norms, attitudes and behaviours related to risk awareness, risk taking and risk management. This is reflected in how the Group identifies, escalates and manages risk matters.

Barclays is committed to maintaining a robust risk culture in which:

- management expect, model and reward the right behaviours from a risk and control perspective
- colleagues identify, manage and escalate risk and control matters, and meet their responsibilities around risk management.

Specifically, all employees regardless of their position, function or location, must play their part in the Group's risk management. Employees are required to be familiar with risk management policies which are relevant to their responsibilities, know how to escalate actual or potential risk issues, and have a role-appropriate level of awareness of the risk management process as defined by the ERMF.

Our Code of Conduct – the Barclays Way

Globally, all colleagues must attest to the 'Barclays Way', our Code of Conduct, and comply with 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 employees, customers and clients, governments and regulators, business partners, suppliers, competitors and the broader community.

Material existing and emerging risks

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

The Group has identified a broad range of risks to which its businesses are exposed. Material risks are those to which senior management pay particular attention and which could cause the delivery of the Group's strategy, results of operations, financial condition and/or prospects to differ materially from expectations. Emerging risks are those which have unknown components, the impact of which could crystallise over a longer time period. In addition, certain other factors beyond the Group's control, including escalation of terrorism or global conflicts, natural disasters, epidemic outbreaks and similar events, although not detailed below, could have a similar impact on the Group.

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

i) Business conditions, general economy and geopolitical issues

The Group's operations are subject to potentially unfavourable global and local economic and market conditions, as well as geopolitical developments, which may have a material effect on the Group's business, results of operations, financial condition and prospects.

A deterioration in global or local economic and market conditions may lead to (among other things): (i) deteriorating business, consumer or investor confidence and lower levels of fixed asset investment and productivity growth, which in turn may lead to lower client activity, including lower demand for borrowing from creditworthy customers; (ii) higher default rates, delinquencies, write-offs and impairment charges as borrowers struggle with the burden of additional debt; (iii) subdued asset prices and payment patterns, including the value of any collateral held by the Group; (iv) mark-to-market losses in trading portfolios resulting from changes in factors such as credit ratings, share prices and solvency of counterparties; and (v) revisions to calculated expected credit losses (ECLs) leading to increases in impairment allowances. In addition, the Group's ability to borrow from other financial institutions or raise funding from external investors may be affected by deteriorating economic conditions and market disruption.

Geopolitical events may lead to further financial instability and affect economic growth. In particular:

- in the UK, the decision to leave the European Union (EU) may give rise to further economic and political consequences including for investment and market confidence in the UK and the remainder of the EU. See '(ii) Process of UK withdrawal from the EU' below for further details
- a significant proportion of the Group's portfolio is located in the US, including a major credit card portfolio and a range of corporate and investment banking exposures. The possibility of significant continued changes in US policy in certain sectors (including trade, healthcare and commodities), may have an impact on the Group's associated portfolios. Stress in the US economy, weakening GDP and the associated exchange rate fluctuations, heightened trade tensions (such as the current dispute between the US and China), 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 the Group's profitability
- global GDP growth weakened in 2019, as elevated policy uncertainty weighed on manufacturing activity and investment. As a result, a number of central banks, most notably the Federal Reserve and European Central Bank (ECB), pursued monetary easing. Growth is expected to stabilise in 2020, but macroeconomic risks remain skewed to the downside, while concerns around the efficacy of existing policy tools to counter these risks persist. An escalation in geopolitical tensions, increased use of protectionist measures or a disorderly withdrawal from the EU may negatively impact the Group's business in the affected regions
- in China the pace of credit growth remains a concern, given the high level of leverage and despite government and regulatory action. A stronger than expected slowdown could result if authorities fail to appropriately manage growth during the transition from manufacturing towards services and the end of the investment and credit-led boom. Deterioration in emerging markets could affect the Group if it results in higher impairment charges via sovereign or counterparty defaults.

ii) Process of UK withdrawal from the EU

The manner in which the UK withdraws from the EU will likely have a marked impact on general economic conditions in the UK and the EU. The UK's future relationship with the EU and its trading relationships with the rest of the world could take a number of years to resolve. This may lead to a prolonged period of uncertainty, unstable economic conditions and market volatility, including fluctuations in interest rates and foreign exchange rates.

Whilst the exact impact of the UK's withdrawal from the EU is unknown, the Group continues to monitor the risks that may have a more immediate impact for its business, including, but not limited to:

- market volatility, including in currencies and interest rates, might increase which could have an impact on the value of the Group's trading book positions
- credit spreads could widen leading to reduced investor appetite for the Group's debt securities. This could negatively impact the Group's cost of and/or access to funding. In addition, market and interest rate volatility could affect the underlying value of assets in the banking book and securities held by the Group for liquidity purposes
- a credit rating agency downgrade applied directly to the Group, or indirectly as a result of a credit rating agency downgrade to the UK Government, could significantly increase the Group's cost of and/or reduce its access to funding, widen credit spreads and materially adversely affect the Group's interest margins and liquidity position
- a UK recession with lower growth, higher unemployment and falling UK property prices could lead to increased impairments in relation to a number of the Group's portfolios, including, but not limited to, its UK mortgage portfolio, UK unsecured lending portfolio (including credit cards) and its commercial real estate exposures
- the ability to attract, or prevent the departure of, qualified and skilled employees may be impacted by the UK's and the EU's future approach to the EU freedom of movement and immigration from the EU countries and this may impact the Group's access to the EU talent pool
- a disorderly exit from the EU may put a strain on the capabilities of the Group's systems, increasing the risk of failure of those systems and potentially resulting in losses and reputational damage for the Group

Material existing and emerging risks

- changes to current EU 'Passporting' rights may require further adjustment to the current model for the Group's cross-border banking operation which could increase operational complexity and/or costs for the Group
- the legal framework within which the 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 maintain 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 see reduced access to financial markets infrastructures (including exchanges, central counterparties and payments services, or other support services provided by third party suppliers) service provision for clients could be impacted, likely resulting in reduced market share and revenue and increased operating costs for the Group.

iii) The impact of interest rate changes on the Group's profitability

Any changes to interest rates are significant for the Group, especially given the uncertainty as to the direction of interest rates and the pace at which interest rates may change, particularly in the Group's main markets of the UK and the US.

A continued period of low interest rates and flat yield curves, including any further cuts, may affect and continue to put pressure on the Group's net interest margins (the difference between its lending income and borrowing costs) and could adversely affect the profitability and prospects of the Group.

However, whilst interest rate rises could positively impact the Group's profitability as retail and corporate business income increases due to margin de-compression, further increases in interest rates, if larger or more frequent than expected, could lead to generally weaker than expected growth, reduced business confidence and higher unemployment, which in turn could cause stress in the lending portfolio and underwriting activity of the Group. Resultant higher credit losses driving an increased impairment charge would most notably impact retail unsecured portfolios and wholesale non-investment grade lending and could have a material effect on the Group's business, results of operations, financial condition and prospects.

In addition, changes in interest rates could have an adverse impact on the value of the securities held in the Group's liquid asset portfolio. Consequently, this could create more volatility than expected through the Group's FVOCI reserves.

iv) The competitive environments of the banking and financial services industry

The Group's businesses are conducted in competitive environments (in particular, in the UK and US), with increased competition scrutiny, and the Group's financial performance depends upon the Group's ability to respond effectively to competitive pressures whether due to competitor behaviour, new entrants to the market, consumer demand, technological changes or otherwise.

This competitive environment, and the Group's response to it, may have a material adverse effect on the Group's ability to maintain existing or capture additional market share, business, results of operations, financial condition and prospects.

v) Regulatory change agenda and impact on business model

The 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. Furthermore, a more intensive regulatory approach and enhanced requirements together with the potential lack of international regulatory co-ordination as enhanced supervisory standards are developed and implemented may adversely affect the Group's business, capital and risk management strategies and/or may result in the 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.

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

- changes in prudential requirements 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 the Group's business mix or exiting other businesses
  - and/or undertaking other actions to strengthen the Group's position.
- 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. These regulations may increase costs for market participants, as well as reduce liquidity in the derivatives markets. More broadly, changes to the regulatory framework (in particular, the review of the second Markets in Financial Instruments Directive and the implementation of the Benchmarks Regulation) could entail significant costs for market participants and may have a significant impact on certain markets in which the Group operate.
- the 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 European Banking Authority (EBA), the Federal Deposit Insurance Corporation (FDIC) and the Federal Reserve Board (FRB). Failure to meet the requirements of regulatory stress tests, or the failure by regulators to approve the stress test results and capital plans of the Group, could result in the Group or certain of its members being required to enhance their capital position, limit capital distributions or position additional capital in specific subsidiaries.

For further details on the regulatory supervision of, and regulations applicable to, the Group, see Supervision and regulation on **pages 204 to 210**.

vi) The impact of climate change on the Group's business

The risks associated with climate change are subject to rapidly increasing societal, regulatory and political focus, both in the UK and internationally. Embedding climate risk into the Group's risk framework in line with regulatory expectations, and adapting the Group's operations and business strategy to address both the financial risks resulting from: (i) the physical risk of climate change; and (ii) the risk from the transition to a low-carbon economy, could have a significant impact on the Group's business.

Physical risks from climate change arise from a number of factors and relate to specific weather events and longer-term shifts in the climate. The nature and timing of extreme weather events are uncertain but they are increasing in frequency and their impact on the economy is predicted to be more acute in the future. The potential impact on the economy includes, but is not limited to, lower GDP growth, higher unemployment and significant changes in asset prices and profitability of industries. Damage to the properties and operations of borrowers could impair asset values and the creditworthiness of customers leading to increased default rates, delinquencies, write-offs and impairment charges in the Group's portfolios. In addition, the Group's premises and resilience may also suffer physical damage due to weather events leading to increased costs for the Group.

> As the economy transitions to a low-carbon economy, financial institutions such as the Group may face significant and rapid developments in policy, law and regulation which could impact the lending activities the Group undertakes.

As the economy transitions to a low-carbon economy, financial institutions such as the Group may face significant and rapid developments in stakeholder expectations, policy, law and regulation which could impact the lending activities the Group undertakes, as well as the risks associated with its lending portfolios, and the value of the Group's financial assets. As sentiment towards climate change shifts and societal preferences change, the Group may face greater scrutiny of the type of business it conducts, adverse media coverage and reputational damage, which may in turn impact customer demand for the Group's products, returns on certain business activities and the value of certain assets and trading positions resulting in impairment charges.

In addition, the impacts of physical and transition climate risks can lead to second order connected risks, which have the potential to affect the Group's retail and wholesale portfolios. The impacts of climate change may increase losses for those sectors sensitive to the effects of physical and transition risks. Any subsequent increase in defaults and rising unemployment could create recessionary pressures, which may lead to wider deterioration in the creditworthiness of the Group's clients, higher ECLs, and increased charge-offs and defaults among retail customers.

If the Group does not adequately embed risks associated with climate change into its risk framework to appropriately measure, manage and disclose the various financial and operational risks it faces as a result of climate change, or fails to adapt its strategy and business model to the changing regulatory requirements and market expectations on a timely basis, it may have a material and adverse impact on the Group's level of business growth, competitiveness, profitability, capital requirements, cost of funding, and financial condition.

For further details on the Group's approach to climate change, see **page 138** of climate change risk management.

vii) Impact of benchmark interest rate reforms on the Group

For several years, global regulators and central banks have been driving international efforts to reform key benchmark interest rates and indices, such as the London Interbank Offered Rate (LIBOR), which are used to determine the amounts payable under a wide range of transactions and make them more reliable and robust. This has resulted in significant changes to the methodology and operation of certain benchmarks and indices, the adoption of alternative 'risk-free' reference rates and the proposed discontinuation of certain reference rates (including LIBOR), with further changes anticipated.

Uncertainty as to the nature of such potential changes, the availability and/or suitability of alternative 'risk-free' reference rates and other reforms may adversely affect a broad range of transactions (including any securities, loans and derivatives which use LIBOR to determine the amount of interest payable that are included in the Group's financial assets and liabilities) that use these reference rates and indices and introduce a number of risks for the Group, including, but not limited to:

- **Conduct risk:** in undertaking actions to transition away from using certain reference rates (including LIBOR), the Group faces conduct risks, which may lead to customer complaints, regulatory sanctions or reputational impact if the Group is (i) considered to be undertaking market activities that are manipulative or create a false or misleading impression, (ii) misusing sensitive information or not identifying or appropriately managing or mitigating conflicts of interest, (iii) providing customers with inadequate advice, misleading information, unsuitable products or unacceptable service, (iv) not taking an appropriate or consistent response to remediation activity or customer complaints, (v) providing regulators with inaccurate regulatory reporting or (vi) colluding or inappropriately sharing information with competitors

Material existing and emerging risks

- **Financial risks:** the valuation of certain of the Group's financial assets and liabilities may change. Moreover, transitioning to alternative 'risk-free' reference rates may impact the ability of members of the Group to calculate and model amounts receivable by them on certain financial assets and determine the amounts payable on certain financial liabilities (such as debt securities issued by them) because currently alternative 'risk-free' reference rates (such as the Sterling Overnight Index Average (SONIA) and the Secured Overnight Financing Rate (SOFR)) are look-back rates whereas term rates (such as LIBOR) allow borrowers to calculate at the start of any interest period exactly how much is payable at the end of such interest period. This may have a material adverse effect on the Group's cash flows
- **Pricing risk:** changes to existing reference rates and indices, discontinuation of any reference rate or indices and transition to alternative 'risk-free' reference rates may impact the pricing mechanisms used by the Group on certain transactions
- **Operational risk:** changes to existing reference rates and indices, discontinuation of any reference rate or index and transition to alternative 'risk-free' reference rates may require changes to the Group's IT systems, trade reporting infrastructure, operational processes, and controls. In addition, if any reference rate or index (such as LIBOR) is no longer available to calculate amounts payable, the Group may incur additional expenses in amending documentation for new and existing transactions and/or effecting the transition from the original reference rate or index to a new reference rate or index
- **Accounting risk:** an inability to apply hedge accounting in accordance with IFRS could lead to increased volatility in the Group's financial results and performance.

Any of these factors may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

For further details on the impacts of benchmark interest rate reforms on the Group, see Note 14 on **pages 270 to 277**.

viii) Holding company structure of Barclays PLC and its dependency on distributions from its subsidiaries

Barclays PLC is a holding company and its principal sources of income are, and are expected to continue to be, distributions (in the form of dividends and interest payments) from operating subsidiaries which also hold the principal assets of the Group. As a separate legal entity, Barclays PLC relies on such distributions in order to be able to meet its obligations as they fall due (including its payment obligations with respect to its debt securities) and to create distributable reserves for payment of dividends to ordinary shareholders.

The ability of Barclays PLC's subsidiaries to pay dividends and interest and Barclays PLC's ability to receive such distributions from its investments in its subsidiaries and other entities will be subject not only to such subsidiaries' and other entities' financial performance but also to applicable local laws and other restrictions. These laws and restrictions could limit the payment of dividends and distributions to Barclays PLC by its subsidiaries and any other entities in which it holds an investment from time to time, which could restrict Barclays PLC's ability to meet its obligations and/or to pay dividends to ordinary shareholders.

ix) Application of resolution measures and stabilisation powers under the Banking Act

Under the Banking Act 2009, as amended, (the 'Banking Act') substantial powers are granted to the Bank of England (or, in certain circumstances, HM Treasury), in consultation with the PRA, the FCA and HM Treasury, as appropriate, as part of a special resolution regime (the 'SRR'). These powers enable the relevant UK resolution authority to implement resolution measures and stabilisation options with respect to a UK bank or investment firm and certain of its affiliates (currently including Barclays PLC) (each a 'relevant entity') in circumstances in which the relevant UK resolution authority is satisfied that the resolution conditions are met.

The SRR consists of five stabilisation options: (i) private sector transfer of all or part of the business or shares of the relevant entity, (ii) transfer of all or part of the business of the relevant entity to a 'bridge bank' established by the Bank of England, (iii) transfer to an asset management vehicle wholly or partly owned by HM Treasury or the Bank of England, (iv) the cancellation or transfer of the relevant entities' equity and write-down or conversion of the relevant entity's capital instruments and liabilities (the bail-in tool) and (v) temporary public ownership (i.e. nationalisation).

In addition, the relevant UK resolution authority may, in certain circumstances, in accordance with the Banking Act require the permanent write-down or conversion into equity of any outstanding tier 1 capital instruments and tier 2 capital instruments prior to the exercise of any stabilisation option (including the bail-in tool), which may lead to the cancellation, transfer or dilution of Barclays PLC's ordinary share capital.

Shareholders should assume that, in a resolution situation, public financial support will only be available to a relevant entity as a last resort after the relevant UK resolution authorities have assessed and used, to the maximum extent practicable, the resolution tools, including the bail-in tool (the Bank of England's preferred approach for the resolution of the Group is a bail-in strategy with a single point of entry at Barclays PLC). The exercise of any of such powers under the Banking Act or any suggestion of any such exercise could materially adversely affect the value of Barclays PLC ordinary shares and could lead to shareholders losing some or all of their investment.

In addition, any safeguards within the Banking Act (such as the 'no creditor worse off' principle) may not result in compensation to shareholders that is equivalent to the full losses incurred by them in the resolution and there can be no assurance that shareholders would recover such compensation promptly.

Material existing and emerging risks impacting individual principal risks

i) Credit risk

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

a) Impairment

The introduction of the impairment requirements of IFRS 9 Financial Instruments, resulted in impairment loss allowances that are recognised earlier, on a more forward-looking basis and on a broader scope of financial instruments, and may continue to have a material impact on the Group's business, results of operations, financial condition and prospects.

Measurement involves complex judgement and impairment charges could be volatile, particularly under stressed conditions. Unsecured products with longer expected lives, such as 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 the Group's regulatory capital ratios.

In addition, the move from incurred losses to ECLs has the potential to impact the Group's performance under stressed economic conditions or regulatory stress tests.

For more information, refer to Note 1 on **pages 248 to 252**.

b) Specific sectors and concentrations

The Group is subject to risks arising from changes in credit quality and recovery rates of loans and advances due from borrowers and counterparties in any 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 the Group's portfolio which could have a material impact on performance:

- **UK retail, hospitality & leisure.** Softening demand, rising costs and a structural shift to online shopping is fuelling pressure on the UK High Street and other sectors heavily reliant on consumer discretionary spending. As these sectors continue to reposition themselves, the trend represents a potential risk in the Group's UK corporate portfolio from the perspective of its interactions with both retailers and their landlords
- **consumer affordability** has remained a key area of focus, particularly in unsecured lending. 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 Group retail and corporate credit exposure. In 2019, property price growth across the UK has slowed, particularly in London and the South East where the Group's exposure has high concentration. The Group is at risk of increased impairment from a material fall in property prices
- **leverage finance underwriting.** The Group takes on sub-investment grade underwriting exposure, including single name risk, particularly in the US and Europe. The 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 the Group, or an increased capital requirement should there be a need to hold the exposure for an extended period
- **Italian mortgage portfolio.** The Group is exposed to a decline in the Italian economic environment through a mortgage portfolio in run-off and positions to wholesale customers. Growth in the Italian economy remained weak in 2019 and should the economy deteriorate further, there could be a material adverse effect on the Group's results including, but not limited to, increased credit losses and higher impairment charges.

The 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 the Group's results due to, for example, increased credit losses and higher impairment charges.

For further details on the Group's approach to credit risk, see credit risk management on **pages 139 to 140** and credit risk performance on **pages 148 to 175**.

ii) Market risk

Market risk is the risk of loss arising from potential adverse change in the value of the Group's assets and liabilities from fluctuation in market variables including, but not limited to, interest rates, foreign exchange, equity prices, commodity prices, credit spreads, implied volatilities and asset correlations.

A broadening in trade tensions between the US and its major trading partners, slowing global growth and political concerns in the US and Europe (including Brexit) are some of the factors that could heighten market risks for the Group's portfolios. In addition, the 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 the 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.

It is difficult to predict changes in market conditions, and such changes could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

For further details on the Group's approach to market risk, see market risk management on **page 141** and market risk performance on **pages 176 to 177**.

Material existing and emerging risks

iii) Treasury and capital risk

There are three primary types of treasury and capital risk faced by the Group:

a) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its contractual or contingent obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets. This could cause the Group to fail to meet regulatory liquidity standards or be unable to support day-to-day banking activities. Key liquidity risks that the Group faces include:

- **the stability of the 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 the Group failing to preserve the current level of customer and investor confidence. The Group also regularly accesses the money and capital markets to provide short-term and long-term funding to support its operations. Several factors, including adverse macroeconomic conditions, adverse outcomes in conduct and legal, competition and regulatory matters and loss of confidence by investors, counterparties and/or customers in the Group, can affect the ability of the Group to access the capital markets and/or the cost and other terms upon which the Group is able to obtain market funding
- **credit rating changes and the impact on funding costs:** rating agencies regularly review credit ratings given to Barclays PLC and certain members of the Group. Credit ratings are based on a number of factors, including some which are not within the Group's control (such as political and regulatory developments, changes in rating methodologies, macro-economic conditions and the sovereign credit ratings of the countries in which the Group operates)

  Whilst the impact of a credit rating change will depend on a number of factors (including the type of issuance and prevailing market conditions), any reductions in a credit rating (in particular, any downgrade below investment grade) may affect the Group's access to the money or capital markets and/or terms on which the Group is able to obtain market funding, increase costs of funding and credit spreads, reduce the size of the Group's deposit base, trigger additional collateral or other requirements in derivative contracts and other secured funding arrangements or limit the range of counterparties who are willing to enter into transactions with the Group. Any of these factors could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

b) Capital risk

Capital risk is the risk that the Group has an insufficient level or composition of capital to support its normal business activities and to meet its regulatory capital requirements under normal operating environments or stressed conditions (both actual and as defined for internal planning or regulatory stress testing purposes). This includes the risk from the Group's pension plans. Key capital risks that the Group faces include:

- **failure to meet prudential capital requirements:** this could lead to the Group being unable to support some or all of its business activities, a failure to pass 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 the Group's capital or leverage position
- **adverse changes in FX rates impacting capital ratios:** the 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, the Group's regulatory capital ratios are sensitive to foreign currency movements. Failure to appropriately manage the Group's balance sheet to take account of foreign currency movements could result in an adverse impact on the Group's regulatory capital and leverage ratios
- **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 the 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 the Group's defined benefits schemes would be adversely affected by a prolonged fall in the discount rate due to a persistent low interest 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.

c) Interest rate risk in the banking book

Interest rate risk in the banking book is the risk that the Group is exposed to capital or income volatility because of a mismatch between the interest rate exposures of its (non-traded) assets and liabilities. The Group's hedge programmes for interest rate risk in the banking book rely on behavioural assumptions and, as a result, the success of the hedging strategy cannot be guaranteed. A potential mismatch in the balance or duration of the hedge assumptions could lead to earnings deterioration. A decline in interest rates in G3 currencies may also compress net interest margin on retail portfolios. In addition, the Group's liquidity pool is exposed to potential capital and/or income volatility due to movements in market rates and prices.

For further details on the Group's approach to treasury and capital risk, see treasury and capital risk management on **pages 142 to 143** and treasury and capital risk performance on **pages 178 to 199**.

iv) Operational risk

Operational risk is the risk of loss to the Group from inadequate or failed processes or systems, human factors or due to external events where the root cause is not due to credit or market risks. Examples include:

a) Operational resilience

The loss of or disruption to business processing is a material inherent risk within the Group and across the financial services industry, whether arising through impacts on the Group's technology systems, real estate services including its retail branch network, or availability of personnel or services supplied by third parties. Failure to build resilience and recovery capabilities into business processes or into the services of technology, real estate or suppliers on which the Group's business processes depend, may result in significant customer detriment, costs to reimburse losses incurred by the Group's customers, and reputational damage.

b) Cyberthreats

The frequency of cyberattacks continues to grow and is a global threat that is inherent across all industries. The financial sector remains a primary target for cyber criminals, hostile nation states, opportunists and hacktivists and there is an increasing level of sophistication in criminal hacking for the purpose of stealing money, stealing, destroying or manipulating data (including customer data) and/or disrupting operations, where multiple threats exist including threats arising from malicious emails, distributed denial of service (DDoS) attacks, payment system compromises, insider attackers, supply chain and vulnerability exploitation. Cyber events have a compounding impact on services and customers, e.g. data breaches in social networking sites, retail companies and payments networks.

Any failure in the Group's cybersecurity policies, procedures or controls and/or its IT systems, may result in significant financial losses, major business disruption, inability to deliver customer services, or loss of data or other sensitive information (including as a result of an outage) and may cause associated reputational damage. Any of these factors could increase costs (including, but not limited to, costs relating to notification of, or compensation for customers) or may affect the Group's ability to retain and attract customers. Regulators in the UK, US and Europe continue to recognise cybersecurity as an increasing systemic risk to the financial sector and have highlighted the need for financial institutions to improve their monitoring and control of, and resilience (particularly of critical services) to cyberattacks, and to provide timely notification of them, as appropriate. Given the Group's reliance on technology, a cyberattack could have a material adverse effect on its business, results of operations, financial condition and prospects.

For further details on the Group's approach to cyberthreats, see operational risk performance on **pages 200 to 202**.

c) New and emergent technology

Technological advancements present opportunities to develop new and innovative ways of doing business across the 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 introduce new vulnerabilities and security flaws and have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

d) External fraud

The level and nature of fraud threats continue 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 fraud threats could lead to customer detriment, loss of business, missed business opportunity and reputational damage, all of which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects. Furthermore, recent changes in the regulatory landscape has seen increased levels of liability being taken by the 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.

e) Data management and information protection

The Group holds and processes large volumes of data, including personally identifiable information, intellectual property, and financial data. The General Data Protection Regulation (GDPR) has strengthened the data protection rights of customers and increased the accountability of the Group in its management of such data. Failure to accurately collect and maintain this data, protect it from breaches of confidentiality and interference with its availability exposes the Group to the risk of loss or unavailability of data (including customer data discussed under 'vi) Conduct risk, c) Data protection and privacy' below) or data integrity issues. Any of these failures could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

f) 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 erroneous or duplicated transactions, a system outage, or impact the Group's pricing abilities, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects and reputation.

g) Processing error

As a large, complex financial institution, the Group faces the risk of material errors in existing operational processes, or from new processes as a result of ongoing change activity, including payments and client transactions. Material operational or payment errors could disadvantage the Group's customers, clients or counterparties and could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

h) Supplier exposure

The Group depends on suppliers for the provision of many of its services and the development of technology. Whilst the Group depends on suppliers, it remains fully accountable for any risk arising from the actions of suppliers. The dependency on suppliers and sub-contracting of outsourced services introduces concentration risk where the failure of specific suppliers could have an impact on the Group's ability to continue to provide material services to its customers. Failure to adequately manage supplier risk could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Material existing and emerging risks

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 material losses to the Group, beyond what was anticipated or provided for. Further development of standards and interpretations under IFRS could also materially impact the financial results, condition and prospects of the Group.

For further details on the accounting estimates and policies, see the Notes to the audited financial statements on **pages 248 to 337**.

j) Tax risk

The Group is required to comply with the domestic and international tax laws and practice of all countries in which it has business operations. There is a risk that the 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 the Group. In addition, increasing reporting and disclosure requirements around the world and the digitisation of the administration of tax has potential to increase the Group's tax compliance obligations further.

k) Ability to hire and retain appropriately qualified employees

As a regulated financial institution, the Group requires diversified and specialist skilled colleagues. The 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 have a material adverse effect on the Group's business, results of operations, financial condition and prospects. Additionally, this may result in disruption to service which could in turn lead to disenfranchising certain customer groups, customer detriment and reputational damage.

For further details on the Group's approach to operational risk, see operational risk management on **pages 143 to 144** and operational risk performance on **pages 200 to 202**.

v) Model risk

Model risk is the risk of potential adverse consequences from financial assessments or decisions based on incorrect or misused model outputs and reports. The 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 the Group has a material impact on the accuracy and completeness of its risk and financial metrics. Models may also be misused. Model errors or misuse may result in (among other things) the Group making inappropriate business decisions and/or inaccuracies or errors being identified in the Group's risk management and regulatory reporting processes. This could result in significant financial loss, imposition of additional capital requirements, enhanced regulatory supervision and reputational damage, all of which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

For further details on the Group's approach to model risk, see model risk management on **page 144** and model risk performance on **page 203**.

vi) Conduct risk

Conduct risk is the risk of detriment to customers, clients, market integrity, effective competition or the Group 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) Employee misconduct

The Group's businesses are exposed to risk from potential non-compliance with its policies and instances of wilful and negligent misconduct by employees, all of which could result in enforcement action or reputational harm. It is not always possible to deter employee misconduct, and the precautions we take to prevent and detect this activity may not always be effective. Employee misconduct could have a material adverse effect on the Group's customers, clients, market integrity as well as reputation, financial condition and prospects.

b) Product governance and life cycle

The ongoing review, management and governance of new and amended products has come under increasing regulatory focus (for example, the recast of the Markets in Financial Instruments Directive and guidance in relation to the adoption of the EU Benchmarks Regulation) and the Group expects this to continue. The following could lead to poor customer outcomes: (i) ineffective product governance, including design, approval and review of products, and (ii) inappropriate controls over internal and third party sales channels and post sales services, such as complaints handling, collections and recoveries. The Group is at risk of financial loss and reputational damage as a result.

c) Financial crime

The Group may be adversely affected if it fails to effectively mitigate the risk that third parties or its employees facilitate, or that its products and services are used to facilitate, financial crime (money laundering, terrorist financing and proliferation financing, breaches of economic and financial sanctions, bribery and corruption, and the facilitation of tax evasion). UK and US regulations covering financial institutions continue to focus on combating financial crime. Failure to comply may lead to enforcement action by the Group's regulators, including severe penalties, which may have a material adverse effect on the Group's business, financial condition and prospects.

d) Data protection and privacy

Proper handling of personal data is critical to sustaining long-term relationships with our customers and clients and complying with privacy laws and regulations. Failure to protect personal data can lead to potential detriment to our customers and clients, reputational damage, enforcement action and financial loss, which may be substantial (see 'iv) Operational risk, (e) Data management and information protection' above).

e) Regulatory focus on culture and accountability

Regulators around the world continue to emphasise the importance of culture and personal accountability and enforce the adoption of adequate internal reporting and whistleblowing procedures to help to promote appropriate conduct and drive positive outcomes for customers, colleagues, clients and markets. The requirements and expectations of the UK Senior Managers Regime, Certification Regime and Conduct Rules have driven additional accountabilities for individuals across the Group with an increased focus on governance and rigour. Failure to meet these requirements and expectations may lead to regulatory sanctions, both for the individuals and the Group.

For further details on the Group's approach to conduct risk, see conduct risk management on **page 145** and conduct risk performance on **page 203**.

vii) Reputation risk

Reputation risk is the risk that an action, transaction, investment, event, decision or business relationship will reduce trust in the Group's integrity and/or competence.

Any material lapse in standards of integrity, compliance, customer service or operating efficiency may represent a potential reputation risk. Stakeholder expectations constantly evolve, and so reputation risk is dynamic and varies between geographical regions, groups and individuals. A risk arising in one business area can have an adverse effect upon the Group's overall reputation and any one transaction, investment or event (in the perception of key stakeholders) can reduce trust in the Group's integrity and competence. The Group's association with sensitive topics and sectors has been, and in some instances continues to be, an area of concern for stakeholders, including (i) the financing of, and investments in, businesses which operate in sectors that are sensitive because of their relative carbon intensity or local environmental impact; (ii) potential association with human rights violations (including combating modern slavery) in the Group's operations or supply chain and by clients and customers; and (iii) the financing of businesses which manufacture and export military and riot control goods and services.

Reputation risk could also arise from negative public opinion about the actual, or perceived, manner in which the Group conducts its business activities, or the Group's financial performance, as well as actual or perceived practices in banking and the financial services industry generally. Modern technologies, in particular online social media channels and other broadcast tools that facilitate communication with large audiences in short time frames and with minimal costs, may significantly enhance and accelerate the distribution and effect of damaging information and allegations. Negative public opinion may adversely affect the Group's ability to retain and attract customers, in particular, corporate and retail depositors, and to retain and motivate staff, and could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

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 the Group (see 'iv) Operational risk' above).

For further details on the Group's approach to reputation risk, see reputation risk management on **page 145** and reputation risk performance on **page 203**.

viii) Legal risk and legal, competition and regulatory matters

The Group conducts activities in a highly regulated global market which exposes it and its employees to legal risk arising from (i) the multitude of laws and regulations that apply to the businesses it operates, which are highly dynamic, may vary between jurisdictions, and are often unclear in their application to particular circumstances especially in new and emerging areas; and (ii) the diversified and evolving nature of the Group's businesses and business practices. In each case, this exposes the Group and its employees to the risk of loss or the imposition of penalties, damages or fines from the failure of members of the Group to meet their respective legal obligations, including legal or contractual requirements. Legal risk may arise in relation to a number of the risk factors identified above, including (without limitation) as a result of (i) the UK's withdrawal from the EU, (ii) benchmark reform, (iii) the regulatory change agenda, and (iv) rapidly evolving rules and regulations in relation to data protection, privacy and cybersecurity.

A breach of applicable legislation and/or regulations by the Group or its employees could result in criminal prosecution, regulatory censure, potentially significant fines and other sanctions in the jurisdictions in which the Group operates. Where clients, customers or other third parties are harmed by the Group's conduct, this may also give rise to civil legal proceedings, including class actions. Other legal disputes may also arise between the Group and third parties relating to matters such as breaches or enforcement of legal rights or obligations arising under contracts, statutes or common law. Adverse findings in any such matters may result in the Group being liable to third parties or may result in the Group's rights not being enforced as intended.

Details of legal, competition and regulatory matters to which the Group is currently exposed are set out in Note 26. In addition to matters specifically described in Note 26, the Group is engaged in various other legal proceedings which arise in the ordinary course of business. The 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 the Group is, or has been, engaged.

The outcome of legal, competition and regulatory matters, both those to which the Group is currently exposed and any others which may arise in the future, is difficult to predict. In connection with such matters, the Group may incur significant expense, regardless of the ultimate outcome, and any such matters could expose the 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 the Group's business operations including the withdrawal of authorisations; increased regulatory compliance requirements or changes to laws or regulations; suspension of operations; public reprimands; loss of significant assets or business; a negative effect on the 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 have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Climate change risk management

Overview

The Group has a long-standing commitment to Environmental Risk Management (ERM) and its approach, aided by regulatory initiatives, has continued to evolve, incorporating climate change in recent years as the understanding of associated risks has grown. In 2018, a dedicated Sustainability team was created to consider how the Group approaches wider sustainability and ESG matters, working closely with the ERM function.

In 2019, the Group published an Energy & Climate Change Statement (**home.barclays/statements/barclays-energy-and-climate-change-statement**) which articulates our focus on three areas: financing growth of renewables and businesses addressing environmental challenges; taking a responsible approach to financing energy sources with a greater carbon intensity; and reducing our own carbon footprint.

It is supported by an internal standard containing guidelines for restricting or supporting financing activities in carbon-intensive energy sectors, as well as enhanced due diligence requirements for environmentally or socially sensitive sectors.

For more detail on how climate change risks arise and their impact on the Group, refer to material existing and emerging risks on **page 131**.

Organisation and structure

On behalf of the Board, the BRC reviews and approves the Group's approach to managing the financial and operational risks associated with climate change.

Broadly, climate change matters are co-ordinated by the Sustainability team, including reputation risks linked to the Group's financial and societal impact. In 2019, reputation risk became the responsibility of the Board, where the most material issues facing the Group are escalated to and directly handled by the Board.

Risk management – policy

In 2019, the Group published a *'Climate Change Financial Risk and Operational Risk Policy'*. This introduced climate change as an overarching risk impacting certain principal risks: credit risk, market risk, treasury & capital risk and operational risk. The policy is jointly owned by the relevant Principal Risk Leads with oversight by the BRC.

Each relevant Principal Risk Lead has developed a methodology and implementation plan for quantifying climate change risk.

Risk	Measurement approach
Credit risk	A Credit Risk Materiality Matrix (Climate Lens) assesses the climate change risk of a counterparty to which the Group is exposed. The Climate Lens considers transition factors such as a counterparty's reliance on fossil fuels, sensitivity to policy changes and ability to diversify, as well as exposure to physical risks. Where an obligor is rated as Medium or High, the details are referred to the Environmental Risk Management team, who conduct enhanced due diligence.
Market risk	Stress tests are used to assess and aggregate exposures arising from climate related risks. Stress test scenarios are applied to a range of assets, reflecting the impact of climate change across sectors, countries and regions.
Treasury and capital risk	Stress tests are used to assess and aggregate exposures arising from climate related risks. They are measured as part of existing stress testing, ICAAP and capital planning.
Operational risk	The risks associated with Climate Change are relevant to the following Operational Risk Categories/Themes, which are managed through the Operational Risk Framework: Premises Risk, Supplier Risk and Resilience. Climate Change has been included in the Strategic Risk Assessment to understand exposure on a forward looking basis across the five-year business planning cycle.

Principal risk management

Credit risk management (audited)

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

Overview

The credit risk that the 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 the 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, roles and responsibilities

The first line of defence has primary responsibility for managing credit risk within the risk appetite and limits set by the Risk function, supported by a defined set of policies, standards and controls. In the entities, business risk committees (attended by the first line) monitor and review the credit risk profile of each business unit where the most material issues are escalated to the Retail Credit Risk Management Committee, Wholesale Credit Risk Management Committee and Group Risk Committee.

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 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 review and validation of credit risk measurement models. The credit risk management teams in each legal entity are accountable to the relevant Legal Entity CRO, who reports to the Group CRO.

For wholesale portfolios, credit risk managers are organised in sanctioning teams by geography, industry and/or product. In 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 Group Credit Risk Committee, attended by legal entity Senior Credit Officers, provides a formal mechanism for the Group Senior Credit Officer to exercise the highest level of credit authority over the most material Group single name exposures.

Credit risk mitigation

The 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

Credit risk exposures can be reduced by applying netting and set-off. For derivative transactions, the 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.

Principal risk management

Collateral

The 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
- **wholesale lending:** a fixed charge over commercial property and other physical assets, in various forms
- **other retail lending:** includes charges over motor vehicles and other physical assets; second lien charges over residential property; and finance lease receivables
- **derivatives:** the Group also often seeks to enter into a margin agreement (e.g. Credit Support Annex) with counterparties with which the 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
- **reverse repurchase agreements:** collateral typically comprises highly liquid securities which have been legally transferred to the Group subject to an agreement to return them for a fixed price
- **financial guarantees and similar off-balance sheet commitments:** cash collateral may be held against these arrangements.

Risk transfer

A range of instruments including guarantees, credit insurance, credit derivatives and securitisation can be used to transfer credit risk from one counterparty to another. These mitigate credit risk in two main ways:

- if the risk is transferred to a counterparty which is more creditworthy than the original counterparty, then overall credit risk is reduced
- where recourse to the first counterparty remains, both counterparties must default before a loss materialises. This is less likely than the default of either counterparty individually so credit risk is reduced.

Detailed policies are in place to appropriately recognise and record credit risk mitigation. For more information, refer to **pages 175 to 177** of the Barclays PLC Pillar 3 Report 2019 (unaudited).

Governance and oversight of ECLs under IFRS 9

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

i) Impairment policy requirements are set and reviewed regularly, at a minimum annually, to maintain adherence to accounting standards. Key judgements inherent in policy, including the estimated life of revolving credit facilities and the quantitative criteria for assessing the 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 the 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:

- model maintenance: monitoring of model performance including backtesting by comparing predicted ECL versus flow into Stage 3 and coverage ratios; proposing material changes for independent IVU approval; and recalibrating model parameters on more timely data; 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 where related to a model deficiency. The most material PMAs are also approved by the CRO.

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 the Group's medium-term planning exercise, but also if the external consensus of the UK or US economy materially worsen. Each model used in the estimation of ECL, including key inputs, are governed by a series of internal controls, which include the validation of completeness and accuracy of data in golden source systems, documented data transformations and documented lineage of data transfers between systems.

iii) The Group Impairment Committee, formed of members from both Finance and Risk and attended by both the Group Finance Director and the Group CRO, is responsible for overseeing impairment policy and practice across the Group and will approve impairment results. Reported results and key messages are communicated to the BAC, which has an oversight role and provides challenge of key assumptions, including the basis of the scenarios adopted. Impairment results are then factored into management decision-making, including but not limited to, business planning, risk appetite setting and portfolio management.

Market risk management (audited)

The risk of loss arising from potential adverse changes in the value of the Group's assets and liabilities from fluctuation in market variables including, but not limited to, interest rates, foreign exchange, equity prices, commodity prices, credit spreads, implied volatilities and asset correlations.

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, the 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, roles and responsibilities

Market risk in the businesses resides primarily in Barclays International and Treasury. These businesses have the mandate to assume market risk. The front office and Treasury trading desks are responsible for managing market risk on a day-to-day basis, where they are required to understand and adhere to all limits applicable to their businesses. The Market Risk team support the trading desks with the day-to-day limit management of market risk exposures through governance processes which are outlined in supporting market risk policies and standards.

Market risk oversight and challenge is provided by business committees and Group committees, including the Market Risk Committee.

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 BRC recommends market risk appetite to the 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 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 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 2019** (unaudited).

Management value at risk (VaR)

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.

In some instances, historical data is not available for particular market risk factors for the entire look-back period, for example, complete historical data would not be available for an equity security following an initial public offering. In these cases, market risk managers will proxy the unavailable market risk factor data with available data for a related market risk factor.

Limits are applied at the total level as well as by risk factor type, which are then cascaded down to particular trading desks and businesses by the market risk management function.

See **page 177** for a review of management VaR in 2019.

Principal risk management

Treasury and capital risk management

This comprises:
Liquidity risk: the risk that the Group is unable to meet its contractual or contingent obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets.

Capital risk: the risk that the Group has an insufficient level or composition of capital to support its normal business activities and to meet its regulatory capital requirements under normal operating environments or stressed conditions (both actual and as defined for internal planning or regulatory testing purposes). This also includes the risk from the Group's pension plans.

Interest rate risk in the banking book: the risk that the Group is exposed to capital or income volatility because of a mismatch between the interest rate exposures of its (non traded) assets and liabilities.

The Treasury function manages treasury and capital risk exposure on a day-to-day basis with the Group Treasury Committee acting as the principal management body. The Treasury and Capital Risk function is responsible for oversight and provides insight into key capital, liquidity, interest rate risk in the banking book (IRRBB) and pension risk management activities.

Liquidity risk management (audited)

Overview

The efficient management of liquidity is essential to the Group in order to retain the confidence of the financial markets and maintain the sustainability of the business. The liquidity risk control framework is used to manage all liquidity risk exposures under both BAU and stressed conditions. The framework is designed to maintain liquidity resources that are sufficient in amount, quality and funding tenor profile to support the liquidity risk appetite as expressed by the Barclays PLC Board. The liquidity risk appetite is monitored against both internal and regulatory liquidity metrics.

Organisation, roles and responsibilities

Treasury has the primary responsibility for managing liquidity risk within the set risk appetite. Both Risk and Treasury contribute to the production of the Internal Liquidity Adequacy Assessment Process (ILAAP). The Treasury and Capital Risk function is responsible for the management and governance of the liquidity risk mandate, as defined by the Board.

The liquidity risk control framework 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 the Group's balance sheet, 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 the Group's obligations as they fall due.

The Board approves the Group funding plan, internal stress tests, regulatory stress test results, and recovery plan. The Group Treasury Committee is responsible for monitoring and managing liquidity risk in line with the Group's funding management objectives, funding plan and risk framework. 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 Group funding plan/forecast in order to agree the Group's projected funding abilities.

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. The objectives of the framework are to maintain adequate capital for the Group and legal entities to withstand the impact of the risks that may arise under normal and stressed conditions, and maintain adequate capital to cover current and forecast business needs and associated risks to provide a viable and sustainable business offering.

Organisation, roles and responsibilities

Treasury has the primary responsibility for managing and monitoring capital. The Treasury and Capital Risk function provides oversight of capital risk and is an independent risk function that reports to the Group CRO. Production of the Barclays PLC Internal Capital Adequacy Assessment Process (ICAAP) is the responsibility of the Treasury.

Capital risk management is underpinned by a control framework and policy. The capital management strategy, outlined in the 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 the Group's objectives.

The Board approves the Group capital plan, internal stress tests and results of regulatory stress tests, and the Group recovery plan. The Group Treasury Committee is responsible for monitoring and managing capital risk in line with the Group's capital management objectives, capital plan and risk frameworks. The 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 BRC reviews the risk profile, and annually reviews risk appetite and the impact of stress scenarios on the Group capital plan/forecast in order to agree the 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 (ALCOs) with oversight by the Group Treasury Committee, as required. In 2019, Barclays complied with all regulatory minimum capital requirements.

Pension risk

The Group maintains a number of defined benefit pension schemes for past and current employees. The ability of schemes to meet pension payments is achieved with investments and contributions.

Pension risk arises because the market value of pension fund assets might decline; investment returns might reduce; or the estimated value of pension liabilities might increase. The Group monitors the pension risks arising from its defined benefit pension schemes and works with Trustees to address shortfalls. In these circumstances, the Group could be required or might choose to make extra contributions to the pension fund. The Group's main defined benefit scheme was closed to new entrants in 2012.

Interest rate risk in the banking book management (IRRBB)

Overview

Interest rate risk in the banking book is driven by customer deposit taking and lending activities, investments in the liquid asset portfolio and funding activities. As per the Group's policy to remain within the defined risk appetite, businesses and Treasury execute hedging strategies to mitigate the risks. However, the Group remains susceptible to interest rate risk and other non-traded market risks from key sources:

- **interest rate and repricing risk:** the risk that net interest income could be adversely impacted by a change in interest rates, differences in the timing of interest rate changes between assets and liabilities, and other constraints on interest rate changes as per product terms and conditions
- **customer behavioural risk:** the risk that net interest income could be adversely impacted by the discretion that customers and counterparties may have in respect of being able to vary their contractual obligations with Barclays. This risk is often referred to by industry regulators as 'embedded option risk'
- **investment risks in the liquid asset portfolio:** the risk that the fair value of assets held in the liquid asset portfolio and associated risk management portfolios could be adversely impacted by market volatility, creating volatility in capital directly.

Organisation, roles and responsibilities

The entity ALCOs, together with the Group Treasury Committee, are responsible for monitoring and managing IRRBB risk in line with the Group's management objectives and risk frameworks. The GRC and Treasury and Capital Risk Committee monitors and reviews the IRRBB risk profile and control environment, providing second line oversight of the management of IRRBB. The BRC 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 Group's banking books.

In addition, the Group's IRRBB policy sets out the processes and key controls required to identify all IRRBB risks arising from banking book operations, to monitor the risk exposures via a set of metrics with a frequency in line with the risk management horizon, and to manage these risks within agreed risk appetite and limits.

Operational risk management

The risk of loss to the Group 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.

Overview

The management of operational risk has three key objectives:

- deliver an operational risk capability owned and used by business leaders to enable sound risk decisions over the long term
- provide the frameworks, policies and standards 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 the Group's strategy, the stated risk appetite and stakeholder needs.

The Group operates within a system of internal controls that enables business to be transacted and risk taken without exposing it to unacceptable potential losses or reputational damages.

Principal risk management

Organisation, roles and responsibilities

The prime responsibility for the management of operational risk and the compliance with control requirements rests within the business and functional units where the risk arises. The operational risk profile and control environment is reviewed by management through business risk committees and control committees. 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 Group Head of Operational Risk is responsible for establishing, owning and maintaining an appropriate Group-wide Operational Risk Management Framework and for overseeing the portfolio of operational risk across the 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 the 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 BRC or the BAC. In addition, specific reports are prepared by Operational Risk on a regular basis for the GRC and the BRC.

Operational risk categories

Operational risks are grouped into risk categories to support effective risk management, measurement and reporting. These comprise: Data Management & Information Risk; Financial Reporting Risk; Fraud Risk; Payments Process Risk; People Risk; Premises Risk; Physical Security Risk; Supplier Risk; Tax Risk; Technology Risk; Transaction Operations Risk and Execution Risk.

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, provide regulatory submissions, or monitor and manage adherence to new prudential regulatory requirements.

Enterprise risk themes

Barclays also recognises that there are certain threats/risk drivers that are more thematic and have the potential to impact the Group's strategic objectives. These are enterprise risk themes which require an overarching and integrated risk management approach. The Group's enterprise risk themes include Cyber, Data, and Resilience.

For definitions of the Group's operational risk categories and enterprise risk themes, refer to **pages 198 to 201** of the Barclays PLC Pillar 3 Report 2019.

Model risk management

The risk of the potential adverse consequences from financial assessments or decisions based on incorrect or misused model outputs and reports.

Overview

The 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 and misuse are the primary sources of model risk.

Organisation, roles and responsibilities

The 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.

The function reports to the Group CRO and operates a global framework. Implementation of best practice standards is a central objective of the Group.

The key model risk management activities include:

- correctly identifying models across all relevant areas of the Group, and recording models in the Group Models Database (GMD), the Group-wide 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 and 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
- defining model risk appetite in terms of risk tolerance, and qualitative metrics which are used to track and report model risk.

Conduct risk management

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

The Group defines, manages and mitigates conduct risk with the objective of providing good customer and client outcomes, protecting market integrity and promoting effective competition.

Product Life cycle, Culture and Strategy and Financial Crime are the risk categories under the Group definition of conduct risk.

Organisation, roles and responsibilities

The governance of conduct risk within the 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 Group Risk Committee is the most senior executive body responsible for reviewing and monitoring the effectiveness of the Group's management of conduct risk.

The Conduct Risk Management Framework (CRMF) outlines how the 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 sits with the business where the risk arises. The first line business control committees provide oversight of controls relating to conduct risk.

The Group Chief Compliance Officer is responsible for owning and maintaining an appropriate 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.

The Group and the Barclays UK Risk Committees are the primary second line governance committees for oversight of conduct risk profile and implementation of the CRMF. The responsibilities of these risk committees in relation to the trading entities includes the identification and discussion of any emerging conduct risks exposures which have been identified.

Reputation risk management

The risk that an action, transaction, investment, event, decision, or business relationship will reduce trust in the Group's integrity and/or competence.

Overview

A reduction of trust in the Group's integrity and competence may reduce the attractiveness of the 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, roles and responsibilities

The GRC is the most senior executive body responsible for reviewing and monitoring the effectiveness of the Group's management of reputation risk.

The Group Chief Compliance Officer is accountable for developing a Reputation Risk Management Framework (RRMF), and the Head of Corporate Relations is responsible for developing a reputation risk policy and associated standards, including tolerances against which data is monitored, reported on and escalated, as required. The RRMF sets out what is required to manage reputation risk across the Group.

The primary responsibility for identifying and managing reputation risk and adherence to the control requirements sits with the business and support functions where the risk arises.

Barclays Bank Group and Barclays Bank UK Group are required to operate within established reputation risk appetite, and their component businesses prepare reports for their respective Risk and Board Risk Committees highlighting their most significant current and potential reputation risks and issues and how they are being managed. These reports are a key internal source of information for the quarterly reputation risk reports which are prepared for the GRC and the Board.

Principal risk management

Legal risk management

The risk of loss or imposition of penalties, damages or fines from the failure of the Group to meet its legal obligations including regulatory or contractual requirements.

Overview

The Group has no tolerance for wilful breaches of laws, regulations or other legal obligations. 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 level of inherent legal risk, for which the Group has limited tolerance.

Organisation, roles and responsibilities

The Group's businesses and functions have primary responsibility for identifying, managing and escalating legal risk in their area as well as responsibility for adherence to minimum control requirements.

The Legal Function organisation and coverage model aligns expertise to businesses, functions, products, activities and geographic locations so that the Group receives legal support from appropriate legal professionals. The senior management of the Legal Function oversees, monitors and challenges legal risk across the Group. The Legal Function does not sit in any of the three lines of defence but supports them all.

The Group General Counsel is responsible for maintaining an appropriate Group-wide legal risk management framework. This includes defining the relevant legal risk policies and oversight of the implementation of controls to manage and escalate legal risk.

The legal risk profile and control environment is reviewed by management through business risk committees and control committees. The Group Risk Committee is the most senior executive body responsible for reviewing and monitoring the effectiveness of risk management across the Group. Escalation paths from this committee exist to the Barclays PLC Board Risk Committee.

Risk performance

Credit risk: summary of contents

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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	148
	■ Maximum exposure and effects of netting, collateral and risk transfer	148
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	151
	– Loans and advances at amortised cost by stage	151
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	– Movement in gross exposure and impairment allowance for loans and advances at amortised cost	154
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The 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	163
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	■ Approach to management and representation of credit quality	165
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Credit risk monitors exposure performance across a range of significant portfolios.	■ Analysis of specific portfolios and asset types	169
	– Secured home loans	169
	– Credit cards, unsecured loans and other retail lending	170
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The 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 the 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	172
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This section provides an analysis of credit risk on debt securities and derivatives.	■ Analysis of debt securities	174
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Risk performance

Credit risk

All disclosures in this section (pages 148 to 175) are unaudited unless otherwise stated.

Overview

Credit risk represents a significant risk to the 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.

Credit risk disclosures include many of the recommendations of the Taskforce on Disclosures about Expected Credit Losses (DECL) and it is expected that relevant disclosures will continue to be developed in future periods.

Further detail can be found in the Financial statements section in Note 7 Credit impairment charges. Descriptions of terminology can be found in the glossary, available at **home.barclays/annualreport**

Key metrics

Reduction in impairment allowances of

£411m

Impairment allowances on loans and advances at amortised cost, including off-balance sheet elements of the allowance, decreased by £411m to £6,630m (2018: £7,041m). The decrease is driven by Barclays UK £300m, Barclays International £92m and Head Office £19m. Refer to the Expected Credit Losses section on page 151 for further details.

Summary of performance in the period

Credit impairment charges increased to £1,912m (2018: £1,468m). The 2019 charge includes the impact of macroeconomic scenario updates and an overall reduction in unsecured gross exposures. Prior year comparatives included the impact of favourable macroeconomic scenario updates and a £150m charge regarding the anticipated economic uncertainty in the UK. The Group loan loss rate was 55bps (2018: 44bps).

Refer to the credit risk management section on pages 139 to 140 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 its 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 Group would have to pay if the guarantees were to be called upon. For loan commitments and other credit related commitments that are irrevocable over the life of the respective facilities, 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 Group mitigates the credit risk to which it is exposed through netting and set-off, collateral and risk transfer. Further detail on the Group's policies to each of these forms of credit enhancement is presented on pages 175 to 177 of the Barclays PLC Pillar 3 Report 2019 (unaudited).

Overview

As at 31 December 2019, the Group's net exposure to credit risk, after taking into account credit risk mitigation, decreased 0.9% to £800.3bn. Overall, the extent to which the Group holds mitigation against its total exposure remained unchanged at 43% (2018: 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. The decrease in the Group's net exposure to credit risk is due to decreases in cash held at central banks and trading portfolio assets, offset by increases in cash collateral and settlement balances, financial assets at fair value through other comprehensive income and off-balance sheet loan commitments. 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. Further analysis on the credit quality of assets is presented on pages 165 to 168.

Collateral obtained

Where collateral has been obtained in the event of default, the 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 Group as at 31 December 2019, as a result of the enforcement of collateral, was £6m (2018: £6m).

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

As at 31 December 2019	Maximum exposure £m	Netting and set-off £m	Cash collateral £m	Non-cash collateral £m	Risk transfer £m	Net exposure £m
On-balance sheet:						
Cash and balances at central banks	150,258	–	–	–	–	150,258
Cash collateral and settlement balances	83,256	–	–	–	–	83,256
Loans and advances at amortised cost:						
Home loans	154,479	–	(294)	(153,939)	(70)	176
Credit cards, unsecured loans and other retail lending	55,296	–	(778)	(5,283)	(258)	48,977
Wholesale loans	129,340	(7,636)	(148)	(39,981)	(12,071)	69,504
Total loans and advances at amortised cost	339,115	(7,636)	(1,220)	(199,203)	(12,399)	118,657
Of which credit-impaired (Stage 3):						
Home loans	*1,809*	–	*(2)*	*(1,785)*	*(14)*	*8*
Credit cards, unsecured loans and other retail lending	*1,074*	–	*(12)*	*(250)*	*(2)*	*810*
Wholesale loans	*1,812*	–	*(9)*	*(909)*	*(20)*	*874*
Total credit-impaired loans and advances at amortised cost	*4,695*	–	*(23)*	*(2,944)*	*(36)*	*1,692*
Reverse repurchase agreements and other similar secured lending	3,379	–	–	(3,379)	–	–
Trading portfolio assets:						
Debt securities	52,739	–	–	(423)	–	52,316
Traded loans	5,378	–	–	(134)	–	5,244
Total trading portfolio assets	58,117	–	–	(557)	–	57,560
Financial assets at fair value through the income statement:						
Loans and advances	22,692	–	(14)	(16,580)	(57)	6,041
Debt securities	5,249	–	–	–	–	5,249
Reverse repurchase agreements	96,887	–	(1,132)	(95,736)	–	19
Other financial assets	763	–	–	–	–	763
Total financial assets at fair value through the income statement	125,591	–	(1,146)	(112,316)	(57)	12,072
Derivative financial instruments	229,236	(175,998)	(33,411)	(5,511)	(5,564)	8,752
Financial assets at fair value through other comprehensive income	64,727	–	–	(305)	(1,051)	63,371
Other assets	1,375	–	–	–	–	1,375
Total on-balance sheet	1,055,054	(183,634)	(35,777)	(321,271)	(19,071)	495,301
Off-balance sheet:						
Contingent liabilities	24,527	–	(400)	(4,412)	(159)	19,556
Loan commitments	334,455	–	(84)	(47,008)	(1,950)	285,413
Total off-balance sheet	358,982	–	(484)	(51,420)	(2,109)	304,969
Total	1,414,036	(183,634)	(36,261)	(372,691)	(21,180)	800,270

Off-balance sheet exposures are shown gross of provisions of £322m (2018: £271m). See Note 25 for further details.

In addition to the above, the Group holds forward starting reverse repos with notional contract amounts of £31.1bn (2018: £35.5bn). The balances are fully collateralised.

For further information on credit risk mitigation techniques, refer to page 139 within the Credit risk management section.

Risk performance

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

As at 31 December 2018	Maximum exposure £m	Netting and set-off £m	Cash collateral £m	Non-cash collateral £m	Risk transfer £m	Net exposure £m
On-balance sheet:						
Cash and balances at central banks	177,069	–	–	–	–	177,069
Cash collateral and settlement balances	77,222	–	–	–	–	77,222
Loans and advances at amortised cost:						
Home loans	150,284	–	(295)	(149,679)	(132)	178
Credit cards, unsecured loans and other retail lending	56,431	–	(725)	(5,608)	(451)	49,647
Wholesale loans	119,691	(7,550)	(65)	(41,042)	(4,454)	66,580
Total loans and advances at amortised cost	326,406	(7,550)	(1,085)	(196,329)	(5,037)	116,405
Of which credit-impaired (Stage 3):						
Home loans	*2,125*	–	*(3)*	*(2,083)*	*(31)*	*8*
Credit cards, unsecured loans and other retail lending	*1,249*	–	*(6)*	*(232)*	*(38)*	*973*
Wholesale 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

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 2019. 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 2019.

Impairment allowance under IFRS 9 considers both the drawn and the undrawn counterparty exposure. For retail portfolios, the total impairment allowance is allocated to the drawn exposure to the extent that the allowance does not exceed the exposure as ECL is not reported separately. Any excess is reported on the liability side of the balance sheet as a provision. For wholesale portfolios, the impairment allowance on the undrawn exposure is reported on the liability side of the balance sheet as a provision.

Loans and advances at amortised cost by stage (audited)

	Gross exposure				Impairment allowance				
As at 31 December 2019	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Net exposure £m
Barclays UK	143,097	23,198	2,446	168,741	198	1,277	974	2,449	166,292
Barclays International	27,886	4,026	1,875	33,787	352	774	1,359	2,485	31,302
Head Office	4,803	500	826	6,129	5	36	305	346	5,783
Total Barclays Group retail	175,786	27,724	5,147	208,657	555	2,087	2,638	5,280	203,377
Barclays UK	27,891	2,397	1,124	31,412	16	38	108	162	31,250
Barclays International[a]	92,615	8,113	1,615	102,343	136	248	447	831	101,512
Head Office	2,974	–	37	3,011	–	–	35	35	2,976
Total Barclays Group wholesale	123,480	10,510	2,776	136,766	152	286	590	1,028	135,738
Total loans and advances at amortised cost	299,266	38,234	7,923	345,423	707	2,373	3,228	6,308	339,115
Off-balance sheet loan commitments and financial guarantee contracts[b]	321,140	19,185	935	341,260	97	170	55	322	340,938
Total[c]	620,406	57,419	8,858	686,683	804	2,543	3,283	6,630	680,053

	Coverage ratio				Loan impairment charge and loan loss rate	
As at 31 December 2019	Stage 1 %	Stage 2 %	Stage 3 %	Total %	Loan impairment charge £m	Loan loss rate bps
Barclays UK	0.1	5.5	39.8	1.5	661	39
Barclays International	1.3	19.2	72.5	7.4	999	296
Head Office	0.1	7.2	36.9	5.6	27	44
Total Barclays Group retail	0.3	7.5	51.3	2.5	1,687	81
Barclays UK	0.1	1.6	9.6	0.5	33	11
Barclays International[a]	0.1	3.1	27.7	0.8	113	11
Head Office	–	–	94.6	1.2	–	–
Total Barclays Group wholesale	0.1	2.7	21.3	0.8	146	11
Total loans and advances at amortised cost	0.2	6.2	40.7	1.8	1,833	53
Off-balance sheet loan commitments and financial guarantee contracts[b]	–	0.9	5.9	0.1	71	
Other financial assets subject to impairment[c]					8	
Total[d]	0.1	4.4	37.1	1.0	1,912	

Notes

a Includes Wealth and Private Banking exposures measured on an individual customer exposure basis.

b Excludes loan commitments and financial guarantees of £17.7bn carried at fair value.

c 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 £149.3bn and impairment allowance of £24m. This comprises £12m ECL on £148.5bn Stage 1 assets, £2m on £0.8bn Stage 2 fair value through other comprehensive income assets, cash collateral and settlement assets and £10m on £10m Stage 3 other assets.

d The loan loss rate is 55bps after applying the total impairment charge of £1,912m.

Risk performance

Loans and advances at amortised cost by stage (audited)

As at 31 December 2018	Gross exposure Stage 1 £m	Gross exposure Stage 2 £m	Gross exposure Stage 3 £m	Gross exposure Total £m	Impairment allowance Stage 1 £m	Impairment allowance Stage 2 £m	Impairment allowance Stage 3 £m	Impairment allowance Total £m	Net exposure £m
Barclays UK	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[a]	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[b]	309,989	22,126	684	332,799	99	150	22	271	332,528
Total[c]	591,215	65,573	9,187	665,975	787	2,865	3,389	7,041	658,934

As at 31 December 2018	Coverage ratio Stage 1 %	Coverage ratio Stage 2 %	Coverage ratio Stage 3 %	Coverage ratio Total %	Loan impairment charge and loan loss rate: Loan impairment charge £m	Loan impairment charge and loan loss rate: Loan loss rate bps
Barclays UK	0.1	5.5	37.9	1.7	830	51
Barclays International	1.3	20.8	71.9	7.9	844	254
Head Office	0.1	7.4	32.6	4.5	15	19
Total Barclays Group retail	0.3	7.9	47.7	2.8	1,689	83
Barclays UK	0.1	1.7	9.2	0.7	74	26
Barclays International[a]	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[b]	–	0.7	3.2	0.1	(125)	
Other financial assets subject to impairment[c]					3	
Total[d]	0.1	4.4	36.9	1.1	1,468	

Notes

a Included in the above analysis are Wealth and Private Banking exposures measured on an individual customer exposure basis.

b Excludes loan commitments and financial guarantees of £11.7bn carried at fair value.

c Other financial assets subject to impairment not included in the table above include cash collateral and settlement balances, financial assets at fair value through other comprehensive income and other assets. These have a total gross exposure of £129.9bn and impairment allowance of £12m. This comprises £10m ECL on £129.3bn Stage 1 assets and £2m on £0.6bn Stage 2 fair value through other comprehensive income assets.

d The loan loss rate is 44bps after applying the total impairment charge of £1,468m.

Loans and advances at amortised cost by product (audited)

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

Loans and advances at amortised cost by product (audited)

		Stage 2					
As at 31 December 2019 **Gross exposure**	Stage 1 £m	Not past due £m	<=30 days past due £m	>30 days past due £m	Total £m	Stage 3 £m	Total £m
Home loans	135,713	14,733	1,585	725	17,043	2,155	154,911
Credit cards, unsecured loans and other retail lending	46,012	9,759	496	504	10,759	3,409	60,180
Wholesale loans	117,541	9,374	374	684	10,432	2,359	130,332
Total	299,266	33,866	2,455	1,913	38,234	7,923	345,423
Impairment allowance							
Home loans	22	37	14	13	64	346	432
Credit cards, unsecured loans and other retail lending	542	1,597	159	251	2,007	2,335	4,884
Wholesale loans	143	284	9	9	302	547	992
Total	707	1,918	182	273	2,373	3,228	6,308
Net exposure							
Home loans	135,691	14,696	1,571	712	16,979	1,809	154,479
Credit cards, unsecured loans and other retail lending	45,470	8,162	337	253	8,752	1,074	55,296
Wholesale loans	117,398	9,090	365	675	10,130	1,812	129,340
Total	298,559	31,948	2,273	1,640	35,861	4,695	339,115
Coverage ratio	%	%	%	%	%	%	%
Home loans	–	0.3	0.9	1.8	0.4	16.1	0.3
Credit cards, unsecured loans and other retail lending	1.2	16.4	32.1	49.8	18.7	68.5	8.1
Wholesale loans	0.1	3.0	2.4	1.3	2.9	23.2	0.8
Total	0.2	5.7	7.4	14.3	6.2	40.7	1.8
As at 31 December 2018 **Gross exposure**	£m	£m	£m	£m	£m	£m	£m
Home loans	130,066	15,672	1,672	862	18,206	2,476	150,748
Credit cards, unsecured loans and other retail lending	45,785	11,262	530	437	12,229	3,760	61,774
Wholesale 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
Wholesale 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
Wholesale 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
Wholesale 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

Risk performance

Movement in gross exposures and impairment allowance including provisions for loan commitments and financial guarantees

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 259. The disclosure has been enhanced in 2019 to provide further granularity by product. Transfers between stages in the tables have been reflected as if they had taken place at the beginning of the year. The movements are measured over a 12-month period.

Loans and advances at amortised cost (audited)

	Stage 1		Stage 2		Stage 3		Total	
	Gross exposure £m	ECL £m	Gross exposure £m	ECL £m	Gross exposure £m	ECL £m	Gross exposure £m	ECL £m
Home loans								
As at 1 January 2019	130,066	31	18,206	82	2,476	351	150,748	464
Transfers from Stage 1 to Stage 2	(9,051)	(1)	9,051	1	–	–	–	–
Transfers from Stage 2 to Stage 1	8,000	28	(8,000)	(28)	–	–	–	–
Transfers to Stage 3	(199)	–	(510)	(15)	709	15	–	–
Transfers from Stage 3	43	2	294	3	(337)	(5)	–	–
Business activity in the year	24,935	3	734	2	3	–	25,672	5
Changes to models used for calculation[a]	–	–	–	–	–	–	–	–
Net drawdowns, repayments, net remeasurement and movements due to exposure and risk parameter changes	(6,931)	(38)	(843)	27	(214)	24	(7,988)	13
Final repayments	(10,427)	(2)	(1,827)	(4)	(454)	(13)	(12,708)	(19)
Disposals[b]	(723)	(1)	(62)	(4)	(2)	–	(787)	(5)
Write-offs[c]	–	–	–	–	(26)	(26)	(26)	(26)
As at 31 December 2019[d]	135,713	22	17,043	64	2,155	346	154,911	432
Credit cards, unsecured loans and other retail lending								
As at 1 January 2019	45,785	528	12,229	2,304	3,760	2,511	61,774	5,343
Transfers from Stage 1 to Stage 2	(3,604)	(72)	3,604	72	–	–	–	–
Transfers from Stage 2 to Stage 1	4,522	701	(4,522)	(701)	–	–	–	–
Transfers to Stage 3	(857)	(21)	(1,264)	(448)	2,121	469	–	–
Transfers from Stage 3	144	103	28	14	(172)	(117)	–	–
Business activity in the year	9,664	120	704	123	89	39	10,457	282
Changes to models used for calculation[a]	–	16	–	(110)	–	(7)	–	(101)
Net drawdowns, repayments, net remeasurement and movements due to exposure and risk parameter changes	(5,975)	(779)	351	806	373	1,836	(5,251)	1,863
Final repayments	(3,667)	(54)	(371)	(53)	(290)	(74)	(4,328)	(181)
Disposals[b]	–	–	–	–	(777)	(627)	(777)	(627)
Write-offs[c]	–	–	–	–	(1,695)	(1,695)	(1,695)	(1,695)
As at 31 December 2019[d]	46,012	542	10,759	2,007	3,409	2,335	60,180	4,884
Wholesale loans								
As at 1 January 2019	105,375	129	13,012	329	2,267	505	120,654	963
Transfers from Stage 1 to Stage 2	(3,419)	(11)	3,419	11	–	–	–	–
Transfers from Stage 2 to Stage 1	5,213	84	(5,213)	(84)	–	–	–	–
Transfers to Stage 3	(501)	(2)	(650)	(19)	1,151	21	–	–
Transfers from Stage 3	473	35	205	25	(678)	(60)	–	–
Business activity in the year	40,837	51	1,757	27	31	–	42,625	78
Changes to models used for calculation[a]	–	(9)	–	(19)	–	–	–	(28)
Net drawdowns, repayments, net remeasurement and movements due to exposure and risk parameter changes	5,929	(104)	321	85	122	334	6,372	315
Final repayments	(34,081)	(30)	(2,419)	(53)	(372)	(91)	(36,872)	(174)
Disposals[b]	(2,285)	–	–	–	–	–	(2,285)	–
Write-offs[c]	–	–	–	–	(162)	(162)	(162)	(162)
As at 31 December 2019[d]	117,541	143	10,432	302	2,359	547	130,332	992

Notes

a Changes to models used for calculation include a £101m movement in Credit cards, unsecured loans and other retail lending and a £28m movement in Wholesale loans. These reflect methodology changes made during the year. Barclays continually review the output of models to determine accuracy of the ECL calculation including review of model monitoring, external benchmarking and experience of model operation over an extended period of time. This ensures that the models used continue to reflect the risks inherent across the businesses.

b The £787m movement of gross loans and advances disposed of across Home loans relates to the sale of a portfolio of mortgages from the Italian loan book. The £777m disposal reported within Credit cards, unsecured loans and other retail lending portfolio relates to debt sales undertaken during the year. Finally, disposals of £2,285m within Wholesale loans relate to the sale of debt securities as part of the Group's Treasury operations.

c In 2019, gross write-offs amounted to £1,883m (2018: £1,891m) and post write-off recoveries amounted to £124m (2018: £195m). Net write-offs represent gross write-offs less post write-off recoveries and amounted to £1,759m (2018: £1,696m).

d 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 £149.3bn (December 2018: £129.9bn) and impairment allowance of £24m (December 2018: £12m). This comprises £12m ECL (December 2018: £10m) on £148.5bn Stage 1 assets (December 2018: £129.3bn), £2m (December 2018: £2m) on £0.8bn Stage 2 fair value through other comprehensive income assets, cash collateral and settlement assets (December 2018: £0.6bn) and £10m (December 2018: £nil) on £10m Stage 3 other assets (December 2018: £nil).

Reconciliation of ECL movement to impairment charge/(release) for the period	£m
Home loans	*(1)*
Credit cards, unsecured loans and other retail lending	*1,863*
Wholesale loans	*191*
ECL movement excluding assets derecognised due to disposals and write-offs	2,053
Post write-off recoveries	(124)
Exchange and other adjustments[a]	(96)
Impairment charge on loan commitments and financial guarantees	71
Impairment charge on other financial assets[b]	8
Income statement charge for the period	1,912

Notes

a Includes foreign exchange and interest and fees in suspense.

b Other financial assets subject to impairment not included in the table above include cash collateral and settlement balances, financial assets at fair value through other comprehensive income and other assets. These have a total gross exposure of £149.3bn (December 2018: £129.9bn) and impairment allowance of £24m (December 2018: £12m). This comprises £12m ECL (December 2018: £10m) on £148.5bn Stage 1 assets (December 2018: £129.3bn), £2m (December 2018: £2m) on £0.8bn Stage 2 fair value through other comprehensive income assets, cash collateral and settlement assets (December 2018: £0.6bn) and £10m (December 2018: £nil) on £10m Stage 3 other assets (December 2018: £nil).

Loan commitments and financial guarantees (audited)

	Stage 1		Stage 2		Stage 3		Total	
	Gross exposure £m	ECL £m	Gross exposure £m	ECL £m	Gross exposure £m	ECL £m	Gross exposure £m	ECL £m
Home loans								
As at 1 January 2019	6,948	–	546	–	13	–	7,507	–
Net transfers between stages	(39)	–	47	–	(8)	–	–	–
Business activity in the year	2,848	–	–	–	–	–	2,848	–
Net drawdowns, repayments, net re-measurement and movement due to exposure and risk parameter changes	1	–	(40)	–	–	–	(39)	–
Final repayments	(216)	–	(53)	–	(1)	–	(270)	–
As at 31 December 2019	9,542	–	500	–	4	–	10,046	–
Credit cards, unsecured loans and other retail lending								
As at 1 January 2019	124,611	41	9,016	65	267	20	133,894	126
Net transfers between stages	117	44	(1,082)	(43)	965	(1)	–	–
Business activity in the year	14,619	2	218	1	6	6	14,843	9
Net drawdowns, repayments, net re-measurement and movement due to exposure and risk parameter changes	(1,151)	(48)	(1,172)	54	(874)	(9)	(3,197)	(3)
Final repayments	(12,437)	(4)	(742)	(6)	(114)	(2)	(13,293)	(12)
As at 31 December 2019	125,759	35	6,238	71	250	14	132,247	120
Wholesale loans								
As at 1 January 2019	178,430	58	12,564	85	404	2	191,398	145
Net transfers between stages	(875)	7	580	(8)	295	1	–	–
Business activity in the year	53,685	22	2,779	22	16	–	56,480	44
Net drawdowns, repayments, net re-measurement and movement due to exposure and risk parameter changes	(487)	(1)	1,190	36	232	41	935	76
Final repayments	(44,914)	(24)	(4,666)	(36)	(266)	(3)	(49,846)	(63)
As at 31 December 2019	185,839	62	12,447	99	681	41	198,967	202

Risk performance

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

	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
As at 1 January 2018	265,617	49,592	9,081	324,290
Net transfers between stages	1,385	(3,602)	2,217	–
Business activity in the year	74,419	2,680	374	77,473
– of which: Barclays UK	*29,467*	*1,493*	*326*	*31,286*
– of which: Barclays International	*42,346*	*1,164*	*44*	*43,554*
Net drawdowns and repayments	(13,140)	136	162	(12,842)
– of which: Barclays UK	*(10,269)*	*(980)*	*(322)*	*(11,571)*
– of which: Barclays International	*(1,305)*	*1,348*	*561*	*604*
Final repayments	(41,946)	(5,359)	(1,071)	(48,376)
– of which: Barclays UK	*(11,728)*	*(1,753)*	*(478)*	*(13,959)*
– of which: Barclays International	*(29,421)*	*(3,520)*	*(549)*	*(33,490)*
Disposals	(5,109)	–	(369)	(5,478)
Write-offs	–	–	(1,891)	(1,891)
As at 31 December 2018[a]	281,226	43,447	8,503	333,176

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

	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
As at 1 January 2018	608	3,112	3,382	7,102
Net transfers between stages	798	(1,182)	384	–
Business activity in the year	223	173	95	491
Net remeasurement and movement due to exposure and risk parameter changes	(865)	638	1,918	1,691
UK economic uncertainty adjustment	–	150	–	150
Final repayments	(76)	(176)	(152)	(404)
Disposals	–	–	(369)	(369)
Write-offs	–	–	(1,891)	(1,891)
As at 31 December 2018[a]	688	2,715	3,367	6,770

Reconciliation of ECL movement to impairment charge/(release) for the period	
ECL movement excluding assets derecognised due to disposals and write-offs	1,928
Post write-off recoveries	(195)
Exchange and other adjustments	(143)
Impairment release on loan commitments and financial guarantees[b]	(125)
Impairment charge on other financial assets	3
Income statement charge/(release) for the period	1,468

Notes

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 reduction in impairment allowance of £149m partially offset by exchange and other adjustments of £24m.

Gross exposure for loan commitments and financial guarantees (audited)

	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
As at 1 January 2018	275,364	38,867	1,442	315,673
Net transfers between stages	13,521	(13,552)	31	–
Business activity in the year	65,404	811	–	66,215
Net drawdowns and repayments	(14,491)	4,298	(473)	(10,666)
Final repayments	(29,809)	(8,298)	(316)	(38,423)
As at 31 December 2018	309,989	22,126	684	332,799

Provision on loan commitments and financial guarantees (audited)

	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
As at 1 January 2018	133	259	28	420
Net transfers between stages	42	(43)	1	–
Business activity in the year	18	–	–	18
Net remeasurement and movement due to exposure and risk parameter changes	(79)	(22)	44	(57)
Final repayments	(15)	(44)	(51)	(110)
As at 31 December 2018	99	150	22	271

Stage 2 decomposition

Loans and advances at amortised cost[a]

As at 31 December	2019 Gross exposure £m	2019 Impairment allowance £m	2018 Gross exposure £m	2018 Impairment allowance £m
Quantitative test	24,034	2,059	30,665	2,506
Qualitative test	12,733	278	12,206	183
30 days past due backstop	1,467	36	576	26
Total Stage 2	**38,234**	**2,373**	**43,447**	**2,715**

Note
a Where balances satisfy more than one of the above three criteria for determining a significant increase in credit risk, the corresponding gross 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 predetermined 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. Qualitative tests predominantly include £9.3bn in Barclays UK of which £7.4bn relates to UK Home Finance, £1.1bn relates to Business Banking and £0.4bn relates to Barclaycard UK. A further £3.4bn relates to Barclays International of which £1.7bn relates to Corporate and Investment Bank, £0.9bn relates to Barclaycard International and £0.7bn relates to Private Bank.

A small number of other accounts (2% of impairment allowances and 4% of gross 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 these backstop criteria is a measure of the effectiveness of the Stage 2 criteria in identifying deterioration prior to delinquency. These balances include items in the Corporate and Investment Bank for reasons such as outstanding interest and fees rather than principal balances.

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 259.

Stage 3 decomposition

Loans and advances at amortised cost

As at 31 December	2019 Gross exposure £m	2019 Impairment allowance £m	2018 Gross exposure £m	2018 Impairment allowance £m
Exposures not charged-off including within cure period[a]	3,540	857	4,589	916
Exposures individually assessed or in recovery book[b]	4,383	2,371	3,914	2,451
Total Stage 3	7,923	3,228	8,503	3,367

Notes
a Includes £2.5bn of gross exposure in a cure period that must remain in Stage 3 for a minimum of 12 months before moving to Stage 2.
b Exposures individually assessed or in recovery book cannot cure out of Stage 3.

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.

Total management adjustments to impairment allowance are presented by product below.

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

As at 31 December	2019 Management adjustments to impairment allowances £m	2019 Proportion of total impairment allowances %	2018 Management adjustments to impairment allowances £m	2018 Proportion of total impairment allowances %
Home loans	57	13.2	59	12.7
Credit cards, unsecured loans and other retail lending	308	6.3	385	7.2
Wholesale loans	(25)	(2.5)	(6)	(0.6)
Total	**340**	**5.4**	**438**	**6.5**

Note
a Positive values relate to an increase in impairment allowance.

Risk performance

Home loans: the low average LTV nature of the UK Home Loans portfolio means that modelled ECL estimates are low in all but the most severe economic scenarios. An adjustment is held to maintain an appropriate level of ECL.

Credit cards, unsecured loans and other retail lending: management adjustments primarily relate to UK Cards where model adjustments have been made to maintain adequacy of Loss Given Default and Probability of Default estimates.

Following recent portfolio analysis and industry benchmarking, releases were applied to the UK cards and US cards portfolios to account for changes in the modelled lifetime of credit cards in Stage 2. These adjustments will be removed once updates to the model have been incorporated.

A £100m ECL adjustment is held in UK Cards for the anticipated impact of economic uncertainty in the UK, first taken in December 2018 and retained as at 2019 year end.

Wholesale loans: Adjustments include a release in Investment Bank to reduce inappropriate ECL sensitivity to a macroeconomic variable and model adjustments in Corporate and Investment Bank related to Probability of Default at origination and Loss Given Default floors.

A £50m ECL adjustment is held in Corporate and Investment Bank for the anticipated impact of economic uncertainty in the UK, first taken in December 2018 and retained as at 2019 year end.

Measurement uncertainty and sensitivity analysis

The measurement of ECL involves 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.

The Group uses a five-scenario model to calculate ECL. An external consensus forecast is assembled from key sources, including HM Treasury (short- and medium-term forecasts), Bloomberg (based on median of economic forecasts) and the Urban Land Institute (for US House Prices), 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. All scenarios are regenerated at a minimum annually. The scenarios include eight economic variables (GDP, unemployment, House Price Index (HPI) and base rates in both the UK and US markets), and expanded variables using statistical models based on historical correlations. The upside and downside shocks are designed to evolve over a five-year stress horizon, with all five scenarios converging to a steady state after approximately eight years.

Scenario weights (audited)

The methodology for estimating probability weights for each of the scenarios involves a comparison of the distribution of key historical 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. This is reflected in the table below where the probability weights of the scenarios as of 31 December 2019 are shown. 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 tables below show the macroeconomic variables for each scenario and their respective scenario weights. Macroeconomic variables are presented using the most relevant basis for each variable. five-year average tables and movement over time graphs provide additional transparency.

Scenario probability weighting (audited)

	Upside 2 %	Upside 1 %	Baseline %	Downside 1 %	Downside 2 %
As at 31 December 2019					
Scenario probability weighting	**10.1**	**23.1**	**40.8**	**22.7**	**3.3**
As at 31 December 2018					
Scenario probability weighting	9.0	24.0	41.0	23.0	3.0

The weights of Upside 2 and Downside 2 have increased slightly reflecting the small decrease in dispersion in the scenarios. The impact on ECL is immaterial.

Macroeconomic variables used in the calculation of ECL (specific bases)[a] (audited)

	Upside 2 %	Upside 1 %	Baseline %	Downside 1 %	Downside 2 %
As at 31 December 2019					
UK GDP[b]	**4.2**	**2.9**	**1.6**	**0.2**	**(4.7)**
UK unemployment[c]	**3.4**	**3.8**	**4.2**	**5.7**	**8.7**
UK HPI[d]	**46.0**	**32.0**	**3.1**	**(8.2)**	**(32.4)**
UK bank rate[c]	**0.5**	**0.5**	**0.7**	**2.8**	**4.0**
US GDP[b]	**4.2**	**3.3**	**1.9**	**0.4**	**(3.4)**
US unemployment[c]	**3.0**	**3.5**	**3.9**	**5.3**	**8.5**
US HPI[d]	**37.1**	**23.3**	**3.0**	**0.5**	**(19.8)**
US federal funds rate[c]	**1.5**	**1.5**	**1.7**	**3.0**	**3.5**
As at 31 December 2018					
UK GDP[b]	4.5	3.1	1.7	0.3	(4.1)
UK unemployment[c]	3.4	3.9	4.3	5.7	8.8
UK HPI[d]	46.4	32.6	3.2	(0.5)	(32.1)
UK bank rate[c]	0.8	0.8	1.0	2.5	4.0
US GDP[b]	4.8	3.7	2.1	0.4	(3.3)
US unemployment[c]	3.0	3.4	3.7	5.2	8.4
US HPI[d]	36.9	30.2	4.1	–	(17.4)
US federal funds rate[c]	2.3	2.3	2.7	3.0	3.5

Macroeconomic variables used in the calculation of ECL (five-year averages)[a] (audited)

	Upside 2 %	Upside 1 %	Baseline %	Downside 1 %	Downside 2 %
As at 31 December 2019					
UK GDP	**3.2**	**2.4**	**1.6**	**0.8**	**(0.7)**
UK unemployment	**3.5**	**3.9**	**4.2**	**5.4**	**7.7**
UK HPI	**7.9**	**5.7**	**3.1**	**(1.1)**	**(6.5)**
UK bank rate	**0.5**	**0.5**	**0.7**	**2.5**	**3.7**
US GDP	**3.5**	**2.8**	**1.9**	**1.0**	**(0.5)**
US unemployment	**3.1**	**3.6**	**3.9**	**5.0**	**7.5**
US HPI	**6.5**	**4.3**	**3.0**	**1.3**	**(3.7)**
US federal funds rate	**1.6**	**1.7**	**1.7**	**2.9**	**3.4**
As at 31 December 2018					
UK GDP	3.4	2.6	1.7	0.9	(0.6)
UK unemployment	3.7	4.0	4.3	5.1	7.9
UK HPI	7.9	5.8	3.2	0.9	(6.4)
UK bank rate	0.8	0.8	1.0	2.3	3.7
US GDP	3.7	3.0	2.1	1.1	(0.5)
US unemployment	3.1	3.5	3.7	4.7	7.4
US HPI	6.5	5.4	4.1	2.4	(2.6)
US federal funds rate	2.3	2.3	2.7	3.0	3.4

Notes

a UK GDP = Real GDP growth seasonally adjusted; UK unemployment = UK unemployment rate 16-year+; UK HPI = Halifax All Houses, All Buyers Index; US GDP = Real GDP growth seasonally adjusted; US unemployment = US civilian unemployment rate 16-year+; US HPI = FHFA house price index.

b Highest annual growth in Upside scenarios; five-year average in Baseline; lowest annual growth in Downside scenarios.

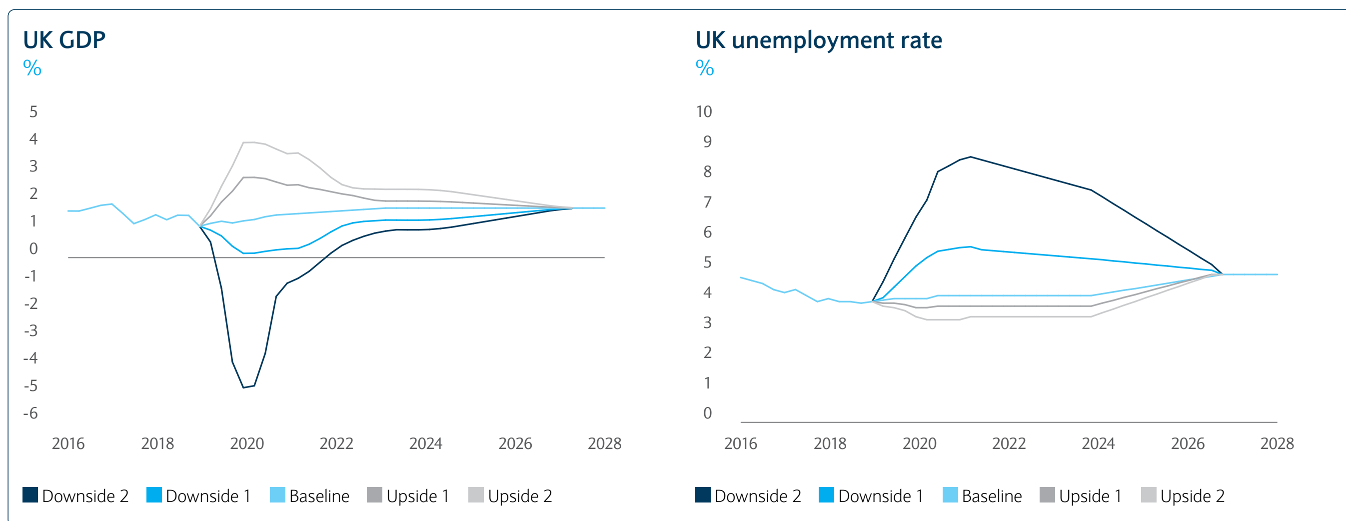
c Lowest yearly average in Upside scenarios; five-year average in Baseline; highest yearly average in Downside scenarios.

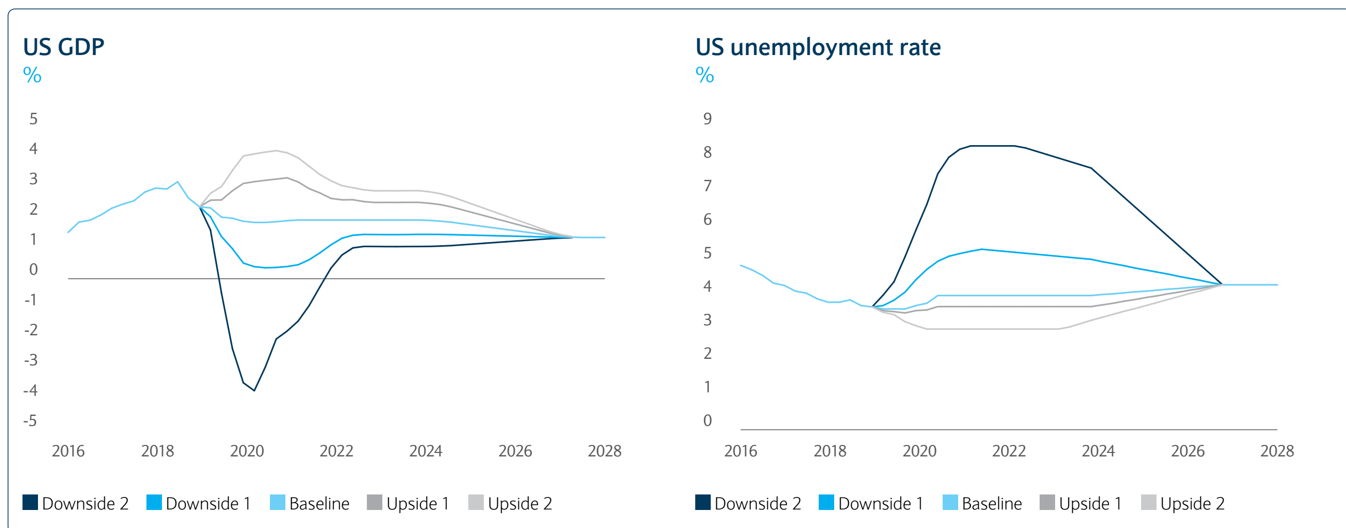
d Cumulative growth (trough-to-peak) in Upside scenarios; five-year average in Baseline; cumulative fall (peak-to-trough) in Downside scenarios.

Over the year, the macroeconomic baseline variables have worsened in the US, in part due to the trade dispute with China. Baseline expectations for the US federal funds rate have also moved lower from 2.7% to 1.7% averaged over the first five years. Macroeconomic baseline variables in the UK have remained fairly flat with a small decrease in bank rates driven by market expectations of lower interest rates in the next few years. The other scenarios are generally unchanged from 2018, with the exception of UK HPI in the Downside 1 scenario where the cumulative fall in house prices now represents a more severe fall of 8.2% versus 0.5% in 2018.

Risk performance

The graphs below plot the historical data for GDP growth rate and unemployment rate in the UK and US as well as the forecasted data under each of the five scenarios.





ECL under 100% weighted scenarios for modelled portfolios (audited)

The table below shows the ECL assuming scenarios have been 100% weighted. Model exposures are allocated to a stage based on the individual scenario rather than through a probability-weighted approach as required for Barclays reported impairment allowances. As a result, it is not possible to back solve to the final reported weighted ECL from the individual scenarios as a balance may be assigned to a different stage dependent on the scenario. Model exposure uses Exposure at Default (EAD) values and is not directly comparable to gross exposure used in prior disclosures. For Credit cards, unsecured loans and other retail lending, an average EAD measure is used (12 month or lifetime depending on stage allocation in each scenario). Therefore, the model exposure movement into Stage 2 is higher than the corresponding Stage 1 reduction.

All ECL using a model is included, with the exception of Treasury assets (£9m of ECL), providing additional coverage as compared to the 2018 year-end disclosure. Non-modelled exposures and management adjustments are excluded. Management adjustments can be found on page 157. The prior year comparative includes key principal portfolios amounting to circa 80% of total impairment allowance.

Model exposures 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 2019 and not on macroeconomic scenarios.

The Downside 2 scenario represents a severe global recession with substantial falls in both UK and US GDP. Unemployment in both markets rises towards 9% and there are substantial falls in asset prices including housing.

Under the Downside 2 scenario, model exposure moves between stages as the economic environment weakens. This can be seen in the movement of £29bn of model 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.

As at 31 December 2019	Scenarios					
	Weighted	Upside 2	Upside 1	Baseline	Downside 1	Downside 2
Stage 1 Model Exposure (£m)						
Home loans	137,929	139,574	138,992	138,249	136,454	132,505
Credit cards, unsecured loans and other retail lending	68,619	69,190	69,012	68,388	68,309	67,015
Wholesale loans	160,544	162,717	162,058	161,111	157,720	143,323
Stage 1 Model ECL (£m)						
Home loans	6	4	5	5	7	19
Credit cards, unsecured loans and other retail lending	505	490	495	495	511	528
Wholesale loans	209	162	174	188	271	297
Stage 1 Coverage (%)						
Home loans	–	–	–	–	–	–
Credit cards, unsecured loans and other retail lending	0.7	0.7	0.7	0.7	0.7	0.8
Wholesale loans	0.1	0.1	0.1	0.1	0.2	0.2
Stage 2 Model Exposure (£m)						
Home loans	16,889	15,245	15,826	16,570	18,364	22,314
Credit cards, unsecured loans and other retail lending	13,406	11,449	12,108	13,075	15,663	19,615
Wholesale loans	15,947	13,773	14,433	15,380	18,770	33,168
Stage 2 Model ECL (£m)						
Home loans	41	33	34	36	47	170
Credit cards, unsecured loans and other retail lending	1,844	1,412	1,562	1,771	2,384	4,285
Wholesale loans	414	285	323	374	579	1,427
Stage 2 Coverage (%)						
Home loans	0.2	0.2	0.2	0.2	0.3	0.8
Credit cards, unsecured loans and other retail lending	13.8	12.3	12.9	13.5	15.2	21.8
Wholesale loans	2.6	2.1	2.2	2.4	3.1	4.3
Stage 3 Model Exposure (£m)						
Home loans	1,670	1,670	1,670	1,670	1,670	1,670
Credit cards, unsecured loans and other retail lending	3,008	3,008	3,008	3,008	3,008	3,008
Wholesale loans[a]	1,489	1,489	1,489	1,489	1,489	1,489
Stage 3 Model ECL (£m)						
Home loans	268	262	264	266	272	316
Credit cards, unsecured loans and other retail lending	2,198	2,154	2,174	2,195	2,235	2,292
Wholesale loans[a]	118	111	114	117	127	128
Stage 3 Coverage (%)						
Home loans	16.0	15.7	15.8	15.9	16.3	18.9
Credit cards, unsecured loans and other retail lending	73.1	71.6	72.3	73.0	74.3	76.2
Wholesale loans[a]	7.9	7.4	7.6	7.9	8.5	8.6
Total Model ECL (£m)						
Home loans	315	299	303	307	326	505
Credit cards, unsecured loans and other retail lending	4,547	4,056	4,231	4,461	5,130	7,105
Wholesale loans[a]	741	558	611	679	977	1,852

Note
a Material wholesale loan defaults are individually assessed across different recovery strategies. As a result, ECL of £419m is reported as non-modelled in the table below.

Reconciliation to total ECL	£m
Total model ECL	5,603
ECL from non-modelled, individually assessed, and other adjustments	687
ECL from management adjustments	340
Total ECL	6,630

The total weighted ECL represents a 3% uplift from the Baseline ECL, largely driven by credit card losses which have more linear loss profiles than UK home loans and wholesale loan positions.

Home loans: total weighted ECL of £315m represents a 2% increase over the Baseline ECL (£307m), and coverage ratios remain steady across the Upside scenarios, Baseline and Downside 1 scenario. However, total ECL increases in the Downside 2 scenario to £506m, driven by a significant fall in UK HPI (32.4%), reflecting the non-linearity of the UK portfolio.

Credit cards, unsecured loans and other retail lending: total weighted ECL of £4,547m represents a 2% increase over the Baseline ECL (£4,461m) reflecting the range of economic scenarios used, mainly impacted by unemployment. Total ECL increases to £7,105m under the Downside 2 scenario, mainly driven by Stage 2, where coverage rates increase to 21.8% from a weighted scenario approach of 13.8% and circa £6bn increase in model exposure that meets the Significant Increase in Credit Risk criteria and transitions from Stage 1 to Stage 2.

Wholesale loans: total weighted ECL of £741m represents a 9% increase over the Baseline ECL (£679m) reflecting the range of economic scenarios used, with exposures in the Investment Bank particularly sensitive to the Downside 2 scenario.

Risk performance

As at 31 December 2018	Scenarios					
	Weighted	Upside 2	Upside 1	Baseline	Downside 1	Downside 2
Stage 1 Gross Exposure (£m)						
Home loans	115,573	116,814	116,402	115,924	114,858	109,305
Credit cards, unsecured loans and other retail lending	30,494	32,104	31,082	30,536	29,846	24,884
Wholesale 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
Wholesale 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
Wholesale 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
Wholesale 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
Wholesale loans	323	277	290	302	397	813
Stage 2 Coverage (%)						
Home loans	–	–	–	–	–	0.7
Credit cards, unsecured loans and other retail lending	18.4	16.8	17.2	18.1	20.1	26.4
Wholesale 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
Wholesale 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
Wholesale 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
Wholesale 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
Wholesale loans[a]	831	n/a	n/a	787	n/a	n/a

Note

a Material corporate loan defaults are individually assessed across different recovery strategies which are impacted by the macroeconomic variables. As a result, only the Baseline scenario is shown together with the weighted estimate which reflects alternative recovery paths.

Staging sensitivity (audited)

An increase of 1% (£3,454m) of total gross exposure into Stage 2 (from Stage 1), would result in an increase in ECL impairment allowance of £207m 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 153).

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. The 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. Further detail on the Group policies with regard to managing concentration risk is presented on page 159 of Barclays PLC Pillar 3 Report 2019 (unaudited).

Geographic concentrations

As at 31 December 2019, the geographic concentration of the Group's assets remained broadly consistent with 2018. Exposure is concentrated in the UK 40% (2018: 41%), in the Americas 34% (2018: 34%) and Europe 20% (2018: 21%).

Credit risk concentrations by geography (audited)

	United Kingdom £m	Americas £m	Europe £m	Asia £m	Africa and Middle East £m	Total £m
As at 31 December 2019						
On-balance sheet:						
Cash and balances at central banks	51,477	28,273	54,632	15,130	746	150,258
Cash collateral and settlement balances	27,431	23,595	26,008	5,385	837	83,256
Loans and advances at amortised cost	257,459	46,569	25,599	6,275	3,213	339,115
Reverse repurchase agreements and other similar secured lending	1,005	15	1,056	470	833	3,379
Trading portfolio assets	11,550	27,621	13,397	4,786	763	58,117
Financial assets at fair value through the income statement	29,001	70,849	11,286	12,534	1,921	125,591
Derivative financial instruments	69,844	63,344	83,165	11,189	1,694	229,236
Financial assets at fair value through other comprehensive income	9,444	23,052	24,443	7,665	123	64,727
Other assets	1,170	126	79	–	–	1,375
Total on-balance sheet	458,595	283,267	239,628	63,434	10,130	1,055,054
Off-balance sheet:						
Contingent liabilities	7,539	10,838	3,862	1,562	726	24,527
Loan commitments	105,350	188,109	36,033	3,166	1,797	334,455
Total off-balance sheet	112,889	198,947	39,895	4,728	2,523	358,982
Total	571,484	482,214	279,523	68,162	12,653	1,414,036
As at 31 December 2018						
On-balance sheet:						
Cash and balances at central banks	64,343	36,045	66,887	9,076	718	177,069
Cash collateral and settlement balances	27,418	22,184	22,316	4,928	376	77,222
Loans and advances at amortised cost	240,116	49,592	27,913	5,371	3,414	326,406
Reverse repurchase agreements and other similar secured lending	724	68	113	83	1,320	2,308
Trading portfolio assets	12,444	34,369	13,375	3,616	713	64,517
Financial assets at fair value through the income statement	33,842	73,489	20,984	13,556	1,758	143,629
Derivative financial instruments	69,798	58,699	80,003	12,172	1,866	222,538
Financial assets at fair value through other comprehensive income	11,494	13,953	23,298	2,786	163	51,694
Other assets	780	100	125	–	1	1,006
Total on-balance sheet	460,959	288,499	255,014	51,588	10,329	1,066,389
Off-balance sheet:						
Contingent liabilities	5,910	8,996	3,572	1,289	536	20,303
Loan commitments	108,506	175,995	34,524	3,346	1,852	324,223
Total off-balance sheet	114,416	184,991	38,096	4,635	2,388	344,526
Total	575,375	473,490	293,110	56,223	12,717	1,410,915

Industry concentrations

The concentration of the Group's assets by industry remained broadly consistent year on year. As at 31 December 2019, total assets concentrated in banks and other financial institutions was 36% (2018: 36%), predominantly within derivative financial instruments. The proportion of the overall balance concentrated in governments and central banks was 19% (2018: 20%), cards, unsecured loans and other personal lending was 13% (2018: 13%) and in home loans remained stable at 12% (2018: 11%).

Risk performance

Credit risk concentrations by industry (audited)

	Banks £m	Other financial institutions £m	Manufacturing £m	Construction and property £m	Government and central bank £m	Energy and water £m	Wholesale and retail distribution and leisure £m	Business and other services £m	Home loans £m	Cards, unsecured loans and other personal lending £m	Other £m	Total £m
As at 31 December 2019												
On-balance sheet:												
Cash and balances at central banks	7	73	–	–	150,178	–	–	–	–	–	–	150,258
Cash collateral and settlement balances	16,599	55,262	516	64	9,251	536	51	642	–	–	335	83,256
Loans and advances at amortised cost	8,788	20,473	8,323	24,403	23,847	5,346	10,031	17,125	154,479	55,232	11,068	339,115
Reverse repurchase agreements and other similar secured lending	1,172	2,134	–	–	73	–	–	–	–	–	–	3,379
Trading portfolio assets	2,872	9,049	2,787	1,053	33,092	2,996	842	3,158	–	–	2,268	58,117
Financial assets at fair value through the income statement	10,747	97,849	634	6,909	5,353	45	–	3,569	358	–	127	125,591
Derivative financial instruments	125,323	83,285	2,049	2,273	7,811	3,077	562	1,520	–	2	3,334	229,236
Financial assets at fair value through other comprehensive income	18,596	4,370	–	286	40,763	–	–	430	–	–	282	64,727
Other assets	897	322	1	5	2	7	2	109	–	18	12	1,375
Total on-balance sheet	**185,001**	**272,817**	**14,310**	**34,993**	**270,370**	**12,007**	**11,488**	**26,553**	**154,837**	**55,252**	**17,426**	**1,055,054**
Off-balance sheet:												
Contingent liabilities	1,250	8,043	3,549	703	1,981	3,318	1,072	2,831	–	109	1,671	24,527
Loan commitments	1,909	47,815	42,148	14,358	1,704	29,877	14,711	22,932	10,060	124,841	24,100	334,455
Total off-balance sheet	**3,159**	**55,858**	**45,697**	**15,061**	**3,685**	**33,195**	**15,783**	**25,763**	**10,060**	**124,950**	**25,771**	**358,982**
Total	**188,160**	**328,675**	**60,007**	**50,054**	**274,055**	**45,202**	**27,271**	**52,316**	**164,897**	**180,202**	**43,197**	**1,414,036**
As at 31 December 2018												
On-balance sheet:												
Cash and balances at central banks	–	–	–	–	177,069	–	–	–	–	–	–	177,069
Cash collateral and settlement balances	17,341	48,398	498	75	9,235	386	223	717	–	–	349	77,222
Loans and advances at amortised cost	9,478	18,653	8,775	23,565	12,764	5,515	11,609	19,716	150,284	55,298	10,749	326,406
Reverse repurchase agreements and other similar secured lending	1,368	865	–	37	38	–	–	–	–	–	–	2,308
Trading portfolio assets	3,500	9,550	3,825	897	34,968	4,202	1,202	3,481	–	–	2,892	64,517
Financial assets at fair value through the income statement	30,374	96,378	–	8,914	5,331	32	13	2,178	405	–	4	143,629
Derivative financial instruments	123,769	80,376	2,390	1,993	5,987	2,791	486	2,004	–	–	2,742	222,538
Financial assets at fair value through other comprehensive income	12,135	2,250	–	200	36,973	–	–	136	–	–	–	51,694
Other assets	580	426	–	–	–	–	–	–	–	–	–	1,006
Total on-balance sheet	198,545	256,896	15,488	35,681	282,365	12,926	13,533	28,232	150,689	55,298	16,736	1,066,389
Off-balance sheet:												
Contingent liabilities	939	3,840	3,470	626	1,890	3,491	952	3,455	–	116	1,524	20,303
Loan commitments	1,267	42,890	39,978	14,362	1,629	26,519	14,566	22,142	8,900	126,640	25,330	324,223
Total off-balance sheet	2,206	46,730	43,448	14,988	3,519	30,010	15,518	25,597	8,900	126,756	26,854	344,526
Total	200,751	303,626	58,936	50,669	285,884	42,936	29,051	53,829	159,589	182,054	43,590	1,410,915

The approach to management and representation of credit quality

Asset credit quality

The credit quality distribution is based on the IFRS 9 12-month probability of default (PD) at the reporting date to ensure comparability with other ECL disclosures on pages 151 to 157.

The following internal measures are used to determine credit quality for loans:

Default Grade	Retail and Wholesale lending Probability of default	Credit Quality Description
1-3	0.0 to <0.05%	Strong
4-5	0.05 to <0.15%	
6-8	0.15 to <0.30%	
9-11	0.30 to <0.60%	
12-14	0.60 to <2.15%	Satisfactory
15-19	2.15 to <10%	
19	10 to <11.35%	
20-21	11.35 to <100%	Higher Risk
22	100%	Credit Impaired

For retail clients, a range of analytical tools is used to derive the probability of default of clients at inception and on an ongoing basis.

For loans that are not past due, these descriptions can be summarised as follows:

Strong: there is a very high likelihood of the asset being recovered in full.

Satisfactory: while there is a high likelihood that the asset will be recovered and therefore, of no cause for concern to the 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 Group's impairment policies.

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 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 Group will use its own internal ratings for the securities.

Balance sheet credit quality

The following tables present the credit quality of the Group's assets exposed to credit risk.

Overview

As at 31 December 2019, the ratio of the Group's on-balance sheet assets classified as strong (0.0 to <0.60%) remained stable at 86% (2018: 86%) of total assets exposed to credit risk.

Further analysis of debt securities by issuer and issuer type and netting and collateral arrangements on derivative financial instruments is presented on pages 174 and 175 respectively.

Risk performance

Balance sheet credit quality (audited)

	PD range				PD range			
	0.0 to <0.60% £m	0.60 to <11.35% £m	11.35 to 100% £m	Total £m	0.0 to <0.60% %	0.60 to <11.35% %	11.35 to 100% %	Total %
As at 31 December 2019								
Cash and balances at central banks	150,258	–	–	150,258	100	–	–	100
Cash collateral and settlement balances	73,122	10,134	–	83,256	88	12	–	100
Loans and advances at amortised cost:								
Home loans	146,269	5,775	2,435	154,479	94	4	2	100
Credit cards, unsecured and other retail lending	20,750	31,425	3,121	55,296	38	56	6	100
Wholesale loans	97,854	28,150	3,336	129,340	75	22	3	100
Total loans and advances at amortised cost	264,873	65,350	8,892	339,115	78	19	3	100
Reverse repurchase agreements and other similar secured lending	3,290	89	–	3,379	97	3	–	100
Trading portfolio assets:								
Debt securities	49,117	3,479	143	52,739	93	7	–	100
Traded loans	864	3,219	1,295	5,378	16	60	24	100
Total trading portfolio assets	49,981	6,698	1,438	58,117	86	12	2	100
Financial assets at fair value through the income statement:								
Loans and advances	14,467	7,993	232	22,692	64	35	1	100
Debt securities	4,806	413	30	5,249	91	8	1	100
Reverse repurchase agreements	62,475	34,232	180	96,887	65	35	–	100
Other financial assets	757	6	–	763	99	1	–	100
Total financial assets at fair value through the income statement	82,505	42,644	442	125,591	66	34	–	100
Derivative financial instruments	216,103	13,012	121	229,236	94	6	–	100
Financial assets at fair value through other comprehensive income	64,727	–	–	64,727	100	–	–	100
Other assets	1,242	133	–	1,375	90	10	–	100
Total on-balance sheet	906,101	138,060	10,893	1,055,054	86	13	1	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
Wholesale 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

Credit exposures by internal PD grade

The below tables represent credit risk profile by PD grade for loans and advances at amortised cost, contingent liabilities and loan commitments.

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 259), including relative movement in probability of default since initial recognition. There is therefore no direct relationship between credit quality and IFRS 9 stage classification.

Credit risk profile by internal PD grade for loans and advances at amortised cost (audited)

			Gross carrying amount				Allowance for ECL					
Grading	PD range %	Credit quality description	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Net exposure £m	Coverage ratio %
As at 31 December 2019												
1-3	0.0 to <0.05%	Strong	**91,993**	**1,615**	**–**	**93,608**	**13**	**13**	**–**	**26**	**93,582**	**–**
4-5	0.05 to <0.15%	Strong	**92,668**	**7,704**	**–**	**100,372**	**12**	**12**	**–**	**24**	**100,348**	**–**
6-8	0.15 to <0.30%	Strong	**29,187**	**4,444**	**–**	**33,631**	**23**	**5**	**–**	**28**	**33,603**	**0.1**
9-11	0.30 to <0.60%	Strong	**34,515**	**2,932**	**–**	**37,447**	**91**	**16**	**–**	**107**	**37,340**	**0.3**
12-14	0.60 to <2.15%	Satisfactory	**35,690**	**4,341**	**–**	**40,031**	**210**	**187**	**–**	**397**	**39,634**	**1.0**
15-19	2.15 to <10%	Satisfactory	**9,041**	**9,190**	**–**	**18,231**	**232**	**981**	**–**	**1,213**	**17,018**	**6.7**
19	10 to <11.35%	Satisfactory	**5,235**	**3,629**	**–**	**8,864**	**62**	**104**	**–**	**166**	**8,698**	**1.9**
20-21	11.35 to <100%	Higher Risk	**937**	**4,379**	**–**	**5,316**	**64**	**1,055**	**–**	**1,119**	**4,197**	**21.0**
22	100%	Credit Impaired	**–**	**–**	**7,923**	**7,923**	**–**	**–**	**3,228**	**3,228**	**4,695**	**40.7**
Total			**299,266**	**38,234**	**7,923**	**345,423**	**707**	**2,373**	**3,228**	**6,308**	**339,115**	**1.8**
As at 31 December 2018												
1-3	0.0 to <0.05%	Strong	69,216	1,413	–	70,629	26	21	–	47	70,582	0.1
4-5	0.05 to <0.15%	Strong	72,460	3,142	–	75,602	6	13	–	19	75,583	–
6-8	0.15 to <0.30%	Strong	47,172	4,728	–	51,900	37	13	–	50	51,850	0.1
9-11	0.30 to <0.60%	Strong	43,315	4,273	–	47,588	77	20	–	97	47,491	0.2
12-14	0.60 to <2.15%	Satisfactory	38,831	9,561	–	48,392	255	339	–	594	47,798	1.2
15-19	2.15 to <10%	Satisfactory	6,920	8,806	–	15,726	202	992	–	1,194	14,532	7.6
19	10 to <11.35%	Satisfactory	2,979	6,401	–	9,380	51	186	–	237	9,143	2.5
20-21	11.35 to <100%	Higher Risk	333	5,123	–	5,456	34	1,131	–	1,165	4,291	21.4
22	100%	Credit Impaired	–	–	8,503	8,503	–	–	3,367	3,367	5,136	39.6
Total			281,226	43,447	8,503	333,176	688	2,715	3,367	6,770	326,406	2.0

Risk performance

Credit risk profile by internal PD grade for contingent liabilities (audited)[a]

Grading	PD range %	Credit quality description	Gross carrying amount Stage 1 £m	Gross carrying amount Stage 2 £m	Gross carrying amount Stage 3 £m	Gross carrying amount Total £m	Allowance for ECL Stage 1 £m	Allowance for ECL Stage 2 £m	Allowance for ECL Stage 3 £m	Allowance for ECL Total £m	Net exposure £m	Coverage ratio %
As at 31 December 2019												
1-3	0.0 to <0.05%	Strong	6,947	118	–	7,065	3	–	–	3	7,062	–
4-5	0.05 to <0.15%	Strong	4,199	40	–	4,239	1	–	–	1	4,238	–
6-8	0.15 to <0.30%	Strong	2,953	103	–	3,056	1	–	–	1	3,055	–
9-11	0.30 to <0.60%	Strong	4,551	136	–	4,687	2	2	–	4	4,683	0.1
12-14	0.60 to <2.15%	Satisfactory	2,529	654	–	3,183	7	8	–	15	3,168	0.5
15-19	2.15 to <10%	Satisfactory	663	244	–	907	4	8	–	12	895	1.3
19	10 to <11.35%	Satisfactory	421	172	–	593	9	9	–	18	575	3.0
20-21	11.35 to <100%	Higher Risk	117	282	–	399	–	30	–	30	369	7.5
22	100%	Credit Impaired	–	–	355	355	–	–	5	5	350	1.4
Total			22,380	1,749	355	24,484	27	57	5	89	24,395	0.4
As at 31 December 2018												
1-3	0.0 to <0.05%	Strong	6,674	37	–	6,711	3	–	–	3	6,708	–
4-5	0.05 to <0.15%	Strong	3,687	129	–	3,816	1	–	–	1	3,815	–
6-8	0.15 to <0.30%	Strong	1,433	55	–	1,488	1	–	–	1	1,487	0.1
9-11	0.30 to <0.60%	Strong	3,206	222	–	3,428	1	3	–	4	3,424	0.1
12-14	0.60 to <2.15%	Satisfactory	2,543	509	–	3,052	3	6	–	9	3,043	0.3
15-19	2.15 to <10%	Satisfactory	464	252	–	716	1	3	–	4	712	0.6
19	10 to <11.35%	Satisfactory	534	203	–	737	6	5	–	11	726	1.5
20-21	11.35 to <100%	Higher Risk	49	228	–	277	–	10	–	10	267	3.6
22	100%	Credit Impaired	–	–	74	74	–	–	2	2	72	2.7
Total			18,590	1,635	74	20,299	16	27	2	45	20,254	0.2

Credit risk profile by internal PD grade for loan commitments (audited)[a]

Grading	PD range %	Credit quality description	Gross carrying amount Stage 1 £m	Gross carrying amount Stage 2 £m	Gross carrying amount Stage 3 £m	Gross carrying amount Total £m	Allowance for ECL Stage 1 £m	Allowance for ECL Stage 2 £m	Allowance for ECL Stage 3 £m	Allowance for ECL Total £m	Net exposure £m	Coverage ratio %
As at 31 December 2019												
1-3	0.0 to <0.05%	Strong	85,908	1,025	–	86,933	2	1	–	3	86,930	–
4-5	0.05 to <0.15%	Strong	70,112	1,889	–	72,001	5	1	–	6	71,995	–
6-8	0.15 to <0.30%	Strong	53,340	1,019	–	54,359	8	1	–	9	54,350	–
9-11	0.30 to <0.60%	Strong	44,097	1,592	–	45,689	13	1	–	14	45,675	–
12-14	0.60 to <2.15%	Satisfactory	36,112	3,955	–	40,067	30	26	–	56	40,011	0.1
15-19	2.15 to <10%	Satisfactory	4,913	3,857	–	8,770	8	55	–	63	8,707	0.7
19	10 to <11.35%	Satisfactory	3,662	2,106	–	5,768	4	7	–	11	5,757	0.2
20-21	11.35 to <100%	Higher Risk	616	1,993	–	2,609	–	21	–	21	2,588	0.8
22	100%	Credit Impaired	–	–	580	580	–	–	50	50	530	8.6
Total			298,760	17,436	580	316,776	70	113	50	233	316,543	0.1
As at 31 December 2018												
1-3	0.0 to <0.05%	Strong	80,971	1,636	–	82,607	3	2	–	5	82,602	–
4-5	0.05 to <0.15%	Strong	54,239	1,498	–	55,737	3	1	–	4	55,733	–
6-8	0.15 to <0.30%	Strong	36,714	823	–	37,537	4	1	–	5	37,532	–
9-11	0.30 to <0.60%	Strong	34,587	1,483	–	36,070	11	1	–	12	36,058	–
12-14	0.60 to <2.15%	Satisfactory	62,217	4,142	–	66,359	32	12	–	44	66,315	0.1
15-19	2.15 to <10%	Satisfactory	20,824	6,645	–	27,469	26	44	–	70	27,399	0.3
19	10 to <11.35%	Satisfactory	1,100	1,019	–	2,119	1	24	–	25	2,094	1.2
20-21	11.35 to <100%	Higher Risk	747	3,245	–	3,992	3	38	–	41	3,951	1.0
22	100%	Credit Impaired	–	–	610	610	–	–	20	20	590	3.3
Total			291,399	20,491	610	312,500	83	123	20	226	312,274	0.1

Note
a Excludes loan commitments and financial guarantees of £17.7bn (2018: £11.7bn) carried at fair value.

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 92% (2018: 91%) of the Group's total home loan balances.

Home loans principal portfolios[a]

As at 31 December	Barclays UK 2019	Barclays UK 2018
Gross loans and advances (£m)	**143,259**	136,517
90-day arrears rate, excluding recovery book (%)	**0.2**	0.2
Annualised gross charge-off rates – 180 days past due (%)	**0.6**	0.7
Recovery book proportion of outstanding balances (%)	**0.5**	0.6
Recovery book impairment coverage ratio (%)	**5.3**	2.9

Note
a 2018 metrics have been restated to align with the current methodology for the classification of delinquent balances and the inclusion of past maturity balances.

Within the UK home loans portfolio:

- gross loans and advances increased by £6.7bn (4.9%) following increases across both Residential (3.0%) and Buy to Let (BTL) (17.6%)
- owner-occupied interest-only home loans comprised 23.4% (2018: 26.3%) of total balances
- the average balance weighted LTV on owner-occupied loans increased to 50.2% (2018: 47.9%) with average completion LTVs remaining higher than for the existing portfolio
- BTL home loans comprised 13.6% (2018: 12.1%) of total balances. The average balance weighted LTV increased to 56.5% (2018: 55.4%) driven by average completion LTVs remaining higher than for the existing book.

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

	Distribution of balances				Distribution of impairment allowance				Coverage ratio			
Barclays UK	Stage 1 %	Stage 2 %	Stage 3 %	Total %	Stage 1 %	Stage 2 %	Stage 3 %	Total %	Stage 1 %	Stage 2 %	Stage 3 %	Total %
As at 31 December 2019												
<=75%	**76.0**	**10.7**	**0.7**	**87.4**	**4.2**	**15.4**	**28.5**	**48.1**	**–**	**0.1**	**2.2**	**–**
>75% and <=90%	**10.4**	**0.7**	**–**	**11.1**	**2.7**	**11.5**	**12.6**	**26.8**	**–**	**0.9**	**19.7**	**0.1**
>90% and <=100%	**1.3**	**0.1**	**–**	**1.4**	**0.8**	**2.5**	**4.9**	**8.2**	**–**	**1.8**	**54.4**	**0.3**
>100%	**0.1**	**–**	**–**	**0.1**	**0.2**	**4.1**	**12.6**	**16.9**	**0.2**	**8.7**	**107.4**	**9.0**
As at 31 December 2018												
<=75%	77.9	11.9	0.8	90.6	3.3	26.7	20.9	50.9	–	0.1	1.3	–
>75% and <=90%	8.0	0.6	–	8.6	1.6	11.8	8.7	22.1	–	1.0	12.7	0.1
>90% and <=100%	0.6	0.1	–	0.7	0.3	3.0	4.4	7.7	–	1.7	44.5	0.5
>100%	–	0.1	–	0.1	–	10.0	9.3	19.3	–	5.9	88.5	10.8

Note
a Portfolio marked 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 2019.

Home loans principal portfolios – average LTV[a]

As at 31 December	Barclays UK 2019	Barclays UK 2018
Overall portfolio LTV(%):		
Balance weighted	**51.1**	48.8
Valuation weighted	**37.3**	35.8
For >100% LTVs:		
Balances (£m)	**160**	150
Marked to market collateral (£m)	**140**	132
Average LTV: balance weighted (%)	**133.5**	136.3
Average LTV: valuation weighted (%)	**119.7**	119.5
Balances in recovery book (%)	**10.0**	7.7

Note
a 2018 metrics have been restated to align with the current methodology for the classification of delinquent balances and the inclusion of past maturity balances.

Risk performance

Home loans principal portfolios – new lending

As at 31 December	Barclays UK 2019	Barclays UK 2018
New bookings (£m)	**25,530**	23,473
New home loan proportion above >90% LTV (%)	**4.2**	1.8
Average LTV on new home loans: balance weighted (%)	**67.9**	65.4
Average LTV on new home loans: valuation weighted (%)	**60.0**	57.4

The value of new bookings increased across both the owner-occupied and BTL portfolios, 9.2% and 6.5% respectively. High LTV lending booked in 2019 increased, driven by market conditions.

Head Office: Italian home loans and advances at amortised cost reduced to £6.0bn (2018: £7.9bn) 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 64.4% (2018: 61.8%). 90-day arrears increased to 1.8% (2018: 1.4%), a function of the balance reduction associated with the sale of £787m assets in Q3 2019, gross charge-off rates remained stable at 0.8% (2018: 0.8%).

Credit cards, unsecured loans and other retail lending

The principal portfolios listed below accounted for 87% (2018: 86%) of the Group's total credit cards, unsecured loans and other retail lending.

Credit cards, unsecured loans and other retail lending principal portfolios

	Gross loans and advances £m	30-day arrears, excluding recovery book %	90-day arrears, excluding recovery book %	Annualised gross write-off rate %	Annualised net write-off rate %
As at 31 December 2019					
Barclays UK					
UK cards	**16,457**	**1.7**	**0.8**	**1.6**	**1.6**
UK personal loans	**6,139**	**2.1**	**1.0**	**3.2**	**2.9**
Barclays International					
US cards	**22,041**	**2.7**	**1.4**	**4.5**	**4.4**
Barclays Partner Finance	**4,134**	**0.9**	**0.3**	**1.7**	**1.7**
Germany consumer lending	**3,558**	**1.7**	**0.7**	**2.1**	**1.3**
As at 31 December 2018					
Barclays UK					
UK cards	17,285	1.8	0.9	1.9	1.5
UK personal loans	6,335	2.3	1.1	1.9	1.5
Barclays International					
US cards	22,178	2.7	1.4	3.6	3.4
Barclays Partner Finance	4,216	1.1	0.4	1.7	1.7
Germany consumer lending	3,400	1.9	0.8	2.7	2.0

UK cards: following the introduction of payment reminders both 30- and 90-day arrears rates reduced by 0.1%. The annualised gross write-off rate reduced to 1.6% (2018: 1.9%), reflecting lower levels of delinquency and contractual charge-offs through 2019, albeit with increased debt sales from the recovery book.

UK personal loans: 30- and 90-day arrears rates reduced by 0.2% and 0.1% respectively, reflecting a continued improvement in lending quality over the past two years, coupled with improvements in collections effectiveness. Write-off rates increased significantly reflecting higher charge-offs in 2018.

US cards: 30- and 90-day arrears rates remained stable. The annualised gross and net write-off rates increased to 4.5% (2018: 3.6%) and 4.4% (2018: 3.4%) respectively primarily driven by an increase in charge-offs in 2018. The percentage of write-offs to charge-offs was stable year on year.

Barclays Partner Finance: improvement in 30- and 90-day arrears was driven by better arrears management and improved customer selection. Annualised write-off rates remained flat.

Germany consumer lending: improvement in 30- and 90-day arrears was driven by better collections performance across all products. The annualised write-off rates improved in line with expectations.

Exposure to UK commercial real estate (CRE)

The UK CRE portfolio includes property investment, development, trading and house builders but excludes social housing and contractors.

UK CRE summary

	2019	2018
As at 31 December		
UK CRE loans and advances (£m)	**9,051**	8,576
Stage 3 balances (£m)	**254**	267
Stage 3 balances as % of UK CRE balances (%)	**2.8**	3.1
Impairment allowances (£m)	**52**	49
Stage 3 coverage ratio (%)	**7.5**	8.8
Total collateral (£m)[a]	**26,876**	26,508
12 months ended 31 December		
Impairment charge (£m)	**6**	(15)

Note

a Based on the most recent valuation assessment.

Maturity analysis of exposure to UK CRE

	Contractual maturity of UK CRE loans and advances at amortised cost							
As at 31 December	Stage 3 balances £m	Not more than six months £m	Over six 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 five years £m	Over five years but not more than 10 years £m	Over 10 years £m	Total loans and advances £m
2019	**254**	**146**	**111**	**377**	**3,088**	**3,687**	**1,388**	**9,051**
2018	267	100	134	492	3,569	2,778	1,236	8,576

Risk performance

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

	Gross balances				Impairment allowances			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
As at 31 December 2019								
Barclays UK	–	147	298	445	–	35	92	127
Barclays International	–	2	225	227	–	1	158	159
Head Office	–	–	130	130	–	–	8	8
Total retail	–	149	653	802	–	36	258	294
Barclays UK	–	47	449	496	–	4	31	35
Barclays International	–	918	1,016	1,934	–	37	226	263
Head Office	–	–	–	–	–	–	–	–
Total wholesale	–	965	1,465	2,430	–	41	257	298
Group total	–	1,114	2,118	3,232	–	77	515	592
As at 31 December 2018								
Barclays UK[a]	–	173	349	522	–	33	139	172
Barclays International	–	2	231	233	–	1	165	166
Head Office	–	–	165	165	–	–	10	10
Total retail	–	175	745	920	–	34	314	348
Barclays UK	–	56	615	671	–	9	36	45
Barclays International	–	1,088	1,196	2,284	–	40	201	241
Head Office	–	–	–	–	–	–	–	–
Total wholesale	–	1,144	1,811	2,955	–	49	237	286
Group total	–	1,319	2,556	3,875	–	83	551	634

Note
a 2018 metrics have been restated to exclude up to date, paying customers classified as Stage 1.

Balances on forbearance programmes decreased 17%, driven by better portfolio performance.

Retail balances on forbearance reduced 13% to £0.8bn, reflecting a decrease in Barclays UK and Head Office.

Wholesale balances on forbearance fell to £2.4bn (2018: £3.0bn) with lower exposure in Corporate Bank and SME of £211m and £171m respectively. Impairment allowances rose to £298m (2018: £286m) following a small number of material single name charges in the year. Barclays International accounted for 80% of wholesale forbearance with corporate cases representing 72% of all forborne balances.

Retail forbearance programmes

Forbearance on the Group's principal retail portfolios is presented below.

Analysis of key portfolios in forbearance programmes

	Gross balances on forbearance programmes		Marked to market LTV of forbearance balances: balance weighted	Marked to market LTV of forbearance balances: valuation weighted	Impairment allowances marked against balances on forbearance programmes	Total balances on forbearance programmes coverage ratio
	Total £m	% of gross retail loans and advances %	%	%	£m	%
As at 31 December 2019						
Barclays UK						
UK home loans	**137**	**0.1**	**42.7**	**31.0**	**–**	**–**
UK cards	**254**	**1.5**	**n/a**	**n/a**	**97**	**38.2**
UK personal loans	**54**	**0.9**	**n/a**	**n/a**	**30**	**55.3**
Barclays International						
US cards	**183**	**0.8**	**n/a**	**n/a**	**131**	**71.6**
Barclays Partner Finance	**3**	**0.1**	**n/a**	**n/a**	**2**	**66.7**
Germany consumer lending	**37**	**1.0**	**n/a**	**n/a**	**23**	**60.9**
Head Office						
Italian home loans	**130**	**2.2**	**60.6**	**44.9**	**8**	**5.9**
As at 31 December 2018						
Barclays UK						
UK home loans[a]	182	0.1	41.3	29.9	–	–
UK cards[a]	279	1.6	n/a	n/a	121	43.4
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
Head Office						
Italian home loans	165	2.1	59.5	46.6	10	6.1

Note

a 2018 metrics have been restated to exclude up to date, paying customers classified as Stage 1.

UK home loans: Forbearance balances reduced to £137m (2018: £182m) due to a reduction in volumes of entries into collections and new forbearance plans.

UK cards: Forbearance balances decreased in line with the reduction in delinquent balances.

UK personal loans: Forbearance balances decreased in line with the reduction in delinquent balances.

US cards: Forbearance balances increased to £183m (2018: £177m) in line with book size but as a percentage of total balance remained low (<1%). Lower coverage was driven by favourable macroeconomic conditions.

Barclays Partner Finance: The reduction in forbearance balances was mainly driven by the rundown of the motor business over the course of 2019.

Germany consumer lending: Improved performance and higher quality bookings led to fewer accounts moving into forbearance.

Italian home loans: Forbearance balances reduced to £130m (2018: £165m), due to an asset sale in Q3 2019.

Risk performance

Wholesale forbearance programmes

The tables below detail balance information for wholesale forbearance cases.

Analysis of wholesale balances in forbearance programmes

	Gross balances on forbearance programmes		Impairment allowances marked against balances on forbearance programmes	Total balances on forbearance programmes coverage ratio
	Total balances £m	% of gross wholesale loans and advances %	£m	%
As at 31 December 2019				
Barclays UK	**496**	**1.6**	**35**	**7.1**
Barclays International	**1,934**	**1.9**	**263**	**13.6**
Total	**2,430**	**1.8**	**298**	**12.3**
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

Analysis of debt securities

Debt securities include government securities held as part of the Group's treasury management portfolio for liquidity and regulatory purposes, and are for use on a continuing basis in the activities of the Group.

The following tables provide an analysis of debt securities held by the Group for trading and investment purposes by issuer type, and where the Group held government securities exceeding 10% of shareholders' equity.

Further information on the credit quality of debt securities is presented on pages 165 to 166.

Debt securities

	2019		2018	
As at 31 December	£m	%	£m	%
Of which issued by:				
Governments and other public bodies	**91,058**	**65.1**	76,646	64.6
Corporate and other issuers	**39,231**	**28.1**	30,767	26.0
US agency	**4,480**	**3.2**	7,014	5.9
Mortgage and asset backed securities	**5,084**	**3.6**	4,143	3.5
Total	**139,853**	**100.0**	118,570	100.0

Government securities

As at 31 December	2019 Fair value £m	2018 Fair value £m
United States	**32,145**	31,199
United Kingdom	**28,010**	19,555
Japan	**6,679**	1,249

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 Group holds offsetting liabilities and eligible collateral.

Derivative assets (audited)

	2019			2018		
As at 31 December	Balance sheet assets £m	Counterparty netting £m	Net exposure £m	Balance sheet assets £m	Counterparty netting £m	Net exposure £m
Foreign exchange	56,606	44,284	12,322	64,188	50,189	13,999
Interest rate	142,468	106,589	35,879	125,272	95,572	29,700
Credit derivatives	8,215	6,589	1,626	10,755	8,450	2,305
Equity and stock index	20,806	17,517	3,289	20,882	16,653	4,229
Commodity derivatives	1,141	1,019	122	1,441	1,137	304
Total derivative assets	**229,236**	**175,998**	**53,238**	222,538	172,001	50,537
Cash collateral held			**33,411**			31,402
Net exposure less collateral			**19,827**			19,135

Derivative asset exposures would be £209bn (2018: £203bn) 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 £212bn (2018: £202bn) lower reflecting counterparty netting and collateral placed. In addition, non-cash collateral of £6bn (2018: £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

	2019			2018		
	Notional contract amount £m	Fair value Assets £m	Fair value Liabilities £m	Notional contract amount £m	Fair value Assets £m	Fair value Liabilities £m
Unilateral in favour of Barclays						
Foreign exchange	32,441	398	(422)	22,639	473	(369)
Interest rate	5,202	859	(13)	4,762	769	(25)
Credit derivatives	338	3	(1)	54	1	–
Equity and stock index	158	5	(27)	107	17	–
Total unilateral in favour of Barclays	**38,139**	**1,265**	**(463)**	27,562	1,260	(394)
Unilateral in favour of counterparty						
Foreign exchange	11,230	424	(1,206)	14,221	530	(1,641)
Interest rate	44,360	3,094	(4,210)	64,504	2,925	(4,090)
Credit derivatives	116	–	(1)	78	1	(3)
Equity and stock index	494	298	(40)	714	242	(31)
Total unilateral in favour of counterparty	**56,200**	**3,816**	**(5,457)**	79,517	3,698	(5,765)
Bilateral arrangement						
Foreign exchange	4,484,380	51,571	(51,001)	4,788,711	58,772	(56,392)
Interest rate	12,303,652	131,700	(128,096)	9,699,149	116,712	(114,091)
Credit derivatives	390,790	5,034	(4,923)	380,546	6,339	(5,002)
Equity and stock index	210,267	8,925	(11,178)	177,496	7,984	(8,494)
Commodity derivatives	7,269	294	(210)	9,635	492	(330)
Total bilateral arrangement	**17,396,358**	**197,524**	**(195,408)**	15,055,537	190,299	(184,309)
Uncollateralised derivatives						
Foreign exchange	379,741	4,117	(4,216)	371,158	4,243	(5,495)
Interest rate	284,168	4,697	(1,668)	205,050	3,454	(1,138)
Credit derivatives	8,142	216	(474)	5,830	234	(234)
Equity and stock index	21,131	1,400	(4,540)	12,179	1,468	(3,305)
Commodity derivatives	58	9	(46)	121	29	(78)
Total uncollateralised derivatives	**693,240**	**10,439**	**(10,944)**	594,338	9,428	(10,250)
Total OTC derivative assets/(liabilities)	**18,183,937**	**213,044**	**(212,272)**	15,756,954	204,685	(200,718)

Risk performance

Summary of contents

		Page
Outlines key measures used to summarise the market risk profile of the bank such as value at risk (VaR).	▪ Market risk overview and summary of performance	176
The 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. This section also outlines the macroeconomic conditions modelled as part of the Group's risk management framework.	▪ Traded market risk ▪ Review of management measures – The daily average, maximum and minimum values of management VaR – Business scenario stresses	176 176 177 177

All disclosures in this section (pages 176 to 177) are unaudited unless otherwise stated.

Overview

This section contains key statistics describing the market risk profile of the Group. The market risk management section on page 177 provides a description of management VaR.

Measures of market risk in the 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.

Summary of performance in the period

Overall, the Group has maintained a steady market risk profile. Average management VaR increased by 10% to £23m in 2019 (2018: £21m) and remained relatively stable during the period. The increase in average management VaR in 2019 was driven by a small increase in equity risk and credit risk, partially offset by a slight decrease in interest rate risk compared to 2018.

Traded market risk review

Review of management measures

The following disclosures provide details on management measures of market risk. Refer to the market risk management section on pages 179 to 186 of the Barclays PLC Pillar 3 Report 2019 (unaudited) for more detail on management measures and the differences when compared to regulatory measures.

The table below shows the total management VaR on a diversified basis by risk factor. Total management VaR includes all trading positions in CIB and Treasury and it is calculated with a one-day holding period.

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.

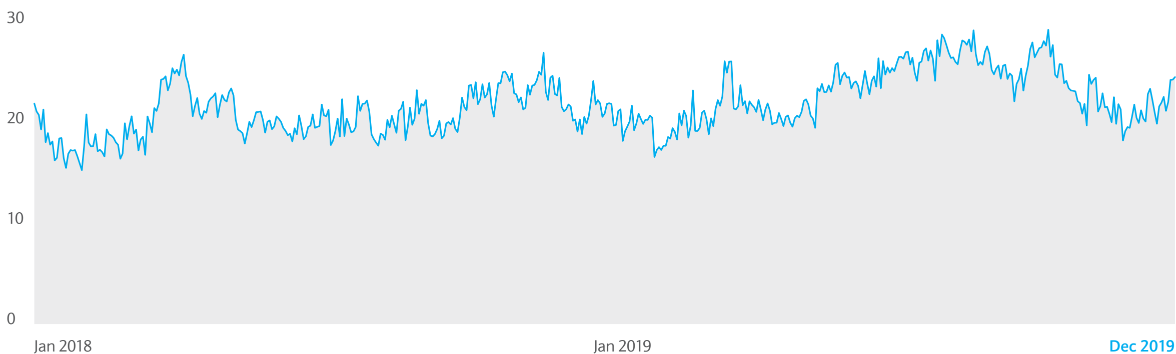
The daily average, maximum and minimum values of management VaR

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

	2019			2018		
For the year ended 31 December[a]	Average £m	High[b] £m	Low[b] £m	Average £m	High[b] £m	Low[b] £m
Credit risk	12	17	8	11	16	8
Interest rate risk	6	11	3	8	19	3
Equity risk	10	22	5	7	14	4
Basis risk	8	11	6	6	8	4
Spread risk	4	5	3	6	9	3
Foreign exchange risk	3	5	2	3	7	2
Commodity risk	1	2	–	1	2	–
Inflation risk	2	3	1	3	4	2
Diversification effect[b]	(23)	n/a	n/a	(24)	n/a	n/a
Total management VaR	23	29	17	21	27	15

Notes
a Excludes BAGL from 23 July 2018.
b Diversification effects recognise that forecast losses from different assets or businesses are unlikely to occur concurrently, hence the expected aggregate loss is lower than the sum of the expected losses from each area. Historical correlations between losses are taken into account in making these assessments. The high and low VaR figures reported for each category did not necessarily occur on the same day as the high and low VaR reported as a whole. Consequently, a diversification effect balance for the high and low VaR figures would not be meaningful and is therefore omitted from the above table.

Group Management VaR[a]
£m



Note
a Excludes BAGL from 23 July 2018.

Business scenario stresses

As part of the 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 2019, the scenario analyses showed that the largest market risk related impacts would be due to a severe deterioration in financial liquidity and a global recession.

Risk performance

Treasury and Capital risk: summary of contents

		Page
Liquidity risk performance The risk that the firm is unable to meet its contractual or contingent obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets. This section provides an overview of the Group's liquidity risk.	▪ Liquidity overview and summary of performance ▪ Liquidity risk stress testing – Liquidity risk appetite – Liquidity regulation – Liquidity coverage ratio	180 180 180 181 181
The liquidity pool is held unencumbered and is intended to offset stress outflows.	▪ Liquidity pool – Composition of the liquidity pool – Liquidity pool by currency – Management of the liquidity pool – Contingent liquidity	182 182 182 182 182
The basis for sound liquidity risk management is a funding structure that reduces the probability of a liquidity stress leading to an inability to meet funding obligations as they fall due.	▪ Funding structure and funding relationships – Deposit funding – Wholesale funding	183 183 184
In addition to monitoring and managing key metrics related to the financial strength of the Group, Barclays solicits independent credit ratings. These ratings assess the creditworthiness of the 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.	▪ Credit ratings	185
Provides details on the contractual maturity of all financial instruments and other assets and liabilities.	▪ Contractual maturity of financial assets and liabilities	186
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 the 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	190 190 190 190
This section outlines the Group's capital ratios, capital composition, and provides information on significant movements in CET1 capital during the year.	▪ Analysis of capital resources – Capital ratios – Capital resources – Movement in CET1 capital	191 191 191 192
This section outlines risk weighted assets by risk type, business and macro drivers.	▪ Analysis of risk weighted assets – Risk weighted assets by risk type and business – Movement analysis of risk weighted assets	193 193 193
This section outlines the 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 – Leverage ratios and exposures	194 194
This section outlines the Group's minimum requirement for own funds and eligible liabilities (MREL) position and ratios.	▪ Minimum requirement for own funds and eligible liabilities	195

Treasury and Capital risk: summary of contents

Page

Capital risk performance continued

The Group discloses the two sources of foreign exchange risk that it is exposed to.

- Foreign exchange risk 196
  - Transactional foreign currency exposure 196
  - Translational foreign exchange exposure 196
  - Functional currency of operations 196

A review focusing on the UK retirement fund, which represents the majority of the Group's total retirement benefit obligation.

- Pension risk review 196
  - Assets and liabilities 196
  - IAS 19 position 197
  - Risk measurement 197

Interest rate risk in the banking book performance

A description of the non-traded market risk framework is provided.

The 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.

The Group measures some non-traded market risks, in particular prepayment, recruitment and residual risk, using an economic capital methodology.

The Group discloses the overall impact of a parallel shift in interest rates on other comprehensive income and cash flow hedges.

The Group measures the volatility of the value of the FVOCI instruments in the liquidity pool through non-traded market risk VaR.

- Interest rate risk in the banking book overview and summary of performance 198
- Net interest income sensitivity
  - by business unit 198
  - by currency 198
- Analysis of equity sensitivity 199
- Volatility of the FVOCI portfolio in the liquidity pool 199

Risk performance

Liquidity risk

All disclosures in this section (pages 180 to 189) are unaudited unless otherwise stated.

Overview

The Group has a comprehensive key risk control framework for managing the Group's 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 Group's: (i) summary of performance; (ii) liquidity risk stress testing; iii) liquidity pool; (iv) funding structure and funding relationships; (v) credit ratings; and (vi) contractual maturity of financial assets and liabilities.

For further detail on liquidity risk governance and framework, refer to pages 192 to 194 of the Barclays PLC Pillar 3 Report 2019 (unaudited).

Key metrics

Liquidity Coverage Ratio

160%

(2018: 169%)

Summary of performance

The liquidity pool at £211bn (December 2018: £227bn) reflects the Group's prudent approach to liquidity management. The Liquidity Coverage Ratio (LCR) remained well above the 100% regulatory requirement at 160% (December 2018: 169%), equivalent to a surplus of £78bn (December 2018: £90bn). The liquidity pool, LCR and surplus have been managed down through the course of the year, supporting increased business funding requirements while maintaining a prudent liquidity position.

During the year, the Group issued £8.6bn of minimum requirement for own funds and eligible liabilities (MREL) instruments in a range of tenors 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 Group has continued to reduce its reliance on short-term wholesale funding, where the proportion maturing in less than one year fell to 28% (December 2018: 30%).

Liquidity risk stress testing

Under the Liquidity Framework, the 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 Group chooses to take in pursuit of its business objectives and in meeting its regulatory obligations. The Group sets its internal liquidity risk appetite (LRA) based on internal liquidity risk assessments and external regulatory requirements, namely the CRR (as amended by CRR II) Liquidity Coverage Ratio (LCR).

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 should a stress occur.

As part of the LRA, the 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 2019

Drivers of Liquidity risk	LRA Combined stress – key assumptions
Wholesale Secured and Unsecured Funding Risk	▪ Zero rollover of maturing wholesale unsecured funding ▪ Loss of repo capacity on non-extremely liquid repos at contractual maturity date ▪ Roll of repo for extremely liquid repo at wider haircut at contractual maturity date ▪ Withdrawal of contractual buy-back obligations, excess client futures margin, Prime Brokerage (PB) client cash and overlifts ▪ Haircuts applied to the market value of marketable assets held in the liquidity buffer
Retail and Corporate Funding Risk	▪ Retail and Corporate deposit outflows as counterparties seek to diversify their deposit balances
Intraday Liquidity Risk	▪ Liquidity held to meet increased intraday liquidity usage due to payment and receipts volatility, loss of unsecured credit lines and haircuts applied to collateral values used to back secured credit lines in 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	▪ Deterioration in FX market capacity that may result in restriction in net currency positions
Off-Balance Sheet Liquidity Risk	▪ Drawdown on committed facilities based on facility and counterparty type ▪ Collateral outflows due to a two-notch credit rating downgrade ▪ Increase in the Group's initial margin requirement across all major exchanges ▪ Variation margin outflows from collateralised risk positions ▪ Outflow of collateral owing but not called ▪ Loss of internal sources of funding within the PB synthetics business
Franchise-Viability Risk	▪ Liquidity held to enable the firm to meet select non-contractual obligations to ensure market confidence in the firm is maintained, including debt buy-backs, swap tear-ups and increased prime brokerage margin debits
Funding Concentration Risk	▪ Liquidity held against largest wholesale funding counterparty refusing to roll

As at 31 December 2019, the 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 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 2019, the Group remained compliant with this internal metric.

Liquidity regulation

The Group monitors its position against the CRR (as amended by CRR II) Liquidity Coverage Ratio and the 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 been developed to promote a sustainable maturity structure of assets and liabilities.

In June 2019, the EBA published CRR II which defined the final rules and minimum requirements for the NSFR. Barclays expects to be compliant with these requirements when they become effective in June 2021.

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	2019 £bn	2018 £bn
Eligible liquidity buffer	**206**	219
Net stress outflows	**(128)**	(129)
Surplus	**78**	90
Liquidity coverage ratio	**160%**	169%

As part of the LRA, Barclays also establishes the minimum LCR limit. The Group plans to maintain its surplus to the internal and regulatory stress requirements at an efficient level, while continuously assessing risks to market funding conditions and its liquidity position and taking actions to manage the size of the liquidity pool as appropriate.

Risk performance

Liquidity pool

The Group liquidity pool as at 31 December 2019 was £211bn (2018: £227bn). During 2019, the month-end liquidity pool ranged from £211bn to £256bn (2018: £207bn to £243bn), and the month-end average balance was £235bn (2018: £225bn). The liquidity pool is held unencumbered and is intended to offset stress outflows. It comprises the following cash and unencumbered assets.

Composition of the Group liquidity pool as at 31 December 2019

	Liquidity pool £bn	Liquidity pool of which CRR LCR eligible[c]			2018 Liquidity pool £bn
		Cash £bn	Level 1 £bn	Level 2A £bn	
Cash and deposits with central banks[a]	**153**	**150**	–	–	181
Government bonds[b]					
AAA to AA-	**31**	–	**26**	–	27
BBB+ to BBB-	**5**	–	**4**	**2**	4
Other LCR Ineligible Government bonds	–	–	–	–	1
Total government bonds	**36**	–	**30**	**2**	32
Other					
Government Guaranteed Issuers, PSEs and GSEs	**9**	–	**8**	**1**	6
International Organisations and MDBs	**7**	–	**7**	–	5
Covered bonds	**6**	–	**5**	–	3
Other	–	–	–	–	–
Total other	**22**	–	**20**	**1**	14
Total as at 31 December 2019	**211**	**150**	**50**	**3**	227
Total as at 31 December 2018	227	176	40	1	

Notes

a Includes cash held at central banks and surplus cash at central banks related to payment schemes. Of which over 98% (2018: over 99%) was placed with the Bank of England, US Federal Reserve, European Central Bank, Bank of Japan and Swiss National Bank.

b Of which over 67% (2018: over 71%) comprised UK, US, French, German, Swiss and Dutch securities.

c The LCR eligible liquidity pool is adjusted for trapped liquidity and other regulatory deductions. It also incorporates other CRR (as amended by CRR II) qualifying assets that are not eligible under Barclays' internal risk appetite.

The Group liquidity pool is well diversified by major currency and the 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 2019	**52**	**42**	**67**	**50**	**211**
Liquidity pool as at 31 December 2018	57	64	76	30	227

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 returns generated by these highly liquid assets, the risk and reward profile is continuously managed.

As at 31 December 2019, 67% (2018: 70%) of the liquidity pool was located in Barclays Bank PLC, 20% (2018: 20%) in Barclays Bank UK PLC and 6% (2018: 2%) in Barclays Bank Ireland 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 local regulatory requirements. To the extent the use of this portion of the liquidity pool is restricted due to local regulatory requirements, it is assumed to be unavailable to the rest of the Group in calculating the LCR.

Contingent liquidity

In addition to the Group liquidity pool, the 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 their 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 significantly elevated prices, the Group could generate liquidity via central bank facilities. The Group maintains a significant amount of collateral positioned at central banks.

For more detail on the Group's other unencumbered assets, see pages 221 to 222 of the Barclays PLC Pillar 3 Report 2019 (unaudited).

Funding structure and funding relationships

The basis for sound liquidity risk management is a funding structure that reduces the probability of a liquidity stress leading to an inability to meet funding obligations as they fall due. The 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 Group aims to align the sources and uses of funding. As such, retail and corporate loans and advances are largely funded by deposits in the relevant entities, with the surplus primarily funding the liquidity pool. 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 when netted against cash collateral received and paid. Wholesale debt and equity is used to fund residual assets.

These funding relationships are summarised below:

Assets	2019 £bn	2018 £bn
Loans and advances at amortised cost	**339**	327
Group liquidity pool	**211**	227
Reverse repurchase agreements, trading portfolio assets, cash collateral and settlement balances	**298**	303
Derivative financial instruments	**229**	223
Other assets[a]	**63**	53
Total assets	**1,140**	1,133

Liabilities	2019 £bn	2018 £bn
Deposits at amortised cost	**416**	395
<1 Year wholesale funding	**41**	47
>1 Year wholesale funding	**106**	107
Repurchase agreements, trading portfolio liabilities, cash collateral and settlement balances	**247**	262
Derivative financial instruments	**229**	220
Other liabilities	**35**	38
Equity	**66**	64
Total liabilities	**1,140**	1,133

Note
a Other assets include fair value assets that are not part of reverse repurchase agreements or trading portfolio assets, and other asset categories.

Deposit funding (audited)

Funding of loans and advances As at 31 December 2019	2019 Loans and advances at amortised cost £bn	2019 Deposits at amortised cost £bn	2019 Loan: deposit ratio[a] %	2018 Loan: deposit ratio %
Barclays UK	**198**	**206**	**96%**	96%
Barclays International	**133**	**210**	**63%**	65%
Head Office	**8**	**–**		
Barclays Group	**339**	**416**	**82%**	83%

Note
a The loan: deposit ratio is calculated as loans and advances at amortised cost divided by deposits at amortised cost.

As at 31 December 2019, £181bn (2018: £172bn) of total customer deposits were insured through the UK Financial Services Compensation Scheme (FSCS) and other similar schemes. In addition to these customer deposits £4bn (2018: £5bn) of other liabilities are insured by other governments.

Contractually, current accounts are repayable on demand and savings accounts at short notice. In practice, 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 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 Group's broad base of customers, numerically and by depositor type, helps protect against unexpected fluctuations in balances and hence provides a stable funding base for the Group's operations and liquidity needs.

Risk performance

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.

The 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 2019, the Group's total wholesale funding outstanding (excluding repurchase agreements) was £147.1bn (2018: £154.0bn), of which £19.6bn (2018: £22.5bn) was secured funding and £127.5bn (2018: £131.5bn) unsecured funding. Unsecured funding includes £51.1bn (2018: £47.3bn) of privately placed senior unsecured notes issued through a variety of distribution channels including intermediaries and private banks.

During the year, the Group issued £8.6bn 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 2019, wholesale funding of £40.6bn (2018: £46.7bn) matures in less than one year, of which £16.3bn (2018: £19.1bn) relates to term funding. Although not a requirement, the liquidity pool exceeded the wholesale funding maturing in less than one year by £170bn (2018: £180bn).

Barclays Bank Group and Barclays Bank UK Group also support various central bank monetary initiatives including participation in the Bank of England's Term Funding Scheme. These are reported under 'repurchase agreements and other similar secured borrowing' on the balance sheet.

Maturity profile of wholesale funding[a,b]

	<1 month £bn	1-3 months £bn	3-6 months £bn	6-12 months £bn	<1 year £bn	1-2 years £bn	2-3 years £bn	3-4 years £bn	4-5 years £bn	>5 years £bn	Total £bn
Barclays PLC (the Parent company)											
Senior unsecured (Public benchmark)	–	–	0.8	0.3	1.1	4.2	0.9	8.2	4.5	14.2	33.1
Senior unsecured (Privately placed)	–	–	–	–	–	0.2	–	0.1	0.1	0.5	0.9
Subordinated liabilities	–	–	–	–	–	–	–	–	1.0	6.7	7.7
Barclays Bank PLC (including subsidiaries)											
Certificates of deposit and commercial paper	1.1	4.2	3.6	7.3	16.2	0.9	0.5	0.1	–	–	17.7
Asset backed commercial paper	1.6	4.9	0.7	–	7.2	–	–	–	–	–	7.2
Senior unsecured (Public benchmark)	0.6	–	–	–	0.6	2.9	0.1	–	1.1	0.3	5.0
Senior unsecured (Privately placed)[c]	1.1	1.5	2.4	5.9	10.9	5.7	4.8	3.9	4.0	20.9	50.2
Asset backed securities	–	0.4	0.6	–	1.0	–	0.2	0.6	0.9	2.1	4.8
Subordinated liabilities	–	0.2	0.1	0.9	1.2	5.0	3.3	0.1	–	0.9	10.5
Other	0.1	–	–	–	0.1	–	–	0.3	–	1.2	1.6
Barclays Bank UK PLC (including subsidiaries)											
Certificates of deposit and commercial paper	–	0.4	0.2	0.2	0.8	–	–	–	–	–	0.8
Covered bonds	–	–	1.0	–	1.0	0.9	2.3	1.8	–	1.1	7.1
Asset backed securities	–	–	–	0.5	0.5	–	–	–	–	–	0.5
Total as at 31 December 2019	**4.5**	**11.6**	**9.4**	**15.1**	**40.6**	**19.8**	**12.1**	**15.1**	**11.6**	**47.9**	**147.1**
Of which secured	**1.6**	**5.3**	**2.3**	**0.5**	**9.7**	**0.9**	**2.5**	**2.4**	**0.9**	**3.2**	**19.6**
Of which unsecured	**2.9**	**6.3**	**7.1**	**14.6**	**30.9**	**18.9**	**9.6**	**12.7**	**10.7**	**44.7**	**127.5**
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

Notes

a The composition of wholesale funds comprises the balance sheet reported financial liabilities at fair value, debt securities in issue and subordinated liabilities. It does not include participation in the central bank facilities reported within repurchase agreements and other similar secured borrowing.

b Term funding comprises public benchmark and privately placed senior unsecured notes, covered bonds, asset backed securities and subordinated debt where the original maturity of the instrument was more than one year.

c Includes structured notes of £42.9bn, of which £8.3bn matures within one year.

Currency composition of wholesale debt

As at 31 December 2019, 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	63	28	8	1
Asset backed commercial paper	85	8	7	–
Senior unsecured (Public benchmark)	48	4	43	5
Senior unsecured (Privately placed)	60	18	10	12
Covered bonds/Asset backed securities	45	27	28	–
Subordinated liabilities	55	27	16	2
Total as at 31 December 2019	**60**	**22**	**13**	**5**
Total as at 31 December 2018	53	27	13	7

To manage cross currency refinancing risk, the Group manages to foreign exchange cash flow limits, which limit risk at specific maturities.

Credit ratings

In addition to monitoring and managing key metrics related to the financial strength of the 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 Group, its subsidiaries and its 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 30 January 2020**	Standard & Poor's	Moody's	Fitch
Barclays Bank PLC			
Long-term	A / Stable	A1 / Stable	A+ / Stable
Short-term	A-1	P-1	F1
Barclays Bank UK PLC			
Long-term	A / Stable	A1 / Negative	A+ / Stable
Short-term	A-1	P-1	F1
Barclays PLC			
Long-term	BBB / Stable	Baa2 /Stable	A / Stable
Short-term	A-2	P-2	F1

In January 2020 Moody's upgraded the long-term ratings of Barclays PLC and Barclays Bank PLC by one notch to Baa2 and A1 respectively, due to their view that the earnings profile of the entities has improved. This followed the positive outlooks that had been placed on these entities in May 2019 and the outlooks reverted to stable in the most recent action. In November 2019, Moody's revised the outlook on Barclays Bank UK PLC to negative from stable, alongside other UK peers following a negative revision to the UK sovereign outlook.

In June 2019, Fitch affirmed all ratings for Barclays PLC, Barclays Bank PLC and Barclays Bank UK PLC. In December 2019, Fitch placed the outlooks of all entities on stable from rating watch negative (RWN) alongside 18 UK banks to reflect their view that the immediate risk of a disruptive no deal Brexit scenario was removed.

In June 2019, S&P affirmed all ratings for Barclays PLC, Barclays Bank PLC and Barclays Bank UK PLC.

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 November 2019 with stable outlooks.

A credit rating downgrade could result in outflows to meet collateral requirements on existing contracts. Outflows related to credit rating downgrades are included in the LRA stress scenarios and a portion of the liquidity pool is held against this risk. Credit ratings downgrades could also result in reduced funding capacity and increased funding costs.

The contractual collateral requirement following one- and two-notch long-term and associated short-term downgrades across all credit rating agencies, would result in outflows of £4bn and £5bn respectively, and are provided for in the liquidity pool given the Group's liquidity risk appetite. 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.

Risk performance

Contractual maturity of financial assets and liabilities

The table below provides detail on the contractual maturity of all financial instruments and other assets and liabilities. Derivatives (other than those designated in a hedging relationship) and trading portfolio assets and liabilities are included in the 'on demand' column at their fair value. Liquidity risk on these items is not managed on the basis of contractual maturity since they are not held for settlement according to such maturity and will frequently be settled before contractual maturity at fair value. Derivatives designated in a hedging relationship are included according to their contractual maturity.

Contractual maturity of financial assets and liabilities (audited)

As at 31 December 2019	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than nine months £m	Over nine months but not more than one year £m	Over one year but not more than two years £m	Over two years but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
Assets											
Cash and balances at central banks	149,383	766	109	–	–	–	–	–	–	–	150,258
Cash collateral and settlement balances	2,022	81,231	3	–	–	–	–	–	–	–	83,256
Loans and advances at amortised cost	14,824	10,944	13,108	7,738	7,031	21,771	22,478	37,408	40,702	163,111	339,115
Reverse repurchase agreements and other similar secured lending	13	3,097	–	–	–	77	190	–	–	2	3,379
Trading portfolio assets	114,195	–	–	–	–	–	–	–	–	–	114,195
Financial assets at fair value through the income statement	14,279	89,355	13,979	3,443	1,317	1,664	512	953	2,302	5,282	133,086
Derivative financial instruments	229,063	30	–	–	–	7	24	9	79	24	229,236
Financial assets at fair value through other comprehensive income	–	6,694	3,241	1,164	1,159	7,711	6,521	11,896	21,195	6,169	65,750
Other financial assets	895	441	25	–	14	–	–	–	–	–	1,375
Total financial assets	524,674	192,558	30,465	12,345	9,521	31,230	29,725	50,266	64,278	174,588	1,119,650
Other assets											20,579
Total assets											1,140,229
Liabilities											
Deposits at amortised cost	348,337	42,357	10,671	3,861	4,067	3,935	930	530	545	554	415,787
Cash collateral and settlement balances	3,053	64,275	13	–	–	–	–	–	–	–	67,341
Repurchase agreements and other similar secured borrowing	7	2,755	10	–	–	10,007	1,201	470	–	67	14,517
Debt securities in issue	–	12,795	6,560	4,147	3,123	8,387	3,325	18,189	14,342	5,501	76,369
Subordinated liabilities	–	207	78	75	832	4,979	3,266	1,075	5,979	1,665	18,156
Trading portfolio liabilities	36,916	–	–	–	–	–	–	–	–	–	36,916
Financial liabilities designated at fair value	13,952	127,939	10,890	6,519	3,798	6,981	6,235	7,706	7,127	13,179	204,326
Derivative financial instruments	228,617	1	–	8	–	36	42	42	88	370	229,204
Other financial liabilities	251	2,361	55	52	50	1,110	138	242	351	409	5,019
Total financial liabilities	631,133	252,690	28,277	14,662	11,870	35,435	15,137	28,254	28,432	21,745	1,067,635
Other liabilities											6,934
Total liabilities											1,074,569
Cumulative liquidity gap	(106,459)	(166,591)	(164,403)	(166,720)	(169,069)	(173,274)	(158,686)	(136,674)	(100,828)	52,015	65,660

Contractual maturity of financial assets and liabilities (audited)

As at 31 December 2018	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than nine months £m	Over nine months but not more than one year £m	Over one year but not more than two years £m	Over two years but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
Assets											
Cash and balances at central banks	175,534	1,353	118	–	64	–	–	–	–	–	177,069
Cash collateral and settlement balances	2,389	74,786	19	–	22	2	–	4	–	–	77,222
Loans and advances at amortised cost	12,506	11,171	7,938	5,416	7,072	26,336	25,559	39,604	48,606	142,198	326,406
Reverse repurchase agreements and other similar secured lending	31	1,245	–	–	–	586	446	–	–	–	2,308
Trading portfolio assets	104,187	–	–	–	–	–	–	–	–	–	104,187
Financial assets at fair value through the income statement	13,606	112,297	7,174	3,124	2,312	4,677	165	311	829	5,153	149,648
Derivative financial instruments	222,384	–	6	1	4	14	11	11	86	21	222,538
Financial assets at fair value through other comprehensive income	11	3,120	2,784	1,696	2,719	6,080	2,765	7,818	18,659	7,164	52,816
Other financial assets	761	182	56	–	7	–	–	–	–	–	1,006
Total financial assets	531,409	204,154	18,095	10,237	12,200	37,695	28,946	47,748	68,180	154,536	1,113,200
Other assets											20,083
Total assets											1,133,283
Liabilities											
Deposits at amortised cost	342,967	30,029	7,282	3,672	3,237	3,983	2,053	520	349	746	394,838
Cash collateral and settlement balances	3,542	63,973	5	2	–	–	–	–	–	–	67,522
Repurchase agreements and other similar secured borrowing	1,331	5,542	–	–	–	3	10,017	1,201	484	–	18,578
Debt securities in issue	26	14,779	5,937	5,159	7,686	6,984	6,248	12,988	15,812	6,667	82,286
Subordinated liabilities	–	306	–	78	45	860	5,156	3,387	6,968	3,759	20,559
Trading portfolio liabilities	37,882	–	–	–	–	–	–	–	–	–	37,882
Financial liabilities designated at fair value	14,280	143,635	6,809	9,051	3,577	10,383	5,689	7,116	4,415	11,879	216,834
Derivative financial instruments	219,578	9	–	–	–	3	3	3	3	44	219,643
Other financial liabilities	277	2,984	–	–	–	554	–	–	–	–	3,815
Total financial liabilities	619,883	261,257	20,033	17,962	14,545	22,770	29,166	25,215	28,031	23,095	1,061,957
Other liabilities											7,547
Total liabilities											1,069,504
Cumulative liquidity gap	(88,474)	(145,577)	(147,515)	(155,240)	(157,585)	(142,660)	(142,880)	(120,347)	(80,198)	51,243	63,779

Expected maturity date may differ from the contractual dates, to account for:

- trading portfolio assets and liabilities and derivative financial instruments, which may not be held to maturity as part of the Group's trading strategies
- corporate and retail deposits, reported under deposits at amortised cost, are repayable on demand or at short notice on a contractual basis. In practice, their behavioural maturity is typically longer than their contractual maturity, and therefore these deposits provide stable funding for the 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.

Risk performance

Contractual maturity of financial liabilities on an undiscounted basis

The table below presents the cash flows payable by the 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 2019									
Deposits at amortised cost	**348,337**	**42,369**	**10,682**	**7,946**	**4,869**	**532**	**554**	**595**	**415,884**
Cash collateral and settlement balances	**3,053**	**64,297**	**13**	**–**	**–**	**–**	**–**	**–**	**67,363**
Repurchase agreements and other similar secured borrowing	**7**	**2,758**	**10**	**–**	**11,300**	**485**	**–**	**149**	**14,709**
Debt securities in issue	**–**	**12,850**	**6,589**	**7,305**	**12,330**	**19,132**	**16,657**	**9,398**	**84,261**
Subordinated liabilities	**–**	**207**	**78**	**950**	**9,822**	**1,286**	**7,192**	**3,025**	**22,560**
Trading portfolio liabilities	**36,916**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**36,916**
Financial liabilities designated at fair value	**13,952**	**128,064**	**11,020**	**10,609**	**13,507**	**8,054**	**7,519**	**19,392**	**212,117**
Derivative financial instruments	**228,617**	**2**	**–**	**8**	**80**	**45**	**99**	**378**	**229,229**
Other financial liabilities	**251**	**2,372**	**65**	**126**	**1,337**	**351**	**565**	**448**	**5,515**
Total financial liabilities	**631,133**	**252,919**	**28,457**	**26,944**	**53,245**	**29,885**	**32,586**	**33,385**	**1,088,554**
As at 31 December 2018									
Deposits at amortised cost	342,967	30,047	7,295	6,924	6,069	546	412	816	395,076
Cash collateral and settlement balances	3,542	63,985	5	2	–	–	–	–	67,534
Repurchase agreements and other similar secured borrowing	1,331	5,542	–	–	10,238	1,243	486	–	18,840
Debt securities in issue	26	14,810	5,976	12,914	13,849	13,351	17,639	10,254	88,819
Subordinated liabilities	–	306	–	123	6,147	3,568	7,917	4,413	22,474
Trading portfolio liabilities	37,882	–	–	–	–	–	–	–	37,882
Financial liabilities designated at fair value	14,280	143,766	6,948	12,732	16,546	7,679	5,008	17,621	224,580
Derivative financial instruments	219,578	12	–	–	6	3	4	59	219,662
Other financial liabilities	277	2,984	–	–	554	–	–	–	3,815
Total financial liabilities	619,883	261,452	20,224	32,695	53,409	26,390	31,466	33,163	1,078,682

Maturity of off-balance sheet commitments received and given

The table below presents the maturity split of the Group's off-balance sheet commitments received and given at the balance sheet date. The amounts disclosed in the table are the undiscounted cash flows (i.e. nominal values) on the basis of earliest opportunity at which they are available.

Maturity analysis of off-balance sheet commitments received (audited)

	On demand £m	Not more than three months £m	Over three months but not more than six months £m	Over six months but not more than nine months £m	Over nine months but not more than one year £m	Over one year but not more than two years £m	Over two years but not more than three years £m	Over three years but not more than five years £m	Over five years but not more than ten years £m	Over ten years £m	Total £m
As at 31 December 2019											
Guarantees, letters of credit and credit insurance	**13,091**	**106**	**22**	**81**	**–**	**11**	**12**	**21**	**12**	**34**	**13,390**
Other commitments received	**91**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**91**
Total off-balance sheet commitments received	**13,182**	**106**	**22**	**81**	**–**	**11**	**12**	**21**	**12**	**34**	**13,481**
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

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 2019											
Contingent liabilities	**23,586**	**366**	**86**	**125**	**140**	**143**	**42**	**28**	**3**	**8**	**24,527**
Documentary credits and other short-term trade related transactions	**1,287**	**3**	**1**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,291**
Standby facilities, credit lines and other commitments	**328,623**	**1,133**	**792**	**973**	**639**	**269**	**98**	**273**	**139**	**225**	**333,164**
Total off-balance sheet commitments given	**353,496**	**1,502**	**879**	**1,098**	**779**	**412**	**140**	**301**	**142**	**233**	**358,982**
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

Risk performance

Capital risk

All disclosures in this section (pages 190-197) are unaudited unless otherwise stated.

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 overall capital requirement, and to cover the 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 Group's: (i) CET1 capital, leverage and own funds and eligible liabilities requirements; (ii) capital resources; (iii) risk weighted assets (RWAs); (iv) leverage ratios and exposures; and (v) own funds and eligible liabilities.

More details on monitoring and managing capital risk may be found in the risk management sections on pages 194 to 196 of the Barclays PLC Pillar 3 Report 2019 (unaudited).

Key metrics

Common Equity Tier 1 ratio

13.8%

Average UK leverage ratio

4.5%

UK leverage ratio

5.1%

Own funds and eligible liabilities ratio

32.8%

Summary of performance in the period

The Group continues to be in excess of overall capital requirements, minimum leverage requirements and minimum requirements for own funds and eligible liabilities (MREL).

The CET1 ratio ended the year at 13.8% (December 2018: 13.2%).

CET1 capital decreased by £0.3bn to £40.8bn. This was driven by underlying profit generation of £5.0bn offset by dividends paid and foreseen of £2.4bn, the additional provision for PPI of £1.4bn, pension deficit reduction contribution payments of £0.5bn, a decrease in the currency translation reserve of £0.5bn mainly driven by the depreciation of period end USD against GBP and a loss on the redemption of Additional Tier 1 (AT1) securities of £0.4bn.

RWAs decreased by £16.8bn to £295.1bn primarily driven by the reduction in the Group's operational risk RWAs as well as the depreciation of period end USD against GBP.

The average UK leverage ratio remained stable at 4.5% (December 2018: 4.5%) primarily driven by a net increase in AT1 capital, offset by a modest increase in leverage exposure to £1,143bn (December 2018: £1,110bn). The UK leverage ratio remained stable at 5.1% (December 2018: 5.1%).

Overall capital requirements

The Group's Overall Capital Requirement for CET1 is 12.1% 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 3.0% Pillar 2A requirement and a 0.6% Countercyclical Capital Buffer (CCyB).

The Group's CCyB is based on the buffer rate applicable for each jurisdiction in which the Group has exposures. On 28 November 2018, the Financial Policy Committee (FPC) set the CCyB rate for UK exposures at 1%. The buffer rates set by other national authorities for non-UK exposures are not currently material. Overall, this results in a 0.6% CCyB for the Group for Q419. On 16 December 2019, the FPC announced its intention to increase the CCyB rate for UK exposures from 1% to 2%. This will take effect from December 2020 and, based on current UK exposures, is expected to increase the Group's CCyB to approximately 1.1%.

The Group's Pillar 2A requirement as per the PRA's Individual Capital Requirement is 5.4% of which at least 56.25% needs to be met with CET1 capital, equating to approximately 3.0% of RWAs. Certain elements of the Pillar 2A requirement are a fixed quantum whilst others are a proportion of RWAs, based on a point in time assessment. The Pillar 2A requirement is subject to at least annual review.

On 27 June 2019, CRR II came into force amending CRR. As an amending regulation, the existing provisions of CRR apply unless they are amended by CRR II.

Certain provisions took immediate effect and these primarily relate to MREL. Amendments within the capital risk section include changes to qualifying criteria for CET1, AT1 and Tier 2 instruments, the inclusion of additional holdings eligible for deduction, an amendment to the treatment of deferred tax assets and the introduction of requirements for MREL. Grandfathering and transitional provisions relating to MREL have also been introduced. Other CRR II amendments are expected to take effect from 28 June 2021.

Certain aspects of CRR II are dependent on final technical standards to be issued by the European Banking Authority (EBA) and adopted by the European Commission as well as UK implementation of the rules. The disclosures in the following section reflect Barclays' interpretation of the current rules and guidance.

Minimum leverage ratio requirements

The Group is subject to a leverage ratio requirement of 4.0% as at 31 December 2019. This comprises the 3.25% minimum requirement, a G-SII additional leverage ratio buffer (G-SII ALRB) of 0.53% and a countercyclical leverage ratio buffer (CCLB) of 0.2%. Although the leverage ratio is expressed in terms of Tier 1 (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 0.53% G-SII ALRB was £6.0bn and against the 0.2% CCLB was £2.3bn.

MREL

The Group is required to meet the higher of: (i) the MREL set by the Bank of England; and (ii) the requirements in CRR II, both of which have RWA and leverage based requirements. MREL is subject to phased implementation and will be fully implemented by 1 January 2022, at which time the Group's indicative MREL is expected to be two times the sum of its Pillar 1 and Pillar 2A requirements, as set by the Bank of England. In addition, CET1 capital cannot be counted towards both MREL and the capital buffers, meaning that the buffers will effectively be applied above both the Pillar 1 and Pillar 2A requirements relating to own funds and eligible liabilities. The Bank of England 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 than currently proposed.

Capital resources

Capital ratios[a,b,c]

As at 31 December	2019	2018
CET1	**13.8%**	13.2%
Tier 1 (T1)	**17.7%**	17.0%
Total regulatory capital	**21.6%**	20.7%

Capital resources (audited)

As at 31 December	2019 £bn	2018 £bn
Total equity excluding non-controlling interests per the balance sheet	**64.4**	62.6
Less: other equity instruments (recognised as AT1 capital)	**(10.9)**	(9.6)
Adjustment to retained earnings for foreseeable dividends	**(1.1)**	(0.7)
Other regulatory adjustments and deductions		
Additional value adjustments (PVA)	**(1.7)**	(1.7)
Goodwill and intangible assets	**(8.1)**	(8.0)
Deferred tax assets that rely on future profitability excluding temporary differences	**(0.5)**	(0.5)
Fair value reserves related to gains or losses on cash flow hedges	**(1.0)**	(0.7)
Gains or losses on liabilities at fair value resulting from own credit	**0.3**	(0.1)
Defined benefit pension fund assets	**(1.6)**	(1.3)
Direct and indirect holdings by an institution of own CET1 instruments	**(0.1)**	(0.1)
Adjustment under IFRS 9 transitional arrangements	**1.1**	1.3
Other regulatory adjustments	**(0.1)**	–
CET1 capital	**40.8**	41.1
AT1 capital		
Capital instruments and related share premium accounts	**10.9**	9.6
Qualifying AT1 capital (including minority interests) issued by subsidiaries	**0.7**	2.4
Other regulatory adjustments and deductions	**(0.1)**	(0.1)
AT1 capital	**11.4**	11.9
T1 capital	**52.2**	53.0
T2 capital		
Capital instruments and related share premium accounts	**7.7**	6.6
Qualifying T2 capital (including minority interests) issued by subsidiaries	**4.0**	5.3
Other regulatory adjustments and deductions	**(0.3)**	(0.3)
Total regulatory capital	**63.6**	64.6

Notes

a CET1, T1 and T2 capital, and RWAs are calculated applying the transitional arrangements of the CRR as amended by CRR II applicable as at the reporting date. This includes IFRS 9 transitional arrangements and the grandfathering of CRR and CRR II non-compliant capital instruments.

b The fully loaded CET1 ratio, as is relevant for assessing against the conversion trigger in Barclays PLC AT1 securities, was 13.5%, with £39.7bn of CET1 capital and £295.0bn of RWAs calculated without applying the transitional arrangements of the CRR as amended by CRR II applicable as at the reporting date.

c The Group's CET1 ratio, as is relevant for assessing against the conversion trigger in Barclays Bank PLC T2 Contingent Capital Notes, was 13.8%. 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.

Risk performance

Movement in CET1 capital

	2019 £bn
Opening balance as at 1 January	**41.1**
Profit for the period attributable to equity holders	3.3
Own credit relating to derivative liabilities	0.1
Dividends paid and foreseen	(2.4)
Increase in retained regulatory capital generated from earnings	**1.0**
Net impact of share schemes	0.3
Fair value through other comprehensive income reserve	0.1
Currency translation reserve	(0.5)
Other reserves	(0.4)
Decrease in other qualifying reserves	**(0.5)**
Pension remeasurements within reserves	(0.2)
Defined benefit pension fund asset deduction	(0.3)
Net impact of pensions	**(0.5)**
Goodwill and intangible assets	(0.1)
Adjustment under IFRS 9 transitional arrangements	(0.2)
Decrease in regulatory capital due to adjustments and deductions	**(0.3)**
Closing balance as at 31 December	**40.8**

CET1 capital decreased £0.3bn to £40.8bn (December 2018: £41.1bn).

£3.3bn of capital generated from profits was partially offset by £2.4bn of regulatory dividends paid and foreseen including £0.8bn of AT1 coupons paid. Other movements in the period were:

- a £0.5bn decrease in the currency translation reserve mainly driven by the depreciation of period end USD against GBP
- a £0.5bn decrease as a result of movements relating to pensions, largely due to deficit contribution payments of £0.25bn in April 2019 and September 2019
- a £0.4bn loss on the redemption of AT1 securities
- a £0.2bn decrease in the IFRS 9 transitional add back primarily due to the change in the phasing of transitional relief from 95% in 2018 to 85% in 2019.

Risk weighted assets

Risk weighted assets (RWAs) by risk type and business

	Credit risk		Counterparty credit risk				Market risk		Operational risk	Total RWAs
As at 31 December 2019	Std £bn	IRB £bn	Std £bn	IRB £bn	Settlement risk £bn	CVA £bn	Std £bn	IMA £bn	£bn	£bn
Barclays UK	**5.2**	**57.5**	**0.2**	**–**	**–**	**–**	**0.2**	**–**	**11.8**	**74.9**
Corporate and Investment Bank	**25.7**	**62.1**	**12.1**	**16.9**	**0.3**	**2.5**	**12.8**	**17.6**	**21.5**	**171.5**
Consumer, Cards and Payments	**27.2**	**2.7**	**0.1**	**–**	**–**	**–**	**–**	**0.1**	**7.6**	**37.7**
Barclays International	**52.9**	**64.8**	**12.2**	**16.9**	**0.3**	**2.5**	**12.8**	**17.7**	**29.1**	**209.2**
Head Office	**5.1**	**5.8**	**–**	**–**	**–**	**–**	**–**	**–**	**0.1**	**11.0**
Barclays Group	**63.2**	**128.1**	**12.4**	**16.9**	**0.3**	**2.5**	**13.0**	**17.7**	**41.0**	**295.1**
As at 31 December 2018										
Barclays UK	3.3	59.7	0.2	–	–	0.1	0.1	–	11.8	75.2
Corporate and Investment Bank	26.1	64.8	9.8	14.9	0.2	3.3	13.9	16.2	21.7	170.9
Consumer, Cards and Payments	29.5	2.2	0.1	0.1	–	–	–	0.6	7.3	39.8
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

Movement analysis of risk weighted assets

Risk weighted assets	Credit risk £bn	Counterparty credit risk £bn	Market risk £bn	Operational risk £bn	Total RWAs £bn
As at 31 December 2018	195.6	28.8	30.8	56.7	311.9
Book size	–	3.9	(1.0)	(1.5)	1.4
Acquisitions and disposals	(0.8)	–	–	–	(0.8)
Book quality	(2.9)	0.3	–	–	(2.6)
Model updates	1.5	0.5	–	–	2.0
Methodology and policy	0.8	(1.4)	0.9	(14.2)	(13.9)
Foreign exchange movement[a]	(2.9)	–	–	–	(2.9)
As at 31 December 2019	**191.3**	**32.1**	**30.7**	**41.0**	**295.1**

Note
a Foreign exchange movement does not include foreign exchange for counterparty credit risk or market risk.

RWAs decreased £16.8bn to £295.1bn:

- 'book size' increased RWAs £1.4bn primarily due to an increase in trading activity, offset by a decrease in operational risk as per the standardised approach
- 'book quality' decreased RWAs £2.6bn primarily due to changes in risk profile
- 'model updates' increased RWAs £2.0bn primarily due to the recalibration of modelled wholesale RWAs
- 'methodology and policy' decreased RWAs £13.9bn primarily due to removal of the operational risk floor
- 'foreign exchange movements' decreased RWAs by £2.9bn primarily due to the depreciation of period end USD against GBP.

Risk performance

Leverage ratios and exposures

The Group 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. The Group is also required to disclose a UK leverage ratio based on capital and exposure on the last day of the quarter. Both approaches exclude qualifying claims on central banks from the leverage exposures.

Leverage ratios[a,b]

As at 31 December	2019 £bn	2018 £bn
Average UK leverage ratio	**4.5%**	4.5%
Average T1 capital[c]	**51.8**	50.5
Average UK leverage exposure	**1,143**	1,110
UK leverage ratio	**5.1%**	5.1%
CET1 capital	**40.8**	41.1
AT1 capital	**10.7**	9.5
T1 capital[c]	**51.6**	50.6
UK leverage exposure	**1,008**	999

UK leverage exposure

As at 31 December	2019 £bn	2018 £bn
Accounting assets		
Derivative financial instruments	**229**	223
Derivative cash collateral	**57**	48
Securities financing transactions (SFTs)[d]	**111**	130
Loans and advances and other assets[d]	**743**	732
Total IFRS assets	**1,140**	1,133
Regulatory consolidation adjustments	**(1)**	(2)
Derivatives adjustments		
Derivatives netting	**(207)**	(202)
Adjustments to cash collateral	**(48)**	(42)
Net written credit protection	**14**	19
Potential future exposure (PFE) on derivatives	**119**	123
Total derivatives adjustments	**(122)**	(102)
SFTs adjustments	**18**	17
Regulatory deductions and other adjustments	**(12)**	(11)
Weighted off-balance sheet commitments	**105**	108
Qualifying central bank claims	**(120)**	(144)
UK leverage exposure[b]	**1,008**	999

Notes

a Fully loaded average UK leverage ratio was 4.4%, with £50.7bn of T1 capital and £1,142bn of leverage exposure. Fully loaded UK leverage ratio was 5.0%, with £50.4bn of T1 capital and £1,007bn of leverage exposure. Fully loaded UK leverage ratios are calculated without applying the transitional arrangements of the CRR as amended by CRR II applicable as at the reporting date.

b Capital and leverage measures are calculated applying the transitional arrangements of the CRR as amended by CRR II applicable as at the reporting date.

c The T1 capital is calculated in line with the PRA Handbook.

d Comparative numbers have been revised to reflect the allocation of margin lending from loans and advances and other assets to SFTs.

The average UK leverage ratio remained stable at 4.5% (December 2018: 4.5%). T1 capital increased £1.4bn to £51.8bn, which included a net increase in AT1 capital, partially offset by a modest increase in exposure of £33bn to £1,143bn primarily driven by SFTs and weighted off-balance sheet commitments.

The UK leverage ratio also remained stable at 5.1% (December 2018: 5.1%). T1 capital increased £1.0bn to £51.6bn, which included a net increase in AT1 capital. The UK leverage exposure increased £9bn to £1,008bn primarily driven by loans and advances and other assets.

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.

The Group also discloses a CRR leverage ratio[a] within its additional regulatory disclosures prepared in accordance with EBA guidelines on disclosure under Part Eight of the CRR (see Barclays PLC Pillar 3 Report 2019 (unaudited), due to be published on 13 February 2020 and which will be available at home.barclays/annualreport).

Note
a CRR leverage ratio as amended by CRR II applicable as at the reporting date.

Minimum requirement for own funds and eligible liabilities

CRR II requirements relating to own funds and eligible liabilities came into effect from 27 June 2019. Eligible liabilities have been calculated reflecting the Group's interpretation of the current rules and guidance. Certain aspects of CRR II are dependent on final technical standards to be issued by the EBA and adopted by the European Commission as well as UK implementation of the rules.

Own funds and eligible liabilities ratios[a]

As at 31 December	2019	2018[c]
CET1 capital	**13.8%**	13.2%
AT1 capital instruments and related share premium accounts[b]	**3.6%**	3.1%
T2 capital instruments and related share premium accounts[b]	**2.5%**	2.1%
Eligible liabilities	**11.2%**	9.7%
Total Barclays PLC (the Parent company) own funds and eligible liabilities	**31.2%**	28.1%
Qualifying AT1 capital (including minority interests) issued by subsidiaries	**0.2%**	0.7%
Qualifying T2 capital (including minority interests) issued by subsidiaries	**1.3%**	1.6%
Total own funds and eligible liabilities, including eligible Barclays Bank PLC instruments	**32.8%**	30.5%

Own funds and eligible liabilities[a]

	£bn	£bn[c]
CET1 capital	**40.8**	41.1
AT1 capital instruments and related share premium accounts[b]	**10.7**	9.6
T2 capital instruments and related share premium accounts[b]	**7.4**	6.6
Eligible liabilities	**33.0**	30.4
Total Barclays PLC (the Parent company) own funds and eligible liabilities	**92.0**	87.7
Qualifying AT1 capital (including minority interests) issued by subsidiaries	**0.7**	2.3
Qualifying T2 capital (including minority interests) issued by subsidiaries	**4.0**	5.1
Total own funds and eligible liabilities, including eligible Barclays Bank PLC instruments	**96.7**	95.1
Total RWAs[a]	**295.1**	311.9

Notes
a CET1, T1 and T2 capital, and RWAs are calculated applying the transitional arrangements of the CRR as amended by CRR II applicable as at the reporting date. This includes IFRS 9 transitional arrangements and the grandfathering of CRR and CRR II non-compliant capital instruments.
b Includes other AT1 capital regulatory adjustments and deductions of £0.1bn (included in AT1 issued by subsidiaries in December 2018: £0.1bn), and other T2 credit risk adjustments and deductions of £0.2bn (included in T2 issued by subsidiaries in December 2018: £0.3bn).
c The comparatives are based on the Bank of England's statement of policy on MREL.

Risk performance

Foreign exchange risk (audited)

The 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 Group's risk management policies are designed to 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 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 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 Group's foreign currency RWA exposures.

Functional currency of operations (audited)

	Foreign currency net investments £m	Borrowings which hedge the net investments £m	Derivatives which hedge the net investments £m	Structural currency exposures pre-economic hedges £m	Economic hedges £m	Remaining structural currency exposures £m
As at 31 December 2019						
USD	**25,607**	**(10,048)**	**(1,111)**	**14,448**	**(5,339)**	**9,109**
EUR	**3,068**	**(3)**	**–**	**3,065**	**(1,122)**	**1,943**
JPY	**533**	**–**	**–**	**533**	**–**	**533**
Other currencies	**2,001**	**–**	**(34)**	**1,967**	**–**	**1,967**
Total	**31,209**	**(10,051)**	**(1,145)**	**20,013**	**(6,461)**	**13,552**
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
JPY	489	–	–	489	–	489
Other currencies	2,026	–	(37)	1,989	–	1,989
Total	34,044	(12,325)	(2,968)	18,751	(6,973)	11,778

Economic hedges relate to exposures arising on foreign currency denominated preference share and AT1 instruments. These are accounted for at historical cost under IFRS and do not qualify as hedges for accounting purposes. The gain or loss arising from changes in the GBP value of these instruments is recognised on redemption in retained earnings.

During 2019, total structural currency exposure net of hedging instruments increased by £1.8bn to £13.6bn (2018: £11.8bn). Foreign currency net investments decreased by £2.8bn to £31.2bn (2018: £34.0bn) driven predominantly by a £3.2bn decrease in USD offset by a £0.4bn increase in EUR. The hedges associated with these investments decreased by £4.1bn to £11.2bn (2018: £15.3bn).

Pension risk review

The UK Retirement Fund (UKRF) represents approximately 97% (2018: 97%) of the Group's total retirement benefit obligations globally. As such this risk review section focuses exclusively on the UKRF. The UKRF is closed to new entrants and there is no new final salary benefit being accrued. Existing active members accrue a combination of a cash balance benefit and a defined contribution element. Pension risk arises as the market value of the pension fund assets may decline, investment returns may reduce or the estimated value of the pension liabilities may increase.

Refer to page 196 of the Barclays PLC Pillar 3 Report 2019 (unaudited) for more information on how pension risk is managed.

Assets

The Trustee Board of the UKRF defines its overall long-term investment strategy with investments across a broad range of asset classes. This results in an appropriate mix of return seeking assets as well as liability matching assets to better match future pension obligations. The two largest 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 £31.4bn as at 31 December 2019 (2018: £29.0bn).

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 (GBP AA corporate bond yield):

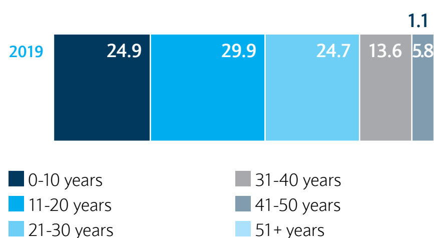
- an increase in long-term expected inflation corresponds to an increase in liabilities
- a decrease in the discount rate corresponds to an increase in liabilities.

Pension risk is generated through the 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 2019 that takes account of the future inflation indexing of payments to beneficiaries. The majority of the cash flows (approximately 93%) fall between 0 and 40 years, peaking between 11 and 20 years and reducing thereafter. The shape may vary depending on changes to inflation and longevity expectations and any members who elect to transfer out. Transfers out will bring forward the liability cash flows.

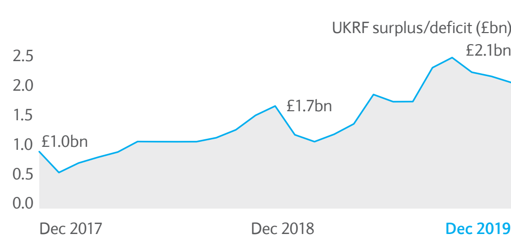
For more detail on the UKRF's financial and demographic assumptions see Note 33 to the financial statements.

Proportion of liability cash flows

Proportion of liability cash flows
%



Net IAS 19 position
£bn



The graph above shows the evolution of the UKRF's net IAS 19 position over the last two years. During 2019 the net improvement in the IAS 19 position was largely driven by bank contributions. Credit spreads tightening during the year had a negative impact which was broadly offset by changes in other market levels, in particular equity prices and interest rates, and 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 the 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 the 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 the 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 the 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 the Group's Overall Capital Requirement for CET1 capital, Tier 1 capital and total capital. More detail on minimum regulatory requirements can be found on page 195.

Risk performance

Interest rate risk in the banking book

All disclosures in this section (pages 198 to 199) are unaudited unless otherwise stated.

Overview

The treasury and capital risk framework covers interest rate sensitive exposures held 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 Barclays PLC Board Risk Committee as part of the limit monitoring framework.

For further detail on the interest rate risk in the banking book governance and framework refer to pages 196 to 197 of the Barclays PLC Pillar 3 Report 2019 (unaudited).

Key metrics

AEaR

+£45m

AEaR across the Group from a positive 25bps shock to forward interest rate curves.

Summary of performance in the period

Annual Earnings at Risk (AEaR), is a key measure of interest rate risk in the banking book (IRRBB).

Net interest income sensitivity

The table below shows a sensitivity analysis on pre-tax net interest income for non-traded financial assets and liabilities, including the effect of any hedging. NII sensitivity uses the Annual Earnings at Risk (AEaR) metric as described on page 196 of the Barclays PLC Pillar 3 Report 2019 (unaudited).

Note that this metric assumes an instantaneous parallel change to forward interest rate curves. The model does not apply floors to shocked market rates, but does recognise contractual product specific interest rate floors where relevant. The main model assumptions are: (i) one-year ahead time horizon; (ii) balance sheet is held constant; (iii) balances are adjusted for assumed behavioural profiles (i.e. considers that customers may prepay the mortgages before the contractual maturity); and (iv) behavioural assumptions are kept unchanged in all rate scenarios.

Net interest income sensitivity (AEaR) by business unit[a,b,c,d] (audited)

	Barclays UK £m	Barclays International £m	Head Office £m	Total £m
As at 31 December 2019				
+25bps	**16**	**25**	**4**	**45**
-25bps	**(57)**	**(74)**	**(4)**	**(135)**
As at 31 December 2018				
+25bps	28	55	5	88
-25bps	(71)	(73)	(5)	(149)

Notes

a Excludes minor investment banking business.

b Expected fixed rate mortgage pipeline completions in Barclays UK assumed to be consistent with level and timing of pipeline hedging.

c The Group's customer banking book hedging activity is risk reducing from an NII sensitivity perspective. The hedges in place remove interest rate risk and smooth income over the medium term. The NII sensitivity for the Group at 31 December 2019 without hedging in place for +/-25bp rate shocks would be £140m/£(229)m respectively.

d NII sensitivity for December 2018 restated due to increased portfolio coverage, primarily the inclusion of the Treasury portfolio.

NII asymmetry arises due to the current low level of interest rates as some customer product have embedded floors. NII sensitivity to a +25bp shock to rates has decreased year on year resulting from actions taken to reduce the exposure to falling interest rates and increased bond holding outright in the liquidity pool.

Net interest income sensitivity (AEaR) by currency[a, b] (audited)

	2019		2018	
As at 31 December	+25 basis points £m	-25 basis points £m	+25 basis points £m	-25 basis points £m
GBP	**38**	**(93)**	56	(112)
USD	**29**	**(32)**	36	(37)
EUR	**(10)**	**(20)**	(5)	3
Other currencies	**(12)**	**10**	1	(3)
Total	**45**	**(135)**	88	(149)

Notes

a Excludes minor investment bank businesses.

b NII sensitivity for December 2018 restated due to increased portfolio coverage, primarily the inclusion of the Treasury portfolio.

Analysis of equity sensitivity

Equity sensitivity measures the overall impact of a +/- 25bps movement in interest rates on retained earnings, fair value through other comprehensive income (FVOCI), cash flow hedge reserves and pensions. For non-NII items a DV01 metric is used, which is an indicator of the shift in value for a one basis point movement in the yield curve.

Analysis of equity sensitivity[a] (audited)

As at 31 December	2019 +25 basis points £m	2019 -25 basis points £m	2018 +25 basis points £m	2018 -25 basis points £m
Net interest income	45	(135)	88	(149)
Taxation effects on the above	(11)	34	(22)	37
Effect on profit for the year	**34**	**(101)**	**66**	**(112)**
As percentage of net profit after tax	**1.0%**	**(3.0%)**	**2.6%**	**(4.4%)**
Effect on profit for the year (per above)	34	(101)	66	(112)
Fair value through other comprehensive income reserve	(321)	329	(253)	260
Cash flow hedge reserve	(534)	534	(574)	574
Taxation effects on the above	214	(216)	207	(209)
Effect on equity	**(608)**	**546**	**(554)**	**514**
As percentage of equity	**(0.9%)**	**0.8%**	**(0.9%)**	**0.8%**

Note
a December 2018 sensitivities restated due to increased portfolio coverage, primarily the inclusion of the Treasury portfolio.

Movements in the FVOCI reserve impact CET1 capital. However, movements in the cash flow hedge reserve and pensions remeasurement reserve recognised in FVOCI do not affect 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. 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.

Analysis of volatility of the FVOCI portfolio in the liquidity pool

For the year ended 31 December	2019 Average £m	2019 High £m	2019 Low £m	2018 Average £m	2018 High £m	2018 Low £m
Non-traded market value at risk (daily, 95%)	45	53	35	45	61	32

DVaR trended upwards for the first three quarters of 2019 as outright duration and asset swap spread risk increased. The liquidity pool de-risked substantially in early Q4, causing an associated reduction in DVaR.

Risk performance

All disclosures in this section are unaudited unless otherwise stated.

Overview

Operational risks are inherent in the Group's business activities and it is not cost effective or possible to attempt to eliminate all operational risks. The Operational Risk Framework is therefore focused on identifying operational risks, assessing them and managing them within the Group's approved risk appetite.

The Operational Risk principal risk comprises the following risks: Data Management & Information Risk; Financial Reporting Risk; Fraud Risk; Payments Process Risk; People Risk; Premises Risk; Physical Security Risk; Supplier Risk; Tax Risk; Technology Risk; Transaction Operations Risk and Execution Risk. The operational risk profile is also informed by a number of risk themes: Cyber, Data and Resilience. These represent threats to the Group that extend across multiple risk types, and therefore require an integrated risk management approach.

For definitions of these risks refer to pages 199 to 200 of the Barclays PLC Pillar 3 Report 2019. In order to provide complete coverage of the potential adverse impacts on the 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 the Group's operational risk profile, including events above the Group's reportable threshold, which have had a financial impact in 2019. The 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.

For information on conduct risk events see page 203.

Key metrics

84%

of the Group's net reportable operational risk events had a loss value of £50,000 or less

67%

of events by number are due to external fraud

60%

of losses are from events aligned to Execution, Delivery and Process Management

Summary of performance in the period

During 2019, total operational risk losses[a] decreased to £169m (2018: £230m) and the number of recorded events for 2019 (2,098) was at the same level as 2018 (2,068). The total operational risk losses for the year were mainly 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, there are a large number of small risk events. In 2019, 84% (2018: 84%) of the Group's reportable operational risk events by volume had a value of less than £50,000 each. Cumulatively, events under this £50,000 threshold accounted for only 19% (2018: 14%) of the Group's total net operational risk losses. A small proportion of operational risk events have a material impact on the financial results of the Group.

Note

a Excludes events having impact of ≥ £10,000 and excludes Gain or Insurance Recovery impacts, events that are Conduct or Legal risk, aggregate and boundary events.

The analysis below presents the Group's operational risk events by Basel event category:

Operational risk events by BASEL event category[a]

Category	% of total risk events by count 2019	% of total risk events by count 2018	% of total risk events by value 2019	% of total risk events by value 2018
Internal fraud	0.1%	0.4%	0.1%	0.4%
External fraud	67.0%	61.5%	28.4%	21.2%
Execution delivery and process management	27.6%	30.8%	60.0%	56.5%
Employment practices and workplace safety	0.8%	2.2%	0.4%	15.0%
Damage to physical assets	0.2%	0.3%	0.6%	0.6%
Clients, products and business practices	0.1%	0.0%	0.1%	0.0%
Business disruption and system failures	4.1%	4.8%	10.5%	6.3%

Note

a The data disclosed includes operational risk losses for reportable events 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 the risk events that keep evolving, prior year losses have been updated.

- Execution, Delivery and Process Management impacts decreased to £101m (2018: £130m) and accounted for 60% (2018: 57%) 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, mapping mainly to Barclays Transaction Operations risk type. The overall frequency of events in this category remained stable year on year at 28% of total events by volume (2018: 31%).
- External Fraud remains the category with the highest frequency of events at 67% of total events in 2019 (2018: 62%). In this category, high volume, low value events are driven by transactional fraud often related to debit and credit card usage. Ratio of losses in this category increased to 28% of total 2019 losses (2018: 21%), driven mainly by increased fraud attacks on the Group's systems following implementation of Cheque Imaging as part of the clearing process.
- Business Disruption and System Failures accounted for an increased share at 11% of total impacts (2018: 6%), although actual losses remained broadly stable at £18m (2018: £14m) and volume of events fell slightly to 86 (2018: 99).
- Employment Practices and Workplace Safety impacts show a significant decrease to £1m (2018: £35m) accounting for 0.4% of total operational risk losses in 2019 (2018: 15%), while volume of events in this category also decreased to 17 in 2019 (2018: 46). The 2018 loss was mainly incurred from a low number of events with significant impacts (three single legacy events relating to closed businesses accounted for 90% of total impacts).

Risk performance

Investment continues to be made in improving the control environment across the 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 the Group continues to work closely with external partners on various prevention initiatives.

Operational resilience is a key area of focus for the Group. Disruption to our business activities is a material inherent risk within the Group and across the financial services industry, whether arising through impacts on our technology systems, our real estate services, availability of personnel or services supplied by third parties. Failure to build resilience and recovery capabilities into our business activities may result in significant customer detriment, costs to reimburse losses incurred by the Group's customers, market impact and reputational damage. In common with the rest of the Financial Services industry, the Group expects continued regulatory scrutiny in relation to resilience. Technology, resilience and cybersecurity risks evolve rapidly so the 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 the Group.

Cyberattacks are a global threat that are inherent across all industries. The financial sector remains a primary target for cyber criminals, hostile nation states, opportunists and hacktivists. There are high levels of sophistication in criminal hacking for the purpose of stealing money, stealing, destroying or manipulating data (including customer data) and/or disrupting operations, where multiple threats exist including threats arising from malicious emails, distributed denial of service (DDoS) attacks, payment system compromises, insider attackers, supply chain and vulnerability exploitation. Cyber events can have a compounding impact on services and customers, e.g. data breaches in social networking sites, retail companies and payments networks.

The threat of cyberattack is recognised by the Group along with the significant potential impact on all areas of its business ranging from operational matters to its scrutiny of its relationships with its suppliers, customers and other external stakeholders. Regulators in the UK, US and Europe continue to focus on cybersecurity risk management in the financial sector and have highlighted the need for financial institutions to improve their monitoring and control of, and resilience (particularly of critical services) to, cyberattacks and to provide timely notification of them, as appropriate. 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 Group entities. These include, among others, the adoption of cybersecurity policies and procedures meeting specified criteria, minimum required security measures, controls and procedures for enhanced reporting and public disclosures, compliance certification requirements, and other cyber and information risk governance measures. The Group continues to use an intelligence-driven defence approach, analysing external events for current and emerging cyberthreats which allows the delivery of proactive counter measures; the Group also completes cyberthreat 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 will continue to enhance our security posture and our ability to better protect the organisation and our customers. Cyberattacks however are increasingly sophisticated and there can be no assurance that the measures implemented will be fully effective to prevent or mitigate future attacks, the consequences of which could be significant to the Group. Furthermore, such measures have resulted and will result in increased technology and other costs in connection with cybersecurity mitigation and compliance for the Group.

For further information, refer to the operational risk management section on **pages 143 and 144**.

Model risk, Conduct risk, Reputation risk and Legal risk

All disclosures in this section are unaudited unless otherwise stated.

Model risk

Since the inception of model risk as a principal risk, key achievements to date include creating a complete model inventory across the firm, roll out of a robust Model Risk Management (MRM) framework and the validation of all high material models. In 2019 the framework and governance of model risk was further improved by:

- enhancing the Barclays PLC Board oversight of model risk, through the reporting of the model risk tolerance framework and periodic updates to the Barclays PLC Board on the progress of the MRM implementation
- validating a third of the population of low material models
- strengthening the model inventory identification process, including enhancing the model life cycle technology platform
- better alignment of documentation requirements to model materiality.

In 2020 MRM will continue to focus on the validation of remaining low material models, bringing 95% of model risk into governance as well as reviewing performance monitoring of models already in governance to assess their compliance with the framework.

Conduct risk

Barclays is committed to continuing to drive the right culture throughout all levels of the organisation. The Group 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 Trading Entity Conduct Dashboards are a key component of this.

The Group continues to review the role and impact of Conduct Risk Events and 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. As part of the 2019 Medium-Term Planning Process, associated Strategic Risk Assessment and Strategic Element of the Business Plan, material conduct risks associated with strategic and financial plans were assessed.

Throughout 2019, conduct risks were raised by each business area for consideration by relevant Board-level committees. The committees reviewed the risks raised and whether management's proposed actions were appropriate to mitigate the risks effectively. The Board received regular updates with regards to key risks and issues including those relating to regulatory change and the effectiveness of the control environment.

The Group continued to incur costs in relation to litigation and conduct matters, refer to Note 26 Legal, competition and regulatory matters and Note 24 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 the Group's strategy and an ongoing commitment to improve oversight of culture and conduct.

Barclays has operated at the overall set tolerance for conduct risk throughout 2019. The tolerance adherence is assessed by the business areas through Key Indicators which are aggregated and provide an overall rating which is reported to relevant Board level committees. This is supported by additional tools such as the Risk and Control Self-Assessment.

For further details on the non-financial performance measures, refer to **pages 18 and 19** of the Strategic Report.

Reputation risk

Barclays is committed to identifying reputation risks and issues as early as possible and managing them appropriately. At a Group level throughout 2019, reputation risks and issues were overseen by the Board Reputation Committee (RepCo) until September 2019 and the Board thereafter (refer to the Board report on page 44 for further detail), which reviews the processes and policies by which Barclays identifies and manages reputation risk. Within the Barclays Bank UK Group and the Barclays Bank Group, reputation risks and issues were overseen by the respective risk and Board risk committees. The top live and emerging reputation risks and issues within the Barclays Bank UK Group and the Barclays Bank Group are included within an over-arching quarterly report at the respective Board level.

RepCo and the Board 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 and the Board 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.

The Group continued to incur costs in relation to litigation and conduct matters, refer to Note 26 Legal, competition and regulatory matters and Note 24 Provisions for further details. Costs include customer redress and remediation, as well as fines and settlements. Resolution of these matters remains an ongoing commitment to improve oversight of culture and conduct and management of reputation.

In 2019, Corporate Relations received 498 referrals from across the businesses (486 referrals in 2018) for consideration. These referrals covered a variety of potentially controversial sectors and topics including, but not limited to, environmental and social risks.

As part of Barclays 2019 Medium Term Planning process, material reputation risks associated with strategic and financial plans were also assessed.

Legal risk

The Group remains committed to continuous improvements to manage legal risk effectively. A number of enhancements have been implemented during 2019, including updating the Group framework for managing legal risk and associated policies as well as reviewing legal risk tolerances and risk appetite. Updated legal risk mandatory training was also implemented across the Group, reinforced by ongoing engagement and education of the Group's businesses and functions.

Throughout 2019, the Group operated within set tolerances for legal risk. Tolerance adherence is assessed through key indicators, which are reviewed through the relevant risk and control committees. In addition to ongoing monitoring, legal risk controls are reviewed and assessed annually as part of the Risk and Control Self-Assessment process.

Supervision and regulation

Supervision of the Barclays Group

The 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 authorisation to conduct banking and financial services business in each of the jurisdictions in which the 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. Regulatory developments impact the Barclays Group globally. We focus particularly on EU, UK and US regulation due to the location of the Barclays Group's principal areas of business. Regulations elsewhere may also have a significant impact on the 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 the Barclays Group, including regulatory change, see the Risk Factor entitled 'Regulatory change agenda and impact on business model' on page 130.

Supervision in the UK and EU

The Barclays Group's operations in Europe are authorised and regulated by a combination of its UK home regulators and host regulators in the European countries where the Barclays Group operates. 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, day-to-day regulation and supervision of the Barclays Group is divided between the Prudential Regulation Authority (PRA) (a division of the Bank of England (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 credit institutions and subject to prudential supervision by the PRA and subject to conduct regulation and supervision by the FCA. The Barclays Group is also subject to prudential supervision by the PRA on a group consolidated basis. Barclays Capital Securities Limited is authorised and supervised by the PRA as a PRA-designated investment firm and subject to conduct regulation and supervision by the FCA. Barclays Services Limited is an appointed representative of Barclays Bank PLC and Clydesdale Financial Services Limited.

Barclays Bank Ireland PLC is licensed as a credit institution by the Central Bank of Ireland (CBI) and is designated as a significant institution falling under direct supervision on a solo basis by the European Central Bank (ECB). Barclays Bank Ireland PLC's EU branches are supervised by the ECB and are also subject to direct supervision for local conduct purposes by national supervisory authorities in the jurisdictions where they are established.

The 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.

The PRA's continuing supervision of the Barclays Group is conducted through a variety of regulatory tools, including the collection of information by way of prudential returns or cross-firm reviews, reports obtained from skilled persons, regular supervisory visits to firms and regular meetings with management and Directors to discuss issues such as strategy, governance, financial resilience, operational resilience, risk management, and recovery and resolution.

Parliament gave the FCA a single strategic objective – to ensure that relevant markets function well – and three operational objectives: to protect consumers, enhance market integrity and promote competition. The FCA's supervision of the UK firms in the 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 apply 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 focused 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.

The FCA is conducting ongoing work on fair pricing in financial services, affordability and fair treatment of vulnerable customers. These initiatives may impact future revenues and increase conduct costs and costs of remediation.

The FCA and the PRA also apply the Senior Managers and Certification Regime (the SMCR) which imposes a regulatory approval, individual accountability and fitness and propriety framework in respect of senior or key individuals within relevant firms.

Supervision in the US

The 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 self-regulatory organisations (SROs). Barclays PLC, Barclays Bank PLC and its US branches and subsidiaries are subject to a comprehensive regulatory framework involving numerous statutes, rules and regulations. In some cases, US requirements may impose restrictions on the Barclays Group's global activities, in addition to its activities in the US.

Barclays PLC, Barclays Bank PLC and Barclays US LLC (BUSL) are regulated as bank holding companies (BHCs) by the FRB. BUSL is the Barclays Group's top-tier US holding company that holds substantially all of the Barclays Group's US subsidiaries (including Barclays Capital Inc. and Barclays Bank Delaware). BUSL is subject to requirements in respect of capital adequacy, capital planning and stress testing, risk management and governance, liquidity, leverage limits, large exposure limits, activities restrictions and financial regulatory reporting. Barclays Bank PLC's US branches are also subject to enhanced prudential supervision requirements relating to, among other things, liquidity and risk management.

Barclays PLC, Barclays Bank PLC and BUSL have elected to be treated as financial holding companies (FHCs) under the Bank Holding Company Act of 1956. FHC 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 FHC status could result in increasingly stringent penalties and, ultimately, in the closure or cessation of certain operations in the US.

In addition to umbrella oversight by the FRB, many of the 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 supervision and regulation by, respectively, the New York State Department of Financial Services (NYSDFS) and the Florida Office of Financial Regulation, as well as the applicable Federal Reserve Banks. Barclays Bank Delaware, a Delaware chartered commercial bank, is subject to supervision and regulation by the Delaware Office of the State Bank Commissioner, the Federal Deposit Insurance Corporation (FDIC), and the Consumer Financial Protection Bureau (CFPB). The deposits of Barclays Bank Delaware are insured by the FDIC and Barclays PLC, Barclays Bank PLC and BUSL are required to act as a source of strength for Barclays Bank Delaware. 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 Bank Delaware is subject to direct supervision and regulation by the CFPB, which has the authority to examine and take enforcement action related to compliance with US federal consumer financial laws and regulations.

The 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 under US federal and state securities laws.

The 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 a US registered swap dealer and is subject to the FRB swaps rules with respect to margin and capital requirements.

Supervision in Asia Pacific

The Barclays Group's operations in Asia Pacific are supervised and regulated by a broad range of national banking and financial services regulators.

Brexit

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. Following the UK's withdrawal from the EU on 31 January 2020, pursuant to the withdrawal agreement negotiated between the UK and the EU in October 2019, firms incorporated and authorised in the UK are able to continue to provide services into the EU27, and firms incorporated and authorised in the EU27 are able to continue to provide services into the UK in accordance with the terms of the withdrawal agreement for the duration of the transition period set out in the agreement. Following the expiry of that transitional period in December 2020, the ability of UK firms to access the EU market and vice versa would depend upon the terms of any future trade deal between the UK and the EU, including whether such deal provides for any access rights in respect of financial services. It would also depend upon whether the EU grants equivalence to the UK as a third country pursuant to equivalence regimes in existing EU financial services legislation. If, after the expiry of the transitional period in December 2020, there is no deal or arrangement covering financial services in place and assuming no third country "equivalence"-based recognition in place, the Barclays Group entities in the UK would no longer be able to access EU markets as they do today. 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. The UK may seek to make changes to these rules going forward, particularly in the event of no deal or arrangement covering financial services, where they are not subject to any requirements to maintain particular rules or standards for equivalence purposes.

Financial regulatory framework

(a) Prudential regulation

Certain Basel III standards were implemented in EU law through the Capital Requirements Regulation (CRR) and the Capital Requirements Directive IV (CRD IV). Beyond the minimum standards required by CRD IV, the PRA has expected the 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.

Global systemically important banks (G-SIBs), such as the Barclays Group, 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 Financial Stability Board (FSB) according to a bank's systemic importance and can range from 1% to 3.5% of risk-weighted assets (RWAs). The G-SIB buffer must be met with CET1. In November 2019, the FSB published an update to its list of G-SIBs, maintaining the 1.5% G-SIB buffer that applies to the Barclays Group.

The Barclays Group is also subject to a 'combined buffer requirement' consisting of (i) a capital conservation buffer, and (ii) a countercyclical capital buffer (CCyB). The CCyB is based on rates determined by the regulatory authorities in each jurisdiction in which the Barclays Group maintains exposures. These rates may vary in either direction. In December 2019, the FPC raised the UK CCyB rate from 1% to 2% with binding effect from December 2020.

The PRA requires UK firms to hold additional capital to cover risks which the PRA assesses are not fully captured by the Pillar 1 capital requirement. The PRA sets this additional capital requirement (Pillar 2A) at least annually, derived from each firm's individual capital guidance. Under current PRA rules, the Pillar 2A must be met with at least 56% CET1 capital and no more than 25% Tier 2 capital. In addition, the capital that firms use to meet their minimum requirements (Pillar 1 and Pillar 2A) cannot be counted towards meeting the combined buffer requirement.

Supervision and regulation

The PRA may also impose a 'PRA buffer' to cover risks over a forward-looking planning horizon, including with regard to firm-specific stresses or management and governance weaknesses. If the PRA buffer is imposed on a specific firm, it must be met separately to the combined buffer requirement, and must be met fully with CET1 capital.

The systemic risk buffer (which can be set between 0% and 3% of RWAs) is a firm-specific buffer, that is designed to increase the capacity of ring-fenced bodies, such as Barclays Bank UK PLC, to absorb stress, and which must be met solely with CET1 capital. The buffer rate applicable to the Barclays Group's ring-fenced sub-group is 1% of RWAs. The systemic risk buffer is now incorporated in the calculation of banks' stress test hurdle rates, which are the target capital ratios set by the PRA, with a view to capturing domestic as well as global systemic importance.

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, which was published in the Official Journal in June 2019 and includes the CRR II regulation, the CRD V directive and the BRRD II directive.

The BCBS's finalisation of 'Basel III – post-crisis regulatory reforms' in December 2017, among other things, eliminated model-based approaches for certain categories of RWAs, revised the standardised approach's risk weights for a variety of exposure categories, replaced the four current approaches for operational risk (including the advanced measurement approach) with a single standardised measurement approach, established 72.5% of standardised approach RWAs for exposure categories as a floor for RWAs calculated under advanced approaches (referred to as the 'output floor'), and for G-SIBs introduced a leverage ratio buffer in an amount equal to 50% of the applicable G-SIB buffer used for RWA purposes (meaning, for the Barclays Group, a leverage ratio buffer of 0.75%). The majority of the final Basel III changes are due to be implemented commencing 1 January 2022, with a five-year phase-in period for the output floor, although the precise timing as it applies to the Barclays Group depends on national and EU legislative processes. The new market risk framework, including rules made as a result of the 'fundamental review of the trading book', is expected to be implemented in the UK first as a reporting requirement, with further legislation needed to replace the existing, binding market risk requirements.

In the US, in October 2019, the FRB and other US regulatory agencies released final rules to tailor the applicability of prudential requirements for large domestic US banking organisations, foreign banking organisations and their intermediate holding companies (IHCs), including BUSL. In the final rule, BUSL is a "Category III" IHC. BUSL is therefore subject to full standardised liquidity requirements, including the liquidity coverage ratio, which has been implemented by the US regulatory agencies, and the NSFR, which has been proposed by the US regulatory agencies but does not have a clear time frame for finalisation.

In June 2018 and October 2019, the FRB finalised rules regarding single counterparty credit limits (SCCL). The SCCL apply to the largest US BHCs and foreign banks' (including the Barclays Group's) US operations. The SCCL creates two separate limits for foreign banks, the first on combined US operations (CUSO) and the second on the US IHC (BUSL). The SCCL for US BHCs, including BUSL, will go into effect in 2020 and requires that exposure to an unaffiliated counterparty of BUSL not exceed 25% of BUSL's Tier 1 capital. With respect to the CUSO, the SCCL rule allows certification to the FRB that a foreign bank complies with comparable home country regulation.

In November 2019, the FRB issued a proposal to extend by 18 months the initial compliance date for foreign banks' CUSO to allow the home countries of foreign banks time to finalize comparable home country regulation. Under the proposal, Barclays Bank PLC would not need to comply with the CUSO requirement until 1 July 2021. In order to give the FRB time to finalize the November proposal, in December 2019 the FRB separately granted Barclays Bank PLC relief from the SCCL CUSO requirement through a letter indicating that Barclays Bank PLC is not required to provide the CUSO certification until 1 July 2020.

Stress testing

The Barclays Group and certain of its members are subject to supervisory stress testing exercises in a number of jurisdictions, 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 such elements as data provision, stress testing capability including model risk management and internal management processes and controls.

(b) Recovery and Resolution

Stabilisation and resolution framework

The 2014 Bank Recovery and Resolution Directive (BRRD) established a framework for the recovery and resolution of EU credit institutions and investment firms. Amendments to BRRD (referred to as BRRD II) were made via the finalisation of the EU Risk Reduction Measures. Member states are required to transpose BRRD II into national law by 28 December 2020 (subject to certain exceptions).

On 28 December 2017, a related EU directive came into force harmonising the priority ranking of unsecured debt instruments under national insolvency laws. The directive has been transposed into national law in the UK, dividing a financial institution's non-preferred debts into three classes in a descending ranking order (ordinary, secondary and tertiary non-preferential debts).

UK resolution authorities are empowered by law to intervene in and resolve a UK financial institution that is failing or likely to fail. 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, including, for example, to transfer some or all of the securities or business of the bank to a commercial purchaser or a 'bridge bank' owned by the BoE or to transfer the banking institution into temporary public ownership. 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 in insolvency.

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, or override events of default or termination rights that might otherwise be invoked as a result of a resolution action and modify contractual arrangements in certain circumstances (including a variation of the terms of any securities). In addition, the BoE has 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. HM Treasury may also amend the law for the purpose of enabling it to use its powers under this regime effectively, potentially with retrospective effect. These powers apply regardless of any contractual restrictions and compensation that may be payable.

In addition, the BoE is required by law to permanently write-down, or convert into equity, Tier 1 capital instruments and Tier 2 capital instruments at the point of non-viability of the bank. This power will be extended to include eligible liabilities (such as liabilities under MREL instruments (see TLAC and MREL below)) once BRRD II is implemented.

The BoE's preferred approach for the resolution of the 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 the Barclays Group and allow for the continued provision of services and operations throughout the resolution. The order in which the bail-in tool is applied reflects the hierarchy of capital instruments. Accordingly, the more subordinated the claim, the more likely losses will be suffered.

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. Removal of potential impediments to an orderly resolution of a banking 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. The Barclays Group currently provides the PRA with a recovery plan annually and with a resolution pack as requested.

In July 2019, the BoE and PRA published final policies on the Resolvability Assessment Framework (RAF), designed to increase transparency and accountability and clarify the responsibilities on firms with respect to resolution. The RAF consists of three components: (i) how the BoE will assess resolvability; (ii) the requirement for certain firms to perform an assessment of their preparations for resolution, submit a report to the PRA and publish a summary of their most recent report; and (iii) the BoE's publication of a statement concerning the resolvability of each in-scope firm. The BoE will assess firms against three resolvability outcomes they must meet by 2022: (i) adequate financial resources; (ii) being able to continue to do business through resolution and restructuring; and (iii) being able to communicate and co-ordinate within the firm and with authorities.

While regulators in many jurisdictions have indicated a preference for single point of entry resolution for the Barclays Group, additional resolution or bankruptcy provisions may apply to certain Barclays Group entities or branches.

In the US, BUSL is subject to the Orderly Liquidation Authority established by Title II of the Dodd-Frank Act, a regime for the orderly liquidation of systemically important financial institutions by the FDIC, as an alternative to proceedings under the US Bankruptcy Code. In addition, 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 branch or entity they license and/or to revoke or suspend such licence.

In the US, Title I of the DFA, as amended, and the implementing regulations issued by the FRB and the FDIC require each bank holding company with assets of $250bn or more, including those within the 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. The Barclays Group's next submission of the US Resolution Plan in respect of its US operations will be due on 1 July 2020.

Barclays Bank Ireland PLC, as a significant institution under the Single Resolution Mechanism Regulation (SRMR), is subject to the powers of the Single Resolution Board (SRB) as the Eurozone resolution authority. The CBI and the ECB require 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 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 and set a new minimum requirement for 'total loss-absorbing capacity' (TLAC). The FSB also published guiding principles on internal TLAC in July 2017.

The EU is implementing the TLAC standard (including internal TLAC) via the MREL requirement for G-SIBs and the relevant amendments are contained in the Risk Reduction Measures package. Under the BoE's 2018 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. From 1 January 2020, G-SIBs with resolution entities incorporated in the UK, including the Barclays Group, will be subject to an MREL requirement equivalent to the higher of: (i) the sum of two times the Pillar 1 requirement and one times the Pillar 2A requirement; or (ii) the higher of two times the leverage ratio or 6% of leverage exposures. The MREL requirements will be fully implemented by 1 January 2022, at which time such G-SIBs will be required to meet an MREL equivalent to the higher of: (i) two times the sum of their Pillar 1 and Pillar 2A requirements; or (ii) the higher of two times their leverage ratio or 6.75% of leverage exposures.

Supervision and regulation

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 the US, the FRB's TLAC rule includes provisions that require BUSL 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 prohibits BUSL, for so long as the Barclays Group's overall resolution plan treats BUSL as a non-resolution entity, from issuing TLAC to entities other than those within the Barclays Group.

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. The UK has implemented this requirement 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.

(c) Structural reform

In the UK, the Financial Services (Banking Reform) Act 2013 put in place a framework for ring-fencing certain operations of large banks 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 into a legally distinct, operationally separate and economically independent entity, which is not permitted to undertake a range of activities.

US regulation places further substantive limits on the activities that may be conducted by banks and holding companies, including foreign banking organisations such as the 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, the 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). In August 2019 the Volcker regulatory agencies finalised amendments to the Volcker Rule's proprietary trading provisions, which became effective on 1 January 2020 (with a mandatory compliance date of 1 January 2021). The amendments generally provide greater flexibility for banking entities, and in particular for business units that operate solely outside the US. The Volcker Rule agencies have indicated that further changes are likely to be proposed in 2020 with regard to the Volcker covered funds provisions.

(d) Market infrastructure regulation

In recent years, regulators as well as global-standard setting bodies such as the International Organisation of Securities Commissions (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 pre-trade and post-trade information. Some of the most significant developments are described below.

The European Market Infrastructure Regulation, as amended, (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 has potential operational and financial impacts on the Barclays Group, including by imposing new collateral requirements. Over the coming months, European regulators will undergo a review of the exchange of collateral rules, raising the possibility of some alterations to the existing rules. European regulators are also currently consulting on details of the recent amendments to EMIR, which could potentially have a significant impact on our clearing business.

CRD IV complements EMIR by applying higher capital requirements for bilateral, uncleared OTC derivative trades. Lower capital requirements for cleared derivative trades are only available if the central counterparty (CCP) through which the trade is cleared is recognised as a 'qualifying central counterparty' (QCCP) which has been authorised or recognised under EMIR.

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 the Barclays Group operates, the instruments in which it trades and the way it transacts with market counterparties and other customers. MiFID II is currently undergoing a review process in order to determine those areas of the regulation that require further amendment. These amendments are being considered particularly in light of the EU's ongoing focus on the development of a stronger Capital Markets Union.

As part of the EU's sustainable finance action plan, new regulatory requirements are being introduced to provide greater transparency on the environmental and social impact of financial investments. These include (i) the Regulation on Sustainability-Related Disclosures, which introduces disclosure obligations regarding the way in which financial institutions integrate environmental, social and governance factors in their investment decisions, and (ii) the Taxonomy Regulation, which provides for a general framework for the development of an EU-wide classification system for environmentally sustainable economic activities. These new requirements will have an impact on the Barclays Group as an intermediary performing investment services for customers and investors.

The EU Benchmarks Regulation applies to the administration, contribution and use of benchmarks within the EU. Financial institutions within the EU are prohibited from using benchmarks unless their administrators are authorised, registered or otherwise recognised in the EU, subject to transitional provisions expiring on 1 January 2022. 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.

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 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 cross-border applicability. 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. In April 2019, the CFTC issued temporary relief that would permit trading venues and market participants located in the UK to continue to rely on this mutual recognition framework following a withdrawal of the UK from the EU.

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 will be subject to SEC, regulation and oversight. Entities required to register as swap dealers are subject to business conduct, record keeping and reporting requirements under CFTC rules. Barclays Bank PLC is subject to regulation by the FRB, and has provisionally registered with the CFTC as a swap dealer. Accordingly, Barclays Bank PLC is subject to CFTC rules on business conduct, record-keeping and reporting and to FRB rules on capital and margin.

The CFTC has approved certain comparability determinations that permit substituted compliance with non-US regulatory regimes for certain swap regulations. Substituted compliance is permitted for certain transaction-level requirements, where applicable, only with respect to transactions between a non-US swap dealer and a non-US counterparty, whereas entity-level determinations generally apply on an entity-wide basis regardless of counterparty status. In April 2019, the CFTC issued temporary relief that would permit swap dealers located in the UK to continue to rely on existing CFTC substituted compliance determinations with respect to EU requirements in the event of a withdrawal of the UK from the EU. In addition, the CFTC has issued guidance 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. The CFTC has provided temporary no-action relief from application of the guidance. In December 2019 the CFTC proposed rules that would, for certain CFTC requirements, codify on a permanent basis, the temporary no-action relief for transactions that are arranged, negotiated or executed in the US. The proposed rules would also codify certain aspects of the CFTC's current cross-border framework with respect to internal and external business conduct requirements, and it is expected that the CFTC will introduce additional proposed rules addressing mandatory clearing, trading and reporting requirements. In October 2017, the CFTC issued an order permitting substituted compliance with EU margin rules for certain uncleared derivatives. However, as the 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.

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. In December of 2019 the SEC adopted a final cross-border rule that, upon publication in the federal register, will trigger the timeline for security-based swap dealer registration, which will be required 18 months following the effective date of those rules, currently expected in September 2021.

When security-based swap dealer registration is required, it is anticipated that Barclays Bank PLC and/or one or more of its affiliates will be required to register in that capacity and thus will be required to comply with the SEC's rules for security-based swap dealers. These rules may impose costs and other requirements or restrictions that could impact our business. As with similar CFTC rules, substituted compliance will be available for certain security-based swap dealer requirements; however, the SEC has not yet issued any comparability determinations, and the ultimate scope and applicability of such determinations remains unclear.

(e) Conduct, culture and other regulation

Conduct and culture

The PRA and FCA measures to increase the individual accountability of senior managers and other covered individuals in the banking sector include: 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, including the Barclays Group.

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.

Data protection and PSD2

Most countries in which the Barclays Group operates have comprehensive laws governing the collection and use of personal information. Prominent media reporting of recent cybersecurity breaches or data losses and the significant penalties being handed down by European privacy regulators have heightened interest in data privacy worldwide. The introduction of the EU's General Data Protection Regulation (GDPR) does not significantly alter the core principles established under the earlier Data Protection Directive, but it creates a harmonised privacy regime across European member states with penalties up to the higher of 4% of global turnover or €20m. The GDPR also institutes new mandatory breach notification requirements, enhances the rights of individual data subjects and introduces an accountability principle concerned with openly demonstrating compliance. The international nature of our business and IT infrastructure means personal information may be available in countries other than from where it originated. The GDPR has extra-territorial effect where a business established outside the EU is processing personal data of individuals located in the EU (e.g. European based customers or clients) and such processing relates to the offering of goods or services to such individuals, or the monitoring of their behaviour in the EU.

Supervision and regulation

In the United States, the California Consumer Privacy Protection Act (CCPA), effective 1 January 2020, requires companies that process information regarding California residents to make new disclosures to consumers about their data collection, use and sharing practices, allows consumers to opt out of certain data sharing with third parties and provides a new cause of action for data breaches. It remains unclear what modifications will be made, if any, to the CCPA and its regulations and how these will be interpreted. The introduction of the CCPA has prompted several other US states to consider similar legislation. Elsewhere non-EU countries such as Bermuda, Brazil, India, Cayman Islands, China, Guernsey, Jersey, Isle of Man, and Switzerland have introduced or updated existing legislation, or are considering new laws, with provisions that are either inspired by the GDPR or that otherwise provide enhanced rights to data subjects.

The revised Payment Services Directive (PSD2) introduces additional security requirements when customers and clients are accessing accounts or making payments online. In August 2019, the FCA agreed an 18-month plan for firms to implement these requirements, referred to as Strong Customer Authentication (SCA).

Cybersecurity and operational resilience

Regulators in Europe and the US continue to focus on cybersecurity risk management and organisational operational resilience and overall soundness across all financial services firms, with customer and market expectations of continuous access to financial services at an all-time high. This has a led to a number of proposed laws and changes to regulatory frameworks being published, such as the UK regulators' proposals for a new operational resilience regime, that necessitate the implementation of a variety of increased controls and enhancement activities for regulated Barclays Group entities. To comply with these new requirements, firms such as the Barclays Group have adopted or will adopt a variety of increased controls and processes, including, among others, the amendment of cybersecurity policies and procedures to include specified criteria, additional security measures for enhanced reporting and public disclosures, compliance certification requirements, operational resilience and more advanced recovery solutions, as well as other cyber and information risk governance measures. These increased controls will enhance industry standardisation, expand and enhance our resilience capabilities as well as increase our ability to protect and maintain customer service during potential disruptions. Such measures are likely to result in increased technology and compliance costs for the 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 Criminal Finances Act 2017 introduced new corporate criminal offences of failing to prevent the facilitation of UK and overseas tax evasion. Both pieces of legislation have 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. The UK Bribery Act requires the Barclays Group to have adequate procedures to prevent bribery which, due to the extra-territorial nature of the Act, makes this both complex and costly. Additionally, the Criminal Finances Act requires the 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, the Barclays Group.

In May 2018, the Sanctions and Anti-Money Laundering Act became law in the UK. The Act allows for the adoption of an autonomous UK Sanctions regime, as well as a more flexible licensing regime post-Brexit.

In July 2018, the 5th EU Anti-Money Laundering Directive entered into force. Amongst other things, the Directive introduces changes to the Enhanced Due Diligence measures that are required in respect of customer relationships or transactions involving high risk non-EU countries. EU Member States are required to implement the requirements of the Directive by January 2020. The UK Government has confirmed that it will implement the requirements of the Directive, regardless of the outcome of Brexit, and on 10 January 2020 changes to the UK Money Laundering Regulations came into force.

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, the Barclays Group is subject to the US Foreign Corrupt Practices Act, which prohibits certain payments to foreign officials, as well as rules and regulations relating to economic sanctions and embargo programmes administered by the US government, including the US Office of Foreign Assets Control and the US Department of State, which restrict certain business activities with certain individuals, entities, groups, countries and territories.

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.

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A review of the Group's performance, including the key performance indicators, and the contribution of each of our businesses to the overall performance of the Group.

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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 continues to target greater than 10% RoTE, excluding litigation and conduct. However, given global macroeconomic uncertainty and the current low interest rate environment, it has become more challenging to achieve this in 2020. Notwithstanding these headwinds, the Group believes it can achieve a meaningful improvement in returns in 2020. Cost control remains a priority and management continues to target a cost: income ratio of lower than 60% over time.

Non-IFRS performance measures

The Group's 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 Group. They also reflect an important aspect of the way in which operating targets are defined and performance is monitored by 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 226 to 230 for further information and calculations of non-IFRS performance measures included throughout this section, and the most directly comparable IFRS measures.

Definition

Why is it important and how the Group performed

Common Equity Tier 1 (CET1) ratio

Capital requirements are part of the regulatory framework governing how banks and depository institutions are supervised. Capital ratios express a bank's capital as a percentage of its RWAs as defined by the PRA.

CET1 ratio is a measure of capital that is predominantly common equity defined by the CRR, as amended by the CRR II applicable as at the reporting date.

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

The CET1 ratio increased to 13.8% (2018: 13.2%). CET1 capital decreased by £0.3bn to £40.8bn. This was driven by underlying profit generation of £5.0bn offset by dividends paid and foreseen of £2.4bn, the additional provision for PPI of £1.4bn, pension deficit reduction contribution payments of £0.5bn, a decrease in the currency translation reserve of £0.5bn, mainly driven by the depreciation of period end USD against GBP, and a loss on the redemption of AT1 securities of £0.4bn. RWAs decreased by £16.8bn to £295.1bn primarily driven by the reduction in the Group's operational risk RWAs, as well as the depreciation of period end USD against GBP.

Group target: CET1 ratio of c.13.5%. Revised from c.13.0% during the period, to reflect the removal of the operational risk RWAs floor which increased the CET1 ratio by c.60bps.

CET1 ratio

13.8%

2018: 13.2%
2017: 13.3%

Definition	*Why is it important and how the Group performed*	
Average UK leverage ratio The ratio is calculated as the average transitional Tier 1 capital divided by average UK leverage exposure. The average exposure measure excludes qualifying central bank claims.	The leverage ratio is non-risk based and is intended to act as a supplementary measure to the risk-based capital metrics such as the CET1 ratio. The average UK leverage ratio remained stable at 4.5% (2018: 4.5%) primarily driven by a net increase in AT1 capital, offset by a modest increase in leverage exposure to £1,143bn (2018: £1,110bn). Group target: maintaining the UK leverage ratio above the expected minimum requirement.	**Average UK leverage ratio** 4.5% 2018: 4.5% 2017: 4.9%
Return on average tangible shareholders' equity RoTE is calculated as profit after tax attributable to ordinary shareholders, as a proportion of average shareholders' equity excluding non-controlling interests and other equity instruments adjusted for the deduction of intangible assets and goodwill.	This measure indicates the return generated by the management of the business based on shareholders' tangible equity. Achieving a target RoTE demonstrates the organisation's ability to execute its strategy and align management's interests with the shareholders'. RoTE lies at the heart of the Group's capital allocation and performance management process. RoTE for the Group, excluding litigation and conduct, increased to 9.0% (2018: 8.5%), in line with the 2019 target. Based on an average target CET1 ratio of 13.2%, RoTE was also 9%. RoTE for the Group was 5.3% (2018: 3.6%) due to an attributable profit of £2,461m (2018: £1,597m) which included charges for litigation and conduct of £1.8bn, reflecting an additional PPI provision. Group target: Group RoTE, excluding litigation and conduct, of greater than 10%.	**Group RoTE excluding litigation and conduct** 9.0% 2018: 8.5% 2017: (1.2%) **Group RoTE** 5.3% 2018: 3.6% 2017: (3.6%)
Operating expenses Operating expenses excluding litigation and conduct.	Barclays views operating expenses as a key strategic area for banks; those who actively manage costs and control them effectively will gain a strong competitive advantage. Group operating expenses were £13.6bn, in line with 2019 guidance, while total operating expenses were £15.4bn (2018: £16.2bn).	**Operating expenses** £13.6bn 2018: £13.9bn[a] 2017: £14.2bn **Total operating expenses** £15.4bn 2018: £16.2bn 2017: £15.5bn
Cost: income ratio Operating expenses divided by total income.	This is a measure management uses to assess the productivity of the business operations. Managing the cost base is a key execution priority for management and includes a review of all categories of discretionary spending and an analysis of how we can run the business to ensure that costs increase at a slower rate than income. The Group cost: income ratio, excluding litigation and conduct, decreased to 63% (2018: 66%) as favourable income and cost efficiencies were partially offset by continued investment. The Group cost: income ratio, including litigation and conduct, decreased to 71% (2018: 77%) due to increased income and favourable total operating expenses, which included an additional PPI provision. Group target: a cost: income ratio of below 60% over time.	**Cost: income ratio excluding litigation and conduct** 63% 2018: 66% 2017: 68% **Cost: income ratio** 71% 2018: 77% 2017: 73%

Note

a Group operating expenses, excluding litigation and conduct, and a GMP charge of £140m.

Consolidated summary income statement

For the year ended 31 December	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
Continuing operations					
Net interest income	**9,407**	9,062	9,845	10,537	10,608
Net fee, commission and other income	**12,225**	12,074	11,231	10,914	11,432
Total income	**21,632**	21,136	21,076	21,451	22,040
Credit impairment charges	**(1,912)**	(1,468)	(2,336)	(2,373)	(1,762)
Operating costs	**(13,359)**	(13,627)	(13,884)	(14,565)	(13,723)
UK bank levy	**(226)**	(269)	(365)	(410)	(426)
Operating expenses	**(13,585)**	(13,896)	(14,249)	(14,975)	(14,149)
GMP charge	**–**	(140)	–	–	–
Litigation and conduct	**(1,849)**	(2,207)	(1,207)	(1,363)	(4,387)
Total operating expenses	**(15,434)**	(16,243)	(15,456)	(16,338)	(18,536)
Other net income/(expenses)	**71**	69	257	490	(596)
Profit before tax	**4,357**	3,494	3,541	3,230	1,146
Tax charge[a]	**(1,003)**	(911)	(2,066)	(865)	(1,079)
Profit after tax in respect of continuing operations	**3,354**	2,583	1,475	2,365	67
(Loss)/profit after tax in respect of discontinued operation	**–**	–	(2,195)	591	626
Non-controlling interests in respect of continuing operations	**(80)**	(234)	(249)	(346)	(348)
Non-controlling interests in respect of discontinued operation	**–**	–	(140)	(402)	(324)
Other equity instrument holders	**(813)**	(752)	(639)	(457)	(345)
Attributable profit/(loss)	**2,461**	1,597	(1,748)	1,751	(324)
Selected financial statistics					
Basic earnings/(loss) per share	**14.3p**	9.4p	(10.3p)	10.4p	(1.9p)
Diluted earnings/(loss) per share	**14.1p**	9.2p	(10.1p)	10.3p	(1.9p)
Return on average tangible shareholders' equity	**5.3%**	3.6%	(3.6%)	3.6%	(0.7%)
Cost: income ratio	**71%**	77%	73%	76%	84%
Performance measures excluding litigation and conduct[b]					
Profit before tax	**6,206**	5,701	4,748	4,593	5,533
Attributable profit/(loss)	**4,194**	3,733	(598)	3,036	3,640
Return on average tangible shareholders' equity	**9.0%**	8.5%	(1.2%)	6.2%	7.6%
Cost: income ratio	**63%**	66%	68%	70%	64%

Notes

a From 2019, due to an IAS 12 update, the tax relief on payments in relation to AT1 instruments has been recognised in the tax charge of the income statement, whereas it was previously recorded in retained earnings. Comparatives have been restated, reducing the tax charge for 2018 by £211m, 2017 by £174m, 2016 by £128m and 2015 by £70m. This change does not impact earnings per share or return on average tangible shareholders' equity. Further detail can be found in Note 1.

b Refer to pages 228 to 230 for further information and calculations of performance measures excluding litigation and conduct.

The financial information above is extracted from the published accounts. This information should be read together with the information included in the accompanying consolidated financial statements.

Income statement commentary

2019 compared to 2018

RoTE, excluding litigation and conduct, increased to 9.0% (2018: 8.5%), in line with the 2019 target. Statutory EPS was 14.3p (2018: 9.4p) and diluted EPS was 14.1p (2018: 9.2p).

Profit before tax was £4,357m (2018: £3,494m), including an additional provision for PPI of £1,400m (2018: £400m). Excluding litigation and conduct, profit before tax was £6,206m (2018: £5,701m), with higher income and lower operating expenses partially offset by increased year on year credit impairment charges. The 4% appreciation of average USD against GBP positively impacted income and profits and adversely impacted credit impairment charges and operating expenses.

Total income increased 2% to £21,632m. Barclays UK income was stable, as ongoing margin pressure and continued reduced risk appetite in UK cards were offset by mortgage and deposit balance growth. Barclays International income increased 5%, with CIB income up 5% and CC&P income up 4%. Within CIB, Markets income increased due to continued market share gains[a], while Banking fees income was stable and a reduction in Corporate lending income was partially offset by an increase in Transaction banking income. Higher CC&P income reflected growth in US co-branded cards and payments partnerships.

Credit impairment charges increased to £1,912m (2018: £1,468m). The 2019 charge includes the impact of macroeconomic scenario updates and an overall reduction in unsecured gross exposures. Prior year comparatives included the impact of favourable macroeconomic scenario updates and a £150m charge regarding the anticipated economic uncertainty in the UK.

Operating expenses decreased to £13,585m (2018: £13,896m) in line with 2019 guidance, as cost efficiencies were partially offset by continued investment. Barclays UK and Barclays International each generated positive cost: income jaws, resulting in the Group cost: income ratio, excluding litigation and conduct, reducing to 63% (2018: 66%).

Total operating expenses of £15,434m (2018: £16,243m) included litigation and conduct charges of £1,849m (2018: £2,207m).

The effective tax rate was 23.0% (2018: 26.1%). Excluding litigation and conduct, the effective tax rate was 18.0% (2018: 17.2%). The Group's effective tax rate for future periods is expected to remain around 20%, excluding litigation and conduct.

Attributable profit was £2,461m (2018: £1,597m). Excluding litigation and conduct, attributable profit was £4,194m (2018: £3,733m), generating an RoTE of 9.0% (2018: 8.5%) and EPS of 24.4p (2018: 21.9p).

Note

a Data Source: Coalition, FY19 Preliminary Competitor Analysis. Market share represents Barclays share of the total industry Revenue Pool. Analysis is based on Barclays internal business structure and internal revenues.

Consolidated summary balance sheet

As at 31 December	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
Assets					
Cash and balances at central banks	**150,258**	177,069	171,082	102,353	49,711
Cash collateral and settlement balances	**83,256**	77,222	77,168	90,135	82,980
Loans and advances at amortised cost	**339,115**	326,406	324,048	345,900	357,586
Reverse repurchase agreements and other similar secured lending	**3,379**	2,308	12,546	13,454	28,187
Trading portfolio assets	**114,195**	104,187	113,760	80,240	77,348
Financial assets at fair value through the income statement	**133,086**	149,648	116,281	78,608	76,830
Derivative financial instruments	**229,236**	222,538	237,669	346,626	327,709
Financial investments	**–**	–	58,915	63,317	90,267
Financial assets at fair value through other comprehensive income	**65,750**	52,816	–	–	–
Assets included in disposal groups classified as held for sale	**–**	–	1,193	71,454	7,364
Other assets	**21,954**	21,089	20,586	21,039	22,030
Total assets	**1,140,229**	1,133,283	1,133,248	1,213,126	1,120,012
Liabilities					
Deposits at amortised cost	**415,787**	394,838	398,701	390,744	390,307
Cash collateral and settlement balances	**67,341**	67,522	68,143	80,648	75,015
Repurchase agreements and other similar secured borrowings	**14,517**	18,578	40,338	19,760	25,035
Debt securities in issue[a]	**76,369**	82,286	73,314	75,932	69,150
Subordinated liabilities	**18,156**	20,559	23,826	23,383	21,467
Trading portfolio liabilities	**36,916**	37,882	37,351	34,687	33,967
Financial liabilities designated at fair value	**204,326**	216,834	173,718	96,031	91,745
Derivative financial instruments	**229,204**	219,643	238,345	340,487	324,252
Liabilities included in disposal groups classified as held for sale	**–**	–	–	65,292	5,997
Other liabilities	**11,953**	11,362	13,496	14,797	17,213
Total liabilities	**1,074,569**	1,069,504	1,067,232	1,141,761	1,054,148
Equity					
Called up share capital and share premium	**4,594**	4,311	22,045	21,842	21,586
Other equity instruments	**10,871**	9,632	8,941	6,449	5,305
Other reserves	**4,760**	5,153	5,383	6,051	1,898
Retained earnings	**44,204**	43,460	27,536	30,531	31,021
Total equity excluding non-controlling interests	**64,429**	62,556	63,905	64,873	59,810
Non-controlling interests	**1,231**	1,223	2,111	6,492	6,054
Total equity	**65,660**	63,779	66,016	71,365	65,864
Total liabilities and equity	**1,140,229**	1,133,283	1,133,248	1,213,126	1,120,012
Net asset value per ordinary share	**309p**	309p	322p	344p	324p
Tangible net asset value per share	**262p**	262p	276p	290p	275p
Number of ordinary shares of Barclays PLC (in millions)	**17,322**	17,133	17,060	16,963	16,805
Year-end USD exchange rate	**1.32**	1.28	1.35	1.23	1.48
Year-end EUR exchange rate	**1.18**	1.12	1.13	1.17	1.36

Note

a Debt securities in issue include covered bonds of £7.0bn (2018: £8.5bn).

Balance sheet commentary

Total assets

Total assets increased £7bn to £1,140bn.

Cash and balances at central banks has decreased by £27bn to £150bn. The cash balance has reduced as the Group actively managed the cash component of the liquidity pool it holds to meet its funding and regulatory requirements. This management has seen a change in the composition of the liquidity pool and an increase in the proportion of debt securities held within it. The change in holding of liquid debt securities can be seen through the increase in assets held at fair value through other comprehensive income of £13bn to £66bn.

Cash collateral and settlement balances increased by £6bn to £83bn, primarily driven by derivative fair value changes.

Loans and advances at amortised cost increased £13bn to £339bn, principally driven by a £6bn increase in mortgage lending in Barclays UK and a £3bn increase in debt securities held as part of treasury funding and liquidity pool requirements.

Trading portfolio assets increased £10bn to £114bn due to increased trading activity, principally relating to the Equities business.

Financial assets at fair value through the income statement decreased £17bn to £133bn as a result of more capital efficient secured lending within Barclays International.

Derivative financial instrument assets increased £6bn to £229bn, driven by a decrease in major interest rate curves, partially offset by a decrease in foreign exchange volumes.

Total liabilities

Total liabilities increased £5bn to £1,075bn.

Deposits at amortised cost increased £21bn to £416bn driven by increased deposit taking within Personal and Business Banking and the broadening of the CIB business across Europe.

Debt securities in issue decreased £6bn to £76bn due to the maturity of a number of issuances which were not refinanced.

Financial liabilities designated at fair value decreased £13bn to £204bn as a result of more capital efficient secured lending within Barclays International.

Derivative financial instruments liabilities increased £9bn to £229bn, driven by a decrease in major interest rate curves, partially offset by a decrease in foreign exchange volumes. This is consistent with the movement in derivative financial instrument assets.

Total shareholders' equity

Total shareholders' equity increased £1.8bn to £64.4bn.

Share capital and share premium increased £0.3bn to £4.6bn as a result of shares issued under employee share schemes and the Scrip Dividend Programme.

Other equity instruments increased £1.3bn to £10.9bn due to the issuance of three AT1 instruments with principal amounts of $2.0bn, £1.0bn and £1.0bn, partially offset by redemptions with principal amounts of $1.2bn, €1.1bn and £0.7bn. AT1 securities are perpetual subordinated contingent convertible securities structured to qualify as AT1 instruments under prevailing capital rules applicable as at the relevant issue date.

The fair value through other comprehensive income reserve represents the unrealised change in the fair value through other comprehensive income investments since initial recognition. The reserve remained broadly flat at £0.2bn.

The cash flow hedging reserve increased £0.3bn to £1.0bn as a result of the fair value movements on interest rate swaps held for hedging purposes, as interest rate forward curves flattened across major currencies.

The currency translation reserve decreased £0.5bn to £3.3bn due to strengthening of GBP against USD and EUR of 3% and 5% respectively, when comparing year-end closing rates.

The own credit reserve decreased £0.3bn to £0.4bn debit, reflecting a tightening of Barclays' credit spreads increasing the fair value of liabilities on balance sheet.

Retained earnings increased £0.7bn to £44.2bn due to profits of £2.5bn, partially offset by dividends paid of £1.2bn, foreign exchange impact on redemption of AT1 instruments of £0.4bn and pension reserve remeasurement of £0.2bn.

Tangible net asset value per share was unchanged at 262p (2018: 262p) as 14.3p earnings per share were offset by dividend payments of 7p per share and net negative reserve movements of 7p, predominantly in the currency translation reserve.

Analysis of results by business

Barclays UK

	2019 £m	2018 £m	2017 £m
Income statement information			
Net interest income	**5,888**	6,028	6,086
Net fee, commission and other income	**1,465**	1,355	1,297
Total income	**7,353**	7,383	7,383
Credit impairment charges	**(712)**	(826)	(783)
Net operating income	**6,641**	6,557	6,600
Operating costs	**(3,996)**	(4,075)	(4,030)
UK bank levy	**(41)**	(46)	(59)
Operating expenses	**(4,037)**	(4,121)	(4,089)
Litigation and conduct	**(1,582)**	(483)	(759)
Total operating expenses	**(5,619)**	(4,604)	(4,848)
Other net income/(expenses)	**–**	3	(5)
Profit before tax	**1,022**	1,956	1,747
Attributable profit[a]	**281**	1,198	893
Balance sheet information			
Loans and advances to customers at amortised cost	**£193.7bn**	£187.6bn	£183.8bn
Total assets	**£257.8bn**	£249.7bn	£237.4bn
Customer deposits at amortised cost	**£205.5bn**	£197.3bn	£193.4bn
Loan: deposit ratio	**96%**	96%	95%
Risk weighted assets	**£74.9bn**	£75.2bn	£70.9bn
Period end allocated tangible equity	**£10.3bn**	£10.2bn	£9.6bn
Key facts			
Average LTV of mortgage portfolio[b]	**51%**	49%	48%
Average LTV of new mortgage lending[b]	**68%**	65%	64%
Number of branches	**963**	1,058	1,208
Mobile banking active customers	**8.4m**	7.3m	6.4m
30-day arrears rate – Barclaycard Consumer UK	**1.7%**	1.8%	1.8%
Number of employees (full time equivalent)	**21,400**	22,600	22,800
Performance measures			
Return on average allocated tangible equity	**2.7%**	11.9%	9.8%
Average allocated tangible equity	**£10.3bn**	£10.0bn	£9.1bn
Cost: income ratio	**76%**	62%	66%
Loan loss rate (bps)[c]	**36**	43	42
Net interest margin	**3.09%**	3.23%	3.49%
Performance measures excluding litigation and conduct[d]			
Profit before tax	**2,604**	2,439	2,506
Attributable profit	**1,813**	1,670	1,626
Return on average allocated tangible equity	**17.5%**	16.7%	17.8%
Cost: income ratio	**55%**	56%	55%

Notes

a From 2019, due to an IAS 12 update, the tax relief on payments in relation to AT1 instruments has been recognised in the tax charge of the income statement, whereas it was previously recorded in retained earnings. Comparatives have been restated. This change does not impact EPS or return on average tangible shareholders' equity.

b Average loan to value of mortgages is balance weighted and reflects both residential and buy-to-let mortgage portfolios within the Home Loans portfolio. The prior period has been updated to align to this basis of preparation.

c 2017 comparative calculation based on gross loans and advances at amortised cost before the balance sheet presentation change and IAS 39 impairment charge.

d Refer to pages 228 to 230 for further information and calculations of performance measures excluding litigation and conduct.

Analysis of Barclays UK

	2019 £m	2018 £m	2017 £m
Analysis of total income			
Personal Banking	**4,009**	4,006	4,214
Barclaycard Consumer UK	**1,992**	2,104	1,977
Business Banking	**1,352**	1,273	1,192
Total income	**7,353**	7,383	7,383
Analysis of credit impairment charges			
Personal Banking	**(195)**	(173)	(221)
Barclaycard Consumer UK	**(472)**	(590)	(541)
Business Banking	**(45)**	(63)	(21)
Total credit impairment charges	**(712)**	(826)	(783)
Analysis of loans and advances to customers at amortised cost			
Personal Banking	**£151.9bn**	£146.0bn	£141.3bn
Barclaycard Consumer UK	**£14.7bn**	£15.3bn	£16.4bn
Business Banking	**£27.1bn**	£26.3bn	£26.1bn
Total loans and advances to customers at amortised cost	**£193.7bn**	£187.6bn	£183.8bn
Analysis of customer deposits at amortised cost			
Personal Banking	**£159.2bn**	£154.0bn	£153.1bn
Barclaycard Consumer UK	**–**	–	–
Business Banking	**£46.3bn**	£43.3bn	£40.3bn
Total customer deposits at amortised cost	**£205.5bn**	£197.3bn	£193.4bn

2019 compared to 2018

Profit before tax, excluding litigation and conduct, increased 7% to £2,604m and RoTE increased to 17.5% (2018: 16.7%) reflecting the resilience of the business in a challenging income environment. Including litigation and conduct charges of £1,582m (2018: £483m), profit before tax was £1,022m (2018: £1,956m).

Total income was stable at £7,353m (2018: £7,383m). A 2% reduction in net interest income to £5,888m (resulting in a lower NIM of 3.09% (2018: 3.23%)) reflected higher refinancing activity by mortgage customers, lower IEL balances in UK cards and the mix effect from growth in secured lending. Net fee, commission and other income increased 8% to £1,465m, due to increased debt sales and the impact of treasury operations.

Personal Banking income was stable at £4,009m (2018: £4,006m), reflecting ongoing mortgage margin pressure, offset by mortgage and deposit balance growth, improved deposit margins and treasury operations.

Barclaycard Consumer UK income decreased 5% to £1,992m reflecting a continued reduced risk appetite and reduced borrowing by customers, which resulted in a lower level of IEL balances, partially offset by increased debt sales.

Business Banking income increased 6% to £1,352m driven by deposit growth, with improved deposit margins, and the non-recurrence of client remediation in 2018.

Credit impairment charges decreased 14% to £712m reflecting the non-recurrence of a £100m specific charge in Q418 relating to the impact of anticipated economic uncertainty in the UK. Unsecured gross exposures were lower as a result of increased debt sales and an improved risk profile, both principally in UK cards. The 30 and 90 day arrears rates in UK cards decreased to 1.7% (Q418: 1.8%) and 0.8% (Q418: 0.9%) respectively.

Operating expenses decreased 2% to £4,037m as cost efficiencies were partially offset by planned investment and inflation. The cost: income ratio, excluding litigation and conduct, was 55% (2018: 56%).

Loans and advances to customers at amortised cost increased 3% to £193.7bn reflecting £6.4bn of mortgage growth.

Customer deposits at amortised cost increased 4% to £205.5bn demonstrating franchise strength across both Personal and Business Banking.

RWAs were stable at £74.9bn (2018: £75.2bn) as a reduction in UK cards (reflecting increased debt sales, lower IEL balances and an improved risk profile) was offset by growth in mortgages.

Analysis of results by business

Barclays International

	2019 £m	2018 £m	2017 £m
Income statement information			
Net interest income	**3,941**	3,815	4,307
Net trading income	**4,199**	4,450	3,971
Net fee, commission and other income	**6,535**	5,761	6,104
Total income	**14,675**	14,026	14,382
Credit impairment charges	**(1,173)**	(658)	(1,506)
Net operating income	**13,502**	13,368	12,876
Operating costs	**(9,163)**	(9,324)	(9,321)
UK bank levy	**(174)**	(210)	(265)
Operating expenses	**(9,337)**	(9,534)	(9,586)
Litigation and conduct	**(116)**	(127)	(269)
Total operating expenses	**(9,453)**	(9,661)	(9,855)
Other net income	**69**	68	254
Profit before tax	**4,118**	3,775	3,275
Attributable profit[a]	**2,816**	2,599	967
Balance sheet information			
Loans and advances at amortised cost	**£132.8bn**	£127.2bn	£126.8bn
Trading portfolio assets	**£113.3bn**	£104.0bn	£113.0bn
Derivative financial instrument assets	**£228.9bn**	£222.1bn	£236.2bn
Financial assets at fair value through the income statement	**£128.4bn**	£144.7bn	£104.1bn
Cash collateral and settlement balances	**£79.4bn**	£74.3bn	£71.9bn
Other assets	**£178.6bn**	£189.8bn	£204.1bn
Total assets	**£861.4bn**	£862.1bn	£856.1bn
Deposits at amortised cost	**£210.0bn**	£197.2bn	£187.3bn
Derivative financial instrument liabilities	**£228.9bn**	£219.6bn	£237.8bn
Loan: deposit ratio	**63%**	65%	68%
Risk weighted assets	**£209.2bn**	£210.7bn	£210.3bn
Period end allocated tangible equity	**£29.6bn**	£29.9bn	£27.5bn
Key facts			
Number of employees (full time equivalent)	**11,200**	12,400	11,500
Performance measures			
Return on average allocated tangible equity	**9.0%**	8.4%	3.4%
Average allocated tangible equity	**£31.2bn**	£31.0bn	£28.1bn
Cost: income ratio	**64%**	69%	69%
Loan loss rate (bps)[b]	**86**	50	75
Net interest margin	**4.07%**	4.11%	4.16%
Performance measures excluding litigation and conduct[c]			
Profit before tax	**4,234**	3,902	3,544
Attributable profit	**2,906**	2,705	1,227
Return on average allocated tangible equity	**9.3%**	8.7%	4.4%
Cost: income ratio	**64%**	68%	67%

Notes

a From 2019, due to an IAS 12 update, the tax relief on payments in relation to AT1 instruments has been recognised in the tax charge of the income statement, whereas it was previously recorded in retained earnings. Comparatives have been restated. This change does not impact EPS or return on average tangible shareholders' equity.

b 2017 comparative calculation based on gross loans and advances at amortised cost before the balance sheet presentation change and IAS 39 impairment charge.

c Refer to pages 228 to 230 for further information and calculations of performance measures excluding litigation and conduct.

Analysis of Barclays International

Corporate and Investment Bank	2019 £m	2018 £m	2017 £m
Income statement information			
FICC	**3,364**	2,863	2,875
Equities	**1,887**	2,037	1,629
Markets	**5,251**	4,900	4,504
Advisory	**776**	708	678
Equity capital markets	**329**	300	354
Debt capital markets	**1,430**	1,523	1,580
Banking fees	**2,535**	2,531	2,612
Corporate lending	**765**	878	1,093
Transaction banking	**1,680**	1,627	1,629
Corporate	**2,445**	2,505	2,722
Other[a]	**–**	(171)	40
Total income	**10,231**	9,765	9,878
Credit impairment (charges)/releases	**(157)**	150	(213)
Net operating income	**10,074**	9,915	9,665
Operating costs	**(6,882)**	(7,093)	(7,231)
UK bank levy	**(156)**	(188)	(244)
Operating expenses	**(7,038)**	(7,281)	(7,475)
Litigation and conduct	**(109)**	(68)	(267)
Total operating expenses	**(7,147)**	(7,349)	(7,742)
Other net income	**28**	27	133
Profit before tax	**2,955**	2,593	2,056
Attributable profit[b]	**1,980**	1,781	269
Balance sheet information			
Loans and advances at amortised cost	**£92.0bn**	£86.4bn	£88.2bn
Trading portfolio assets	**£113.3bn**	£104.0bn	£112.9bn
Derivative financial instrument assets	**£228.8bn**	£222.1bn	£236.1bn
Financial assets at fair value through the income statement	**£127.7bn**	£144.2bn	£103.8bn
Cash collateral and settlement balances	**£78.5bn**	£73.4bn	£71.9bn
Other assets	**£155.3bn**	£160.4bn	£175.8bn
Total assets	**£795.6bn**	£790.5bn	£788.7bn
Deposits at amortised cost	**£146.2bn**	£136.3bn	£128.0bn
Derivative financial instrument liabilities	**£228.9bn**	£219.6bn	£237.7bn
Risk weighted assets	**£171.5bn**	£170.9bn	£176.2bn
Performance measures			
Return on average allocated tangible equity	**7.6%**	6.9%	1.1%
Average allocated tangible equity	**£25.9bn**	£26.0bn	£24.0bn
Cost: income ratio	**70%**	75%	78%
Performance measures excluding litigation and conduct[c]			
Profit before tax	**3,064**	2,661	2,323
Attributable profit	**2,064**	1,843	528
Return on average allocated tangible equity	**8.0%**	7.1%	2.2%
Cost: income ratio	**69%**	75%	76%

Notes

a From 2019, treasury items previously included in Other have been allocated to businesses.

b From 2019, due to an IAS 12 update, the tax relief on payments in relation to AT1 instruments has been recognised in the tax charge of the income statement, whereas it was previously recorded in retained earnings. Comparatives have been restated. This change does not impact EPS or return on average tangible shareholders' equity.

c Refer to pages 228 to 230 for further information and calculations of performance measures excluding litigation and conduct.

Analysis of results by business

Analysis of Barclays International continued

Consumer, Cards and Payments	2019 £m	2018 £m	2017 £m
Income statement information			
Net interest income	**2,822**	2,731	2,754
Net fee, commission, trading and other income	**1,622**	1,530	1,750
Total income	**4,444**	4,261	4,504
Credit impairment charges	**(1,016)**	(808)	(1,293)
Net operating income	**3,428**	3,453	3,211
Operating costs	**(2,281)**	(2,231)	(2,090)
UK bank levy	**(18)**	(22)	(21)
Operating expenses	**(2,299)**	(2,253)	(2,111)
Litigation and conduct	**(7)**	(59)	(2)
Total operating expenses	**(2,306)**	(2,312)	(2,113)
Other net income	**41**	41	121
Profit before tax	**1,163**	1,182	1,219
Attributable profit[a]	**836**	818	698
Balance sheet information			
Loans and advances at amortised cost	**£40.8bn**	£40.8bn	£38.6bn
Total assets	**£65.8bn**	£71.6bn	£67.4bn
Deposits at amortised cost	**£63.8bn**	£60.9bn	£59.3bn
Risk weighted assets	**£37.7bn**	£39.8bn	£34.1bn
Key facts			
30-day arrears rates – Barclaycard US	**2.7%**	2.7%	2.6%
US cards customer FICO score distribution			
<660	**14%**	14%	15%
>660	**86%**	86%	85%
Total number of Barclaycard payments clients	**c.376,000**	c.374,000	c.366,000
Value of payments processed[b]	**£354bn**	£344bn	£322bn
Performance measures			
Return on average allocated tangible equity	**15.8%**	16.5%	16.7%
Average allocated tangible equity	**£5.3bn**	£5.0bn	£4.2bn
Cost: income ratio	**52%**	54%	47%
Loan loss rate (bps)[c]	**234**	185	321
Performance measures excluding litigation and conduct[d]			
Profit before tax	**1,170**	1,241	1,221
Attributable profit	**842**	862	699
Return on average allocated tangible equity	**15.9%**	17.3%	16.8%
Cost: income ratio	**52%**	53%	47%

Notes

a From 2019, due to an IAS 12 update, the tax relief on payments in relation to AT1 instruments has been recognised in the tax charge of the income statement, whereas it was previously recorded in retained earnings. Comparatives have been restated. This change does not impact EPS or return on average tangible shareholders' equity.

b Includes £272bn of merchant acquiring payments.

c 2017 comparative calculation based on gross loans and advances at amortised cost before the balance sheet presentation change and IAS 39 impairment charge.

d Refer to pages 228 to 230 for more information and calculations of performance measures excluding litigation and conduct.

2019 compared to 2018

Profit before tax, excluding litigation and conduct, increased 9% to £4,234m with an RoTE of 9.3% (2018: 8.7%), reflecting returns in the CIB of 8.0% (2018: 7.1%) and CC&P of 15.9% (2018: 17.3%).

The 4% appreciation of average USD against GBP positively impacted income and profits, and adversely impacted credit impairment charges and operating expenses.

Total income increased to £14,675m (2018: £14,026m).

CIB income increased 5% to £10,231m. Markets income increased 7% to £5,251m reflecting further gains in market share in a declining revenue pool[a].

FICC income increased 17% to £3,364m reflecting a strong performance in rates and growth in securitised products. Equities income decreased 7% to £1,887m driven by equity derivatives, which were impacted by reduced client activity. Included in Markets was a £180m gain related to the Tradeweb position and a net loss of £77m due to the impact of treasury operations and hedging counterparty risk.

Banking fees income was stable at £2,535m. The business continued to gain market share in a declining fee pool[b]. Within Corporate, Transaction banking income increased 3% to £1,680m reflecting growth in deposits. This was offset by a decrease in Corporate lending income to £765m (2018: £878m). Excluding mark-to-market movements on loan hedges, Corporate lending income was broadly stable.

CC&P income increased 4% to £4,444m reflecting growth in US co-branded cards and payments partnerships.

Credit impairment charges increased to £1,173m (2018: £658m). CIB credit impairment charges increased to £157m (2018: release of £150m) due to the non-recurrence of favourable macroeconomic scenario updates and single name recoveries in 2018. CC&P credit impairment charges increased to £1,016m (2018: £808m), reflecting the non-recurrence of favourable US macroeconomic scenario updates in 2018, as well as higher unsecured gross exposures due to balance growth in cards. Credit metrics remained stable, with 30 and 90 day arrears rates in US cards of 2.7% (Q418: 2.7%) and 1.4% (Q418: 1.4%) respectively.

Operating expenses decreased 2% to £9,337m. CIB operating expenses decreased 3% to £7,038m as cost efficiencies were partially offset by continued investment. CC&P operating expenses increased 2% to £2,299m reflecting continued investment.

Loans and advances increased £5.6bn to £132.8bn mainly due to an increase in debt securities.

Trading portfolio assets increased £9.3bn to £113.3bn due to increased trading activity, principally relating to the Equities business.

Derivative financial instrument assets and liabilities increased £6.8bn to £228.9bn and £9.3bn to £228.9bn respectively, driven by a decrease in major interest rate curves, partially offset by a decrease in foreign exchange volumes.

Financial assets at fair value through the income statement decreased £16.3bn to £128.4bn driven by a focus on capital-efficient secured financing.

Other assets decreased £11.2bn to £178.6bn predominantly due to a reduction in cash at central banks held as part of the liquidity pool.

Deposits at amortised cost increased £12.8bn to £210.0bn due to increased deposits within CIB including the broadening of the business across Europe.

RWAs decreased to £209.2bn (December 2018: £210.7bn) driven predominantly by depreciation of USD against GBP.

Notes

a Data Source: Coalition, FY19 Preliminary Competitor Analysis. Market share represents Barclays share of the total industry Revenue Pool. Analysis is based on Barclays internal business structure and internal revenues.

b Data Source: Dealogic, for the period covering 1 January to 31 December 2019.

Analysis of results by business

Head Office

	2019 £m	2018 £m	2017 £m
Income statement information			
Net interest income	**(422)**	(781)	(435)
Net fee, commission and other income	**26**	508	276
Total income	**(396)**	(273)	(159)
Credit impairment (charges)/releases	**(27)**	16	(17)
Net operating expenses	**(423)**	(257)	(176)
Operating costs	**(200)**	(228)	(277)
UK bank levy	**(11)**	(13)	(41)
Operating expenses	**(211)**	(241)	(318)
GMP charge	**–**	(140)	–
Litigation and conduct	**(151)**	(1,597)	(151)
Total operating expenses	**(362)**	(1,978)	(469)
Other net income/(expenses)	**2**	(2)	(189)
Loss before tax	**(783)**	(2,237)	(834)
Attributable loss[a]	**(636)**	(2,200)	(864)
Balance sheet information			
Total assets	**£21.0bn**	£21.5bn	£39.7bn
Risk weighted assets	**£11.0bn**	£26.0bn	£31.8bn
Period end allocated tangible equity	**£5.6bn**	£4.9bn	£10.0bn
Key facts			
Number of employees (full time equivalent)	**48,200**	48,500	45,600
Performance measures			
Average allocated tangible equity	**£5.1bn**	£3.1bn	£9.3bn
Performance measures excluding litigation and conduct[b]			
Loss before tax	**(632)**	(640)	(683)
Attributable loss	**(525)**	(642)	(727)

Notes

a From 2019, due to an IAS 12 update, the tax relief on payments in relation to AT1 instruments has been recognised in the tax charge of the income statement, whereas it was previously recorded in retained earnings. Comparatives have been restated. This change does not impact EPS or return on average tangible shareholders' equity.

b Refer to pages 228 to 230 for more information and calculations of performance measures excluding litigation and conduct.

2019 compared to 2018

Loss before tax, excluding litigation and conduct, was £632m (2018: £640m). Including litigation and conduct charges of £151m (2018: £1,597m), loss before tax was £783m (2018: £2,237m), which reflected the non-recurrence of the £1,420m Residential Mortgage Backed Securities settlement in 2018.

Total income was an expense of £396m (2018: £273m), which included the funding costs of legacy capital instruments, treasury items and hedge accounting expenses, partially offset by the recognition of dividends on Barclays' stake in Absa Group Limited. The increase in income expense was mainly due to the non-recurrence of a £155m one-off gain in 2018 from the settlement of receivables relating to the Lehman Brothers acquisition.

Average allocated tangible equity increased to £5.1bn (2018: £3.1bn) mainly due to excess capital held in Head Office as a result of the Group's average CET1 ratio for 2019 being above the 13.0% used in the allocation of equity to the businesses.

RWAs decreased to £11.0bn (December 2018: £26.0bn) mainly driven by the removal of the Group's operational risk RWAs floor.

Barclays Non-Core

	2019 £m	2018 £m	2017[a] £m
Income statement information			
Total income	–	–	(530)
Credit impairment charges	–	–	(30)
Net operating expenses	–	–	(560)
Operating costs	–	–	(256)
Litigation and conduct	–	–	(28)
Total operating expenses	–	–	(284)
Other net income	–	–	197
Loss before tax	–	–	(647)
Attributable loss[b]	–	–	(409)

Notes
a Represents financial results for the six months ended 30 June 2017.
b From 2019, due to an IAS 12 update, the tax relief on payments in relation to AT1 instruments has been recognised in the tax charge of the income statement, whereas it was previously recorded in retained earnings. Comparatives have been restated. This change does not impact EPS or return on average tangible shareholders' equity.

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 Group's results for the year ended 31 December 2017.

Discontinued Operation: Africa Banking

	2019 £m	2018 £m	2017[a] £m
Income statement information			
Total income	–	–	1,786
Credit impairment charges	–	–	(177)
Net operating income	–	–	1,609
Operating expenses excluding UK bank levy and impairment of Barclays' holding in BAGL	–	–	(1,130)
Other net income excluding loss on sale of BAGL	–	–	5
Profit before tax excluding impairment of Barclays' holding in BAGL and loss on sale of BAGL	–	–	484
Impairment of Barclays' holding in BAGL	–	–	(1,090)
Loss on sale of BAGL	–	–	(1,435)
Loss before tax	–	–	(2,041)
Tax charge	–	–	(154)
Loss after tax	–	–	(2,195)
Attributable loss	–	–	(2,335)

Note
a The Africa Banking income statement represents five months of results as a discontinued operation to 31 May 2017.

Following the reduction of the Group's interest in BAGL in 2017, Barclays' remaining holding of 14.9%, for the year ended 31 December 2019, 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.

Barclays' shareholding in Absa Group Limited of 14.9% is treated as a 250% risk weighted asset, since 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.

Non-IFRS performance measures

The Group's 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 Group. They also reflect an important aspect of the way in which operating targets are defined and performance is monitored by management. However, any non-IFRS performance measures in this document are not a substitute for IFRS measures and readers should consider the IFRS measures as well.

Non-IFRS performance measures glossary

Measure	*Definition*
Loan: deposit ratio	Loans and advances at amortised cost divided by deposits at amortised cost. The components of the calculation have been included on page 183.
Period end allocated tangible equity	Allocated tangible equity is calculated as 13.0% (2018: 13.0%) of RWAs 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 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, 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 227.
Return on average allocated tangible equity	Statutory profit after tax attributable to ordinary equity holders of the parent, as a proportion of average allocated tangible equity. The components of the calculation have been included on page 227.
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 151.
Net interest margin	Net interest income divided by the sum of average customer assets. The components of the calculation have been included on page 227.
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 230.
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 228 to 230.

Margins analysis

For the year ended 31 December	2019 Net interest income £m	2019 Average customer assets £m	2019 Net interest margin %	2018[a] Net interest income £m	2018[a] Average customer assets £m	2018[a] Net interest margin %
Barclays UK	**5,888**	**190,849**	**3.09**	6,028	186,881	3.23
Barclays International[b]	**4,021**	**98,824**	**4.07**	3,966	96,434	4.11
Total Barclays UK and Barclays International	**9,909**	**289,673**	**3.42**	9,994	283,315	3.53
Other[c]	**(502)**			(932)		
Total Barclays Group	**9,407**			9,062		

Notes
a The Group's treasury results are reported directly within Barclays UK and Barclays International from Q218 following ring-fencing, resulting in gains and losses made on certain activities being recognised as Other income, rather than in Net interest income.
b Barclays International margins include interest earning lending balances within the investment banking business.
c Other includes Head Office and non-lending related investment banking businesses not included in Barclays International margins.

The Group net interest margin decreased 11bps to 3.42% and Barclays UK net interest margin decreased 14bps to 3.09%, primarily reflecting increased refinancing activity by mortgage customers and competitive pressure, lower IEL in UK cards and the mix effect from growth in secured lending.

The Group combined product and equity structural hedge notional as at 31 December 2019 was £171bn, with an average duration of 2.5 to 3 years. Group net interest income includes gross structural hedge contributions of £1.8bn (2018: £1.7bn) and net structural hedge contributions of £0.5bn (2018: £0.8bn). Gross structural hedge contributions represent the absolute level of interest earned from the fixed receipts on the basket of swaps in the structural hedge, while the net structural hedge contributions represent the net interest earned on the difference between the structural hedge rate and prevailing floating rates.

Returns

Return on average tangible equity is calculated as profit for the period attributable to ordinary equity holders of the parent 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% (2018: 13.0%) of RWAs for each business, adjusted for capital deductions, excluding goodwill and intangible assets, reflecting the assumptions the Group uses for capital planning purposes. Head Office average allocated tangible equity represents the difference between the Group's average tangible shareholders' equity and the amounts allocated to businesses.

	Profit/(loss) attributable to ordinary equity holders of the parent £m	Average tangible equity £bn	Return on average tangible equity %
For the year ended 31 December 2019			
Barclays UK	**281**	**10.3**	**2.7**
Corporate and Investment Bank	**1,980**	**25.9**	**7.6**
Consumer, Cards and Payments	**836**	**5.3**	**15.8**
Barclays International	**2,816**	**31.2**	**9.0**
Head Office	**(636)**	**5.1**	**n/m**
Barclays Group	**2,461**	**46.6**	**5.3**
For the year ended 31 December 2018			
Barclays UK	1,198	10.0	11.9
Corporate and Investment Bank	1,781	26.0	6.9
Consumer, Cards and Payments	818	5.0	16.5
Barclays International	2,599	31.0	8.4
Head Office	(2,200)	3.1	n/m
Barclays Group	1,597	44.1	3.6
For the year ended 31 December 2017			
Barclays UK	893	9.1	9.8
Corporate and Investment Bank	269	24.0	1.1
Consumer, Cards and Payments	698	4.2	16.7
Barclays International	967	28.1	3.4
Head Office[a]	(864)	9.3	n/m
Barclays Non-Core	(409)	2.4	n/m
Africa Banking discontinued operation[a]	(2,335)	n/m	n/m
Barclays Group	(1,748)	48.9	(3.6)

Note
a Average allocated tangible equity for Africa Banking is included within Head Office.

Non-IFRS performance measures

Performance measures excluding litigation and conduct

	For the year ended 31 December 2019					
Cost: income ratio	Barclays UK £m	Corporate and Investment Bank £m	Consumer, Cards and Payments £m	Barclays International £m	Head Office £m	Barclays Group £m
Total operating expenses	(5,619)	(7,147)	(2,306)	(9,453)	(362)	(15,434)
Impact of litigation and conduct	1,582	109	7	116	151	1,849
Operating expenses	(4,037)	(7,038)	(2,299)	(9,337)	(211)	(13,585)
Total income	7,353	10,231	4,444	14,675	(396)	21,632
Cost: income ratio excluding litigation and conduct	55%	69%	52%	64%	n/m	63%
Profit before tax						
Profit/(loss) before tax	1,022	2,955	1,163	4,118	(783)	4,357
Impact of litigation and conduct	1,582	109	7	116	151	1,849
Profit/(loss) before tax excluding litigation and conduct	2,604	3,064	1,170	4,234	(632)	6,206
Profit attributable to ordinary equity holders of the parent						
Attributable profit/(loss)	281	1,980	836	2,816	(636)	2,461
Post-tax impact of litigation and conduct	1,532	84	6	90	111	1,733
Profit/(loss) attributable to ordinary equity holders of the parent excluding litigation and conduct	1,813	2,064	842	2,906	(525)	4,194
Return on average tangible shareholders' equity						
Average shareholders' equity	£13.9bn	£25.9bn	£6.3bn	£32.2bn	£8.5bn	£54.6bn
Average goodwill and intangibles	(£3.6bn)	–	(£1.0bn)	(£1.0bn)	(£3.4bn)	(£8.0bn)
Average tangible shareholders' equity	£10.3bn	£25.9bn	£5.3bn	£31.2bn	£5.1bn	£46.6bn
Return on average tangible shareholders' equity excluding litigation and conduct	17.5%	8.0%	15.9%	9.3%	n/m	9.0%
Basic earnings per ordinary share						
Basic weighted average number of shares						17,200m
Basic earnings per ordinary share excluding litigation and conduct						24.4p

Cost: income ratio	Barclays UK £m	Corporate and Investment Bank £m	Consumer, Cards and Payments £m	Barclays International £m	Head Office £m	Barclays Group £m
	For the year ended 31 December 2018					
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)	1,198	1,781	818	2,599	(2,200)	1,597
Post-tax impact of litigation and conduct	472	62	44	106	1,558	2,136
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
Average 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%
Basic earnings per ordinary share						
Basic weighted average number of shares						17,075m
Basic earnings per ordinary share excluding litigation and conduct						21.9p

Non-IFRS performance measures

Cost: income ratio	Barclays UK £m	Corporate and Investment Bank £m	Consumer, Cards and Payments £m	Barclays International £m	Head Office[a] £m	Barclays Group[b] £m
	For the year ended 31 December 2017					
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)	893	269	698	967	(864)	(1,748)
Post-tax impact of litigation and conduct	733	259	1	260	137	1,150
Profit/(loss) attributable to ordinary equity holders of the parent excluding litigation and conduct	**1,626**	**528**	**699**	**1,227**	**(727)**	**(598)**
Return on average tangible shareholders' equity						
Average shareholders' equity	£13.6bn	£24.9bn	£5.6bn	£30.5bn	£10.6bn	£57.1bn
Average goodwill and intangibles	(£4.4bn)	(£1.0bn)	(£1.4bn)	(£2.4bn)	(£1.4bn)	(£8.2bn)
Average tangible shareholders' equity	**£9.1bn**	**£24.0bn**	**£4.2bn**	**£28.1bn**	**£9.3bn**	**£48.9bn**
Return on average tangible shareholders' equity excluding litigation and conduct	**17.8%**	**2.2%**	**16.8%**	**4.4%**	**n/m**	**(1.2%)**
Basic earnings per ordinary share						
Basic weighted average number of shares						16,996m
Basic earnings per ordinary share excluding litigation and conduct						**(3.5p)**

Notes
a Average allocated tangible 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 per share

	2019 £m	2018 £m	2017 £m
Total equity excluding non-controlling interests	**64,429**	62,556	63,905
Other equity instruments	**(10,871)**	(9,632)	(8,941)
Goodwill and intangibles	**(8,119)**	(7,973)	(7,849)
Tangible shareholders' equity attributable to ordinary shareholders of the parent	**45,439**	**44,951**	**47,115**
Shares in issue	**17,322m**	17,133m	17,060m
Tangible net asset value per share	**262p**	**262p**	**276p**

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Detailed analysis of our statutory accounts, independently audited and providing in-depth disclosure on the financial performance of the Group.

Barclays has adopted the British Bankers' Association (BBA) Code for Financial Reporting Disclosure as adopted by UK Finance in 2017 and has prepared the 2019 Annual Report in compliance with the BBA Code. Barclays is committed to continuously reflect the objectives of reporting set out in the BBA Code.

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Independent Auditor's report to the members of Barclays PLC

1 Our opinion is unmodified

We have audited the financial statements of Barclays PLC ("the Parent company") for the year ended 31 December 2019 which comprise the consolidated and Parent company balance sheets as at 31 December 2019 and the consolidated income statement, consolidated and Parent company statements of comprehensive income, cash flow statements and statements of changes in equity for the year then ended, and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the Directors on 31 March 2017. The period of total uninterrupted engagement is for the 3 financial years ended 31 December 2019. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures.

In the prior year, we reported a key audit matter in respect of the impact of uncertainties due to the UK exiting the European Union. As a result of developments since the prior year report, including the Group's own preparation, the relative significance of this matter on our audit work, including in relation to the impairment allowance which remains a key audit matter, has reduced. Accordingly, we no longer consider this a key audit matter.

These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Key audit matter	*How our audit addressed the key audit matter*

Impairment allowances on loans and advances at amortised cost, including off-balance sheet elements

31 December 2019 £6.6bn, 31 December 2018 £7.0bn

Refer to page 55 (Board Audit Committee Report), page 259 (accounting policy on accounting for the impairment of financial assets), page 147 (credit risk disclosures), and page 259 (financial disclosure note 7 Credit impairment charges)

Subjective estimate

The estimation of expected credit losses ("ECL") on financial instruments, involves significant judgement and estimates. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Group's estimation of ECLs are:

- Model estimations – Inherently judgemental modelling is used to estimate ECLs which involves determining Probabilities of Default "PD"), Loss Given Default ("LGD"), and Exposures at Default ("EAD"). The PD models are the key drivers of the ECLs and also impact the staging of assets and as a result are considered the most significant judgemental aspect of the Group's ECL modelling approach especially for the UK and US credit cards, UK consumer loans and corporate portfolios.
- Economic scenarios – IFRS 9 requires the Group to measure ECLs on an unbiased forward-looking basis reflecting a range of future economic conditions. Significant management judgement is applied in determining the economic scenarios used and the probability weightings applied to them especially when considering the current uncertain economic environment in the UK and US, including the manner in which the UK withdraws from the European Union. This especially impacts the UK and US credit cards, UK mortgages, UK consumer loans and corporate portfolios.
- Qualitative adjustments – Adjustments to the model-driven ECL results are raised by management to address known impairment model limitations or emerging trends. They represent approximately 5.4% net of the ECL. Such adjustments are inherently uncertain and significant management judgement is involved in estimating these amounts especially in relation to the UK and US credit cards and corporate portfolios.

The effect of these matters is that, as part of our risk assessment, we determined that the impairment of loans and advances to customers including off balance sheet elements has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The credit risk sections of the financial statements disclose the sensitivities estimated by the Group.

Disclosure quality

The disclosures regarding the Group's application of IFRS 9 are key to explaining the key judgements and material inputs to the IFRS 9 ECL results.

Our procedures included:

Controls testing: We performed end to end process walk-throughs to identify the key systems, applications and controls used in the ECL processes. We tested the relevant general IT and applications controls over key systems used in the ECL process.

Key aspects of our controls testing involved the following:

- For the relevant portfolios, testing the design and operating effectiveness of the key controls over the completeness and accuracy of the key inputs and assumptions into the IFRS 9 impairment models;
- Testing the design and operating effectiveness of the key controls over the application of the staging criteria;
- Evaluating controls over validation, implementation and model monitoring;
- Evaluating controls over authorisation and calculation of post model adjustments and management overlays; and
- Testing key controls relating to selection and implementation of material macro-economic variables and the controls over the scenario selection and probabilities.

Our financial risk modelling expertise: For the UK and US credit cards, UK consumer loans and corporate portfolios we involved our own financial risk modelling specialists in the following:

- Evaluating the appropriateness of the Group's IFRS 9 impairment methodologies (including the staging criteria used);
- Re-performing the calculation of certain components of the ECL model calculation (including the staging criteria);
- For a sample of models which were changed or updated during the year, evaluating whether the changes (including the updated model code) were consistent with the Barclays' approved IFRS 9 impairment methodologies by re-performing key model validation procedures; and
- For a sample of material models, assessing the reasonableness of the model predictions by comparing them against actual results and evaluating the resulting differences.

Our economic scenario expertise: We involved our own economic specialists to assist us in assessing the appropriateness of the Group's methodology for determining the economic scenarios used and the probability weightings applied to them. We assessed key economic variables such as UK and US GDP, unemployment and house prices indices, which included agreeing samples of economic variables to external sources. We also assessed the overall reasonableness of the economic forecasts by comparing the Group's forecasts to our own modelled forecasts, with a focus on the UK and US credit card, UK mortgages, UK consumer loans and corporate portfolios. We also assessed the reasonableness of the Group's considerations of the ECL impact of anticipated economic uncertainty in the UK.

Test of details: Key aspects of our testing involved:

- Sample testing over key inputs and assumptions impacting ECL calculations to assess the reasonableness of economic forecasts, weights, and PD assumptions applied; and
- Selecting a sample of post model adjustments, considering the size and complexity of management overlays, in order to assess the reasonableness of the adjustments by challenging key assumptions, inspecting the calculation methodology and tracing a sample of the data used back to source data.

Assessing transparency: We assessed whether the disclosures appropriately disclose and address the uncertainty which exists when determining the expected credit losses. As a part of this, we assessed the sensitivity analysis that is disclosed. In addition, we assessed whether the disclosure of the key judgements and assumptions made was sufficiently clear.

Our results:

The results of our testing were satisfactory and we considered the ECL charge, provision recognised and the related disclosures to be acceptable (2018 result: acceptable).

Independent Auditor's report to the members of Barclays PLC

Key audit matter	How our audit addressed the key audit matter
Provision for conduct redress costs (PPI) **31 December 2019 £1.2bn, 31 December 2018 £0.9bn** Refer to page 55 (Board Audit Committee Report), page 300 (accounting policy on accounting for provisions), and page 300 (financial disclosure note 24 Provisions) **Subjective estimate** The calculation of the provision for Payment Protection Insurance ("PPI") redress costs for the Group requires the Directors to make a number of key assumptions regarding the redress still to be paid. The determination of these is judgmental and requires the Directors to consider a range of information. The Group received a higher than expected volume of complaints, enquiries and requests for information in the run up to the FCA time-bar in August 2019, including a volume related to enquiries received from the Official Receiver. The most significant assumptions in the PPI provision calculation are the proportion of complaints and other claims for which redress will be payable and judgements around the legal position of enquiries from the Official Receiver and these areas are where we have focused our procedures. The Directors have developed a model which estimates the proportion of complaints, enquiries and requests for information ("RFIs") for which redress will be payable and the associated redress cost. The Directors have assessed the appropriateness of the provision with reference to historical observed complaints data, and more recent experience observed in complaints and other claims received in the period shortly before the time-bar. The effect of these matters is that, as part of our risk assessment, we determined that PPI provision costs have significant estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. **Disclosure quality** The related PPI disclosures provide the key assumptions underpinning the calculation of the provision and sensitivity of the provision to the changes in those assumptions and are therefore key to understanding the judgement which has been applied.	Our procedures included: **Historical comparison:** We evaluated the assumptions and data used, particularly those in relation to complaint volumes and validity which led to an adjustment to provision estimates in 2019. **Enquiry of regulators:** We inspected correspondence with the FCA and other regulators to identify any regulatory observations on the PPI redress provision. We also made enquiries of the FCA discussing the nature of the matters contained in regulatory correspondence that could materially affect the level of provisions held. **Controls testing:** We tested the design and operating effectiveness of the key controls over capturing of complaints data and assumptions applied in the estimation of redress payments to be made. **Sensitivity analysis:** We considered the appropriateness of the scenarios used to model the potential range of outcomes. We also considered the sensitivity of the model to variations in redress assumptions by inspecting the calculation methodology and challenging the key assumptions using our industry knowledge. **Enquiry of lawyers:** For Official Receiver enquiries we enquired of the Group's external legal counsel and inspected legal reports and correspondence from the Official Receiver to challenge whether the provision reflects most recent developments. **Independent re-performance:** We built our own model to allow us to determine a range of potential future outcomes under multiple independently selected scenarios and used these to assess the appropriateness of the Group's point estimate. We developed a number of these scenarios using analysis of Barclays' historical complaint data. Where there were differences in the inputs and ranges we challenged the Group's rationale for these and assessed whether they were reasonable. **Assessing transparency:** We assessed whether the disclosures appropriately disclose and address the significant uncertainty which exists when estimating the PPI redress provision. As a part of this, we re-performed the sensitivity analysis that is disclosed. **Our results:** The results of our testing were satisfactory and we considered the provision recognised, and sensitivity disclosures made, to be acceptable. (2018 result: acceptable).

Key audit matter	*How our audit addressed the key audit matter*

Valuation of financial instruments held at fair value

Refer to page 56 (Board Audit Committee Report), page 249 (accounting policy for financial assets and liabilities) and page 279 (financial disclosure note 17 Fair value of financial instruments)

Subjective valuation

The fair value of the Group's financial instruments is determined through the application of valuation techniques which often involve the exercise of significant judgement by management in relation to the choice of the valuation models, pricing inputs and post-model pricing adjustments, including fair value adjustments (FVAs) and credit and funding adjustments (together referred to as XVAs)

Where significant pricing inputs are unobservable, management has no reliable, relevant market data available in determining the fair value and hence estimation uncertainty can be high. These financial instruments are classified as Level 3, with management having controls in place over the boundary between Level 2 and 3 positions. Our significant audit risk is therefore primarily over significant Level 3 portfolios.

In addition, there may also be valuation complexity associated with Level 2 portfolios, specifically where valuation modelling techniques result in significant limitations or where there is greater uncertainty around the choice of an appropriate pricing methodology, and consequently more than one valuation model is used for that product across the market.

The effect of these matters is that, as part of our risk assessment, we determined that the subjective estimates in fair value measurement of certain portfolios, as detailed above, have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.

At 31 December 2019, Level 3 instruments (£18.7bn) represented 2.6% of the Group's financial assets carried at fair value and 0.9% of the Group's financial liabilities carried at fair value.

Within this population the fair value instrument portfolios in the Group with the most significant judgements are:

- Fair value loan portfolios – we identified two fair value loan portfolios as having a significant audit risk: the Education, Social Housing and Local Authority ('ESHLA') loan portfolio and fair value loans related to the Group's syndication activities. As at 31 December 2019 the Group has outstanding ESHLA loans which require significant judgement in the valuation due to the long dated nature of the portfolio, the lack of a secondary market in the relevant loans and unobservable loan spreads. The fair value loan portfolio related to syndication activities also has significant judgement in the valuation due to the lack of observable prices.
- Derivative portfolios – we identified four portfolios each with a significant risk attached to the valuation methodology due to the lack of observable pricing inputs.
- Preference shares – we identified a portfolio of preference shares where the valuation is judgemental due to the unobservable inputs.

In addition, to these Level 3 portfolios, we also identified one derivatives portfolio that we considered to be harder to value Level 2 due to an element of modelling complexity associated with the product.

Disclosure quality

The IFRS 13 fair value measurement disclosures are key to explaining the valuation techniques, key judgements, assumptions and material inputs.

Our procedures included:

Risk assessment: We performed risk assessment procedures over the entire Level 2 and Level 3 balances within the Group's financial statements (i.e. all of the non-listed fair value financial instruments held by the Group). As part of these risk assessment procedures we identified which portfolios have a risk of material misstatement including those arising from significant judgements over valuation either due to unobservable inputs or complex models

Control testing: We tested the design and operating effectiveness of key controls relating specifically to these portfolios. These included:

- controls over independent price verification ("IPV"), performed by a control function, of key market pricing inputs, including completeness of positions and valuation inputs subject to IPV.
- controls over FVAs, including exit adjustments (to mark the portfolio to bid or offer prices), model shortcoming reserves to address model limitations and XVAs.
- controls over the validation, completeness, implementation and usage of valuation models. This included controls over assessment of model limitations and assumptions.

Independent re-performance: With the assistance of our own valuation specialists we independently re-priced a selection of trades from across the significant audit risk portfolios and challenged management on the valuations where they were outside our tolerance.

Methodology choice: Our own valuation specialists assisted us in challenging the appropriateness of significant models and methodologies used in calculating fair values, risk exposures and in calculating FVAs, including comparison to industry practice.

Comparing valuations: For a selection of material collateral disputes we challenged management's valuation methodology where significant fair value differences were observable with the market participant on the other side of the trade.

Historical comparison: We inspected significant gains and losses on trade exits or restructurings and challenged whether these data points indicate elements of fair value not incorporated in the current valuation methodologies. We also inspected movements in unobservable inputs throughout the period to challenge whether any gain or loss generated was appropriate.

Assessing transparency: We assessed the adequacy of the Group's financial statements disclosures in the context of the relevant accounting standards.

Our results:

The results of our testing were satisfactory and we considered the fair value of Level 3 and harder-to-value Level 2 financial instrument assets and liabilities recognised to be acceptable (2018 result: acceptable).

Independent Auditor's report to the members of Barclays PLC

Key audit matter	*How our audit addressed the key audit matter*
Provisions for legal, competition and regulatory related matters 31 December 2019 £376m, 31 December 2018 £414m Refer to pages 300 and 302 (accounting policies on provisions and on contingent liabilities and commitments), page 300 (financial disclosure note 24 Provisions) and page 303 (financial disclosure note 26 Legal, competition and regulatory matters) Exposure completeness The Group and Parent company operate in a highly litigious and regulated environment and faces legal, competition and regulatory challenges which can lead to potential claims and exposures (together 'legal, competition and regulatory matters'). In certain legal, competition and regulatory matters significant judgement is required by the Directors to determine if there is a present obligation under relevant accounting standards. Subjective estimate If there is a present obligation the amounts involved can be potentially significant, and the application of accounting standards to estimate the expected outflow, if any, of any provision to be recognised is inherently subjective. The effect of these matters is that, as part of our risk assessment, we determined that the provisions for legal, competition and regulatory matters have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. Contingent liabilities When a provision is not recognised for possible significant outflows, but there is more than a remote likelihood of an adverse outcome, the disclosure requirements under IAS 37 is key to understanding the risks and potential effect on the Group and Parent company.	Our procedures included: **Inspection of Board of Directors meeting minutes:** We inspected the Board of Directors meeting minutes to obtain an understanding of the status of all significant legal, competition and regulatory matters. **Assessment of regulatory correspondence:** We inspected correspondence with the relevant regulatory authorities to identify actual or possible non-compliance with laws and regulations that may have a material effect on the financial statements and for the most significant matters, enquired directly with the relevant regulator. **Enquiry of lawyers:** For significant legal, competition and regulatory matters we enquired of the Group and Parent company's internal legal counsel and inspected internal notes and reports. For the most significant legal, competition and regulatory matters we also received formal confirmations from external counsel and had discussions with external counsel. Based on these procedures we challenged the timing of the recognition of provisions where there is potential exposure but it is not clear whether a present obligation exists. **Test of details:** For the significant legal, competition and regulatory matters, we independently assessed the estimated value of the provisions, based on our enquiries of lawyers and information obtained from our other procedures. **Assessing transparency:** We assessed whether the disclosures detailing significant legal, competition and regulatory matters adequately disclose the contingent liabilities and the significant uncertainties that exist. **Our results:** The results of our testing were satisfactory and we considered the provisions recognised, and the contingent liabilities disclosures made, to be acceptable (2018 result: acceptable).

Key audit matter	*How our audit addressed the key audit matter*
User access management **Control performance** The Group's accounting and reporting processes are dependent on automated controls enabled by IT systems. User access management controls are an important component of the general IT control environment assuring that unauthorised access to systems do not impact the effective operation of the automated controls in the financial reporting processes. Key user access management controls continue to be reported as not being consistently implemented and effectively operated across the Group. Ineffective controls included privileged access, segregation of duties and user access recertification. A series of remediation programmes were in place during the year to address previously identified control deficiencies. The Group has also enhanced compensating controls to address the issues raised, most of them relating to user access management. If the above controls for user access management are deficient and not remediated or adequately mitigated, the pervasive nature of these controls may undermine our ability to place reliance on automated and IT dependent controls in our audit.	Our procedures included **Control testing:** We tested the design and operating effectiveness of the relevant controls over user access management including: ▪ Authorising access rights for new joiners; ▪ Timely removal of user access rights; ▪ Logging and monitoring of user activities; ▪ Privileged user and developer access to production systems, the procedures to assess granting, potential use, and the removal of these access rights; ▪ Segregation of duties including access to multiple systems that could circumvent segregation controls; and ▪ Re-certification of user access rights. **Control re-performance:** To assess whether additional detective compensating controls adequately address the risk of unauthorised access, we re-performed on a sample basis management's assessment of potential unauthorised access by privileged accounts and users, whose access rights were not recertified. **Our results:** Our testing did not identify unauthorised user activities in the systems relevant to financial reporting which would have required us to expand the extent of our planned detailed testing.
Recoverability of Parent company's investment in subsidiaries The carrying amount of the Parent company's investments in subsidiaries represents 60% (2018: 61%) of the Company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the Parent company financial statements, and considering the Group's current market capitalisation, this is considered to be the area that had the greatest effect on our overall Parent company audit.	Our procedures included: **Test of details:** We compared the carrying amount of each subsidiary to its draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making. In addition, for the two most significant subsidiaries, being Barclays Bank PLC and Barclays Bank UK PLC,we have assessed recoverability through projection of future cash flows to ascertain if an impairment is required. Further we assessed the reasonableness of the Board approved future cash flow forecasts used and evaluating how discount rates used compared to our reasonable ranges. **Assessing subsidiary audits:** We assessed the work performed by the subsidiary audit teams on the sample of those subsidiaries selected for test of details and considered the results of that work on those subsidiaries' profits and net assets. **Our results:** We found the Parent company's assessment of the recoverability of the investment in subsidiaries to be acceptable

Independent Auditor's report to the members of Barclays PLC

3 Our application of materiality and an overview of the scope of our audit

Materiality

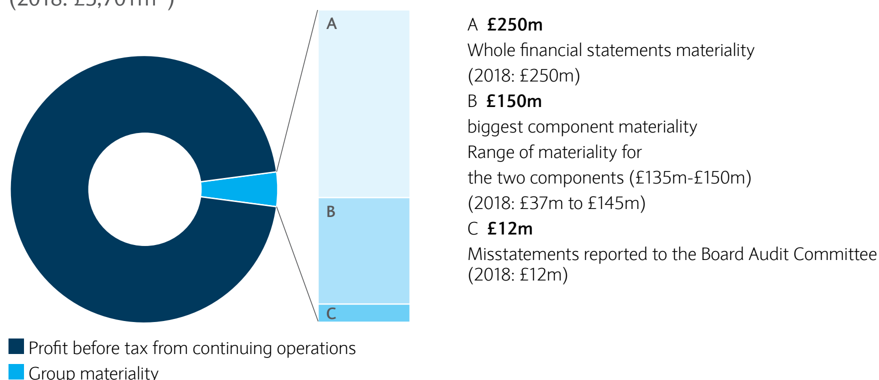
Materiality for the Group financial statements as a whole was set at £250 million (2018: £250 million), determined with reference to a benchmark of Group profit before tax from continuing operations, normalised to exclude charges related to conduct as disclosed in the consolidated financial statements of £1.4 billion, of which it represents 4.3%. In 2018, we normalised Group profit before tax to exclude charges for litigation and conduct risk.

Materiality for the Parent company financial statements as a whole was set at £245 million (2018: £235 million), determined with reference to a benchmark of net assets, of which it represents 0.4%.

We agreed to report to the Board Audit Committee any corrected or uncorrected identified misstatements exceeding £12 million (2018: £12 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Group materiality £250m
(2018: £250m)

Profit before tax from continuing operations £5,757m*
(2018: £5,701m*)



* Normalised to exclude charges related to conduct (2018: normalised to exclude charges related to conduct and litigation).

Scope – general

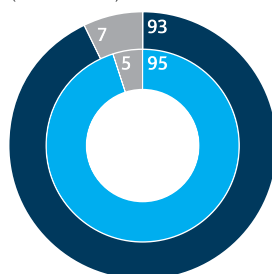
We subjected two of the Group's reporting components to full scope audits for Group purposes. Our approach to scoping the two components was as follows: for one component, we instructed that component audit team to conduct and report to us on their own full scope Group audit and specified three components within that Group that should be subject to a full scope audit overseen by them; for the other component, we directly instructed the component audit team to conduct and report to us on a full scope audit. In the prior year, we received reporting directly from five components.

The components within the scope of our work accounted for the percentages illustrated below.

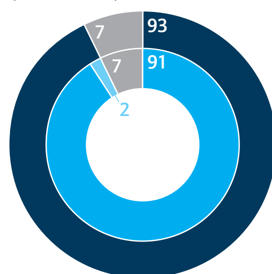
The remaining 7% (2018: 5%) of total Group income and 7% (2018: 7%) of total Group assets is represented by a number of other reporting components, none of which were individually significant. For these residual components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The work on all components was performed by component auditors and the remaining work, including the audit of the Parent company, was performed by the Group team. For those items excluded from normalised Group profit before tax, the component teams performed procedures on items relating to their components.

Group total income 93%
(2018: 95%)



Group total assets 93%
(2018: 91%)



Full scope for Group audit purposes 2019
Full scope for Group audit purposes 2018
Specified risk-focused audit procedures 2018
Residual components

Team structure

The Group team led a global planning conference to discuss key audit risks and to obtain input from component and other participating locations. The Group team instructed component auditors as to the significant areas to be covered, including the relevant key audit matters detailed above and the information to be reported back. The Group team reviewed and approved the component materiality for both components including scoping and risk assessment. The materiality for the two components ranged from £100 million to £135 million, having regard to the sizes and risk profiles of the components.

The Group team visited all of the components in scope for Group reporting purposes to assess the audit risk and strategy. Conference meetings and calls were also held with these component auditors throughout the conduct of the audit. At these visits and meetings, we reviewed the components' key working papers, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

The Group has centralised certain Group-wide processes in India, the outputs of which are included in the financial information of the reporting components it services and therefore it is not a separate reporting component. These Group wide processes are subject to specified audit procedures, predominantly the testing of transaction processing, reconciliations and review

controls. Additional procedures are performed at certain reporting components to address the audit risks not covered by the work performed over these Group-wide processes in India. The Group team and certain component teams visited the locations in India where these Group-wide processes reside and performed consistent procedures as described above for component site visits.

4 We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period were:

- availability of funding and liquidity in the event of a market wide stress scenario including the impact of the manner in which the UK withdraws from the European Union; and
- impact on regulatory capital requirements in the event of an economic slowdown or recession.

As these were risks that could potentially cast significant doubt on the Group's and the Company's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise.

Based on this work, we are required to report to you if:

- we have anything material to add or draw attention to in relation to the Directors' statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules is materially inconsistent with our audit knowledge.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5 We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and Directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the Viability Statement (page 41) that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the material and emerging risks disclosures describing these risks within the Viability Statement and explaining how they are being managed and mitigated; and
- the Directors' explanation in the Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the Viability Statement. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

Independent Auditor's report to the members of Barclays PLC

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their Directors' responsibilities statement set out on page 84, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group team to component audit teams of relevant laws and regulations identified at the Group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation, or the loss of the Group's license to operate. We identified the following areas as those most likely to have such an effect: specific aspects of regulatory capital and liquidity, conduct including PPI mis-selling, money laundering, sanctions list and financial crime, market abuse regulations and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Through these procedures, we became aware of actual or suspected non-compliance and considered the effect as part of our procedures on the related financial statement items. Further detail in respect of legal, competition and regulatory matters is set out in the key audit matters disclosures in section 2 of this report.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8 The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Parent company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent company and the Parent company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Michelle Hinchliffe
(Senior Statutory Auditor) for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London
E14 5GL

12 February 2020

Consolidated income statement

For the year ended 31 December	Notes	2019 £m	2018[a] £m	2017[a] £m
Continuing operations				
Interest income	3	**15,456**	14,541	13,631
Interest expense	3	**(6,049)**	(5,479)	(3,786)
Net interest income		**9,407**	9,062	9,845
Fee and commission income	4	**9,122**	8,893	8,751
Fee and commission expense	4	**(2,362)**	(2,084)	(1,937)
Net fee and commission income		**6,760**	6,809	6,814
Net trading income	5	**4,235**	4,566	3,500
Net investment income	6	**1,131**	585	861
Other income		**99**	114	56
Total income		**21,632**	21,136	21,076
Credit impairment charges	7	**(1,912)**	(1,468)	(2,336)
Net operating income		**19,720**	19,668	18,740
Staff costs	31	**(8,315)**	(8,629)	(8,560)
Infrastructure costs	8	**(2,970)**	(2,950)	(2,949)
Administration and general expenses	8	**(2,300)**	(2,457)	(2,740)
Provisions for litigation and conduct	8	**(1,849)**	(2,207)	(1,207)
Operating expenses	8	**(15,434)**	(16,243)	(15,456)
Share of post-tax results of associates and joint ventures		**61**	69	70
Profit on disposal of subsidiaries, associates and joint ventures		**10**	–	187
Profit before tax		**4,357**	3,494	3,541
Taxation	9	**(1,003)**	(911)	(2,066)
Profit after tax in respect of continuing operations		**3,354**	2,583	1,475
Loss after tax in respect of discontinued operation		**–**	–	(2,195)
Profit/(loss) after tax		**3,354**	2,583	(720)
Attributable to:				
Equity holders of the parent		**2,461**	1,597	(1,748)
Other equity instrument holders		**813**	752	639
Total equity holders of the parent		**3,274**	2,349	(1,109)
Non-controlling interests in respect of continuing operations	30	**80**	234	249
Non-controlling interests in respect of discontinued operation	30	**–**	–	140
Profit/(loss) after tax		**3,354**	2,583	(720)
Earnings per share		p	p	p
Basic earnings/(loss) per ordinary share	10	**14.3**	9.4	(10.3)
Basic earnings per ordinary share in respect of continuing operations	10	**14.3**	9.4	3.5
Basic loss per ordinary share in respect of discontinued operation	10	**–**	–	(13.8)
Diluted earnings/(loss) per share	10	**14.1**	9.2	(10.1)
Diluted earnings per ordinary share in respect of continuing operations	10	**14.1**	9.2	3.4
Diluted loss per ordinary share in respect of discontinued operation	10	**–**	–	(13.5)

Note
a From 2019, due to an IAS 12 update, the tax relief on payments in relation to AT1 instruments has been recognised in the tax charge of the income statement, whereas it was previously recorded in retained earnings. Comparatives have been restated, reducing the tax charge for 2018 by £211m and 2017 by £174m. This change does not impact EPS. Further detail can be found in Note 1.

Consolidated statement of comprehensive income

For the year ended 31 December	2019 £m	2018 £m	2017 £m
Profit/(loss) after tax	**3,354**	2,583	(720)
Profit after tax in respect of continuing operations	**3,354**	2,583	1,475
Loss after tax in respect of discontinued operation	**–**	–	(2,195)
Other comprehensive income/(loss) that may be recycled to profit or loss from continuing operations:			
Currency translation reserve			
Currency translation differences[a]	**(544)**	834	(1,337)
Fair value through other comprehensive income reserve movements relating to debt securities[b]			
Net gains/(losses) from changes in fair value	**2,901**	(553)	–
Net (gains)/losses transferred to net profit on disposal	**(502)**	48	–
Net losses due to impairment	**1**	4	–
Net (losses)/gains due to fair value hedging	**(2,172)**	236	–
Other movements	**(5)**	(26)	–
Tax	**(57)**	65	–
Cash flow hedging reserve			
Net gains/(losses) from changes in fair value	**724**	(344)	(626)
Net gains transferred to net profit	**(277)**	(332)	(643)
Tax	**(105)**	175	321
Available for sale reserve[b]	**–**	–	449
Other	**16**	30	(5)
Other comprehensive income/(loss) that may be recycled to profit or loss from continuing operations	**(20)**	137	(1,841)
Other comprehensive income/(loss) not recycled to profit or loss from continuing operations:			
Retirement benefit remeasurements	**(280)**	412	115
Fair value through other comprehensive income reserve movements relating to equity instruments	**(95)**	(260)	–
Own credit	**(316)**	77	(7)
Tax	**150**	(118)	(66)
Other comprehensive income/(loss) not recycled to profit or loss from continuing operations	**(541)**	111	42
Other comprehensive income/(loss) for the year from continuing operations	**(561)**	248	(1,799)
Other comprehensive income for the year from discontinued operation	**–**	–	1,301
Total comprehensive income/(loss) for the year:			
Total comprehensive income/(loss) for the year, net of tax from continuing operations	**2,793**	2,831	(324)
Total comprehensive loss for the year, net of tax from discontinued operation	**–**	–	(894)
Total comprehensive income/(loss) for the year	**2,793**	2,831	(1,218)
Attributable to:			
Equity holders of the parent	**2,713**	2,597	(1,575)
Non-controlling interests	**80**	234	357
Total comprehensive income/(loss) for the year	**2,793**	2,831	(1,218)

Notes

a Includes £15m gain (2018: £41m loss; 2017: £189m loss) on recycling of currency translation differences.

b Following the adoption of IFRS 9 Financial Instruments on 1 January 2018, the fair value through other comprehensive income reserve was introduced replacing the available for sale reserve.

Consolidated balance sheet

For the year ended 31 December	Notes	2019 £m	2018 £m
Assets			
Cash and balances at central banks		**150,258**	177,069
Cash collateral and settlement balances		**83,256**	77,222
Loans and advances at amortised cost	19	**339,115**	326,406
Reverse repurchase agreements and other similar secured lending		**3,379**	2,308
Trading portfolio assets	12	**114,195**	104,187
Financial assets at fair value through the income statement	13	**133,086**	149,648
Derivative financial instruments	14	**229,236**	222,538
Financial assets at fair value through other comprehensive income	15	**65,750**	52,816
Investments in associates and joint ventures	36	**721**	762
Goodwill and intangible assets	22	**8,119**	7,973
Property, plant and equipment	20	**4,215**	2,535
Current tax assets	9	**412**	798
Deferred tax assets	9	**3,290**	3,828
Retirement benefit assets	33	**2,108**	1,768
Other assets		**3,089**	3,425
Total assets		**1,140,229**	1,133,283
Liabilities			
Deposits at amortised cost	19	**415,787**	394,838
Cash collateral and settlement balances		**67,341**	67,522
Repurchase agreements and other similar secured borrowing		**14,517**	18,578
Debt securities in issue		**76,369**	82,286
Subordinated liabilities	27	**18,156**	20,559
Trading portfolio liabilities	12	**36,916**	37,882
Financial liabilities designated at fair value	16	**204,326**	216,834
Derivative financial instruments	14	**229,204**	219,643
Current tax liabilities	9	**313**	628
Deferred tax liabilities	9	**23**	51
Retirement benefit liabilities	33	**348**	315
Other liabilities	23	**8,505**	7,716
Provisions	24	**2,764**	2,652
Total liabilities		**1,074,569**	1,069,504
Equity			
Called up share capital and share premium	28	**4,594**	4,311
Other equity instruments	28	**10,871**	9,632
Other reserves	29	**4,760**	5,153
Retained earnings		**44,204**	43,460
Total equity excluding non-controlling interests		**64,429**	62,556
Non-controlling interests	30	**1,231**	1,223
Total equity		**65,660**	63,779
Total liabilities and equity		**1,140,229**	1,133,283

The Board of Directors approved the financial statements on pages 241 to 337 on 12 February 2020.

Nigel Higgins
Group Chairman

James E Staley
Group Chief Executive

Tushar Morzaria
Group Finance Director

Consolidated statement of changes in equity

	Called up share capital and share premium[a] £m	Other equity instruments[a] £m	Other reserves[b] £m	Retained earnings £m	Total equity excluding non-controlling interests £m	Non-controlling interests £m	Total equity £m
Balance as at 1 January 2019	4,311	9,632	5,153	43,460	62,556	1,223	63,779
Profit after tax	–	813	–	2,461	3,274	80	3,354
Currency translation movements	–	–	(544)	–	(544)	–	(544)
Fair value through other comprehensive income reserve	–	–	71	–	71	–	71
Cash flow hedges	–	–	342	–	342	–	342
Retirement benefit remeasurements	–	–	–	(194)	(194)	–	(194)
Own credit reserve	–	–	(252)	–	(252)	–	(252)
Other	–	–	–	16	16	–	16
Total comprehensive income for the year	–	813	(383)	2,283	2,713	80	2,793
Issue of new ordinary shares	182	–	–	–	182	–	182
Issue of shares under employee share schemes	101	–	–	478	579	–	579
Issue and exchange of other equity instruments	–	1,238	–	(406)	832	–	832
Other equity instruments coupons paid	–	(813)	–	–	(813)	–	(813)
Redemption of preference shares	–	–	–	–	–	–	–
Increase in treasury shares	–	–	(224)	–	(224)	–	(224)
Vesting of shares under employee share schemes	–	–	214	(404)	(190)	–	(190)
Dividends paid	–	–	–	(1,201)	(1,201)	(80)	(1,281)
Other reserve movements	–	1	–	(6)	(5)	8	3
Balance as at 31 December 2019	4,594	10,871	4,760	44,204	64,429	1,231	65,660
Balance as at 31 December 2017	22,045	8,941	5,383	27,536	63,905	2,111	66,016
Effects of changes in accounting policies[c]	–	–	(136)	(2,014)	(2,150)	–	(2,150)
Balance as at 1 January 2018	22,045	8,941	5,247	25,522	61,755	2,111	63,866
Profit after tax[d]	–	752	–	1,597	2,349	234	2,583
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	(95)	1,940	2,597	234	2,831
Issue of new ordinary shares	88	–	–	–	88	–	88
Issue of shares under employee share schemes	51	–	–	449	500	–	500
Capital reorganisation	(17,873)	–	–	17,873	–	–	–
Issue and exchange of other equity instruments	–	692	–	(308)	384	–	384
Other equity instruments coupons paid[d]	–	(752)	–	–	(752)	–	(752)
Redemption of preference shares	–	–	–	(732)	(732)	(1,309)	(2,041)
Debt to equity reclassification[e]	–	–	–	–	–	419	419
Increase in treasury shares	–	–	(267)	–	(267)	–	(267)
Vesting of shares under employee share schemes	–	–	268	(499)	(231)	–	(231)
Dividends paid	–	–	–	(768)	(768)	(234)	(1,002)
Other reserve movements	–	(1)	–	(17)	(18)	2	(16)
Balance as at 31 December 2018	4,311	9,632	5,153	43,460	62,556	1,223	63,779

Notes
a For further details refer to Note 28.
b For further details refer to Note 29.
c Effects of changes in accounting policy relate to the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on 1 January 2018. The impact of IFRS 15 Revenue from Contracts with Customers was an increase to retained earnings of £67m with the remainder due to the impact of IFRS 9 Financial Instruments.
d From 2019, due to an IAS 12 update, the tax relief on payments in relation to equity instruments has been recognised in the tax charge of the income statement, whereas it was previously recorded in retained earnings. Comparatives have been restated, increasing profit after tax by £211m. Further detail can be found in Note 1.
e Following a review of subordinated liabilities issued by Barclays Bank PLC, certain instruments deemed to have characteristics that qualify them as equity have been reclassified.

Consolidated cash flow statement

For the year ended 31 December	Notes	2019 £m	2018 £m	2017 £m
Continuing operations				
Reconciliation of profit before tax to net cash flows from operating activities:				
Profit before tax		**4,357**	3,494	3,541
Adjustment for non-cash items:				
Credit impairment charges		**1,912**	1,468	2,336
Depreciation, amortisation and impairment of property, plant, equipment and intangibles		**1,520**	1,261	1,241
Other provisions, including pensions		**2,336**	2,594	1,875
Net loss/(profit) on disposal of investments and property, plant and equipment		**7**	28	(325)
Other non-cash movements including exchange rate movements		**602**	(4,366)	1,031
Changes in operating assets and liabilities:				
Net increase in cash collateral and settlement balances		**(7,091)**	(574)	(3,713)
Net (increase)/decrease in loans and advances to banks and customers		**(14,275)**	(10,602)	18,569
Net (increase)/decrease in reverse repurchase agreements and other similar lending		**(1,071)**	(1,711)	908
Net increase in deposits and debt securities in issue		**11,038**	23,969	5,339
Net (increase)/decrease in repurchase agreements and other similar borrowing		**(4,061)**	3,525	20,578
Net decrease/(increase) in derivative financial instruments		**2,863**	(3,571)	6,815
Net (increase)/decrease in trading assets		**(10,008)**	9,958	(33,492)
Net (decrease)/increase in trading liabilities		**(966)**	531	2,664
Net decrease/(increase) in financial assets and liabilities at fair value through the income statement		**4,054**	(12,686)	40,014
Net (increase)/decrease in other assets		**(412)**	489	(3,775)
Net decrease in other liabilities		**(2,872)**	(4,755)	(2,187)
Corporate income tax paid	9	**(228)**	(548)	(708)
Net cash from operating activities		**(12,295)**	8,504	60,711
Purchase of financial assets at fair value through other comprehensive income		**(92,365)**	(106,669)	–
Purchase of available for sale investments		**–**	–	(83,127)
Proceeds from sale or redemption of financial assets at fair value through other comprehensive income		**81,202**	107,539	–
Proceeds from sale or redemption of available for sale investments		**–**	–	88,298
Purchase of property, plant and equipment and intangibles		**(1,793)**	(1,402)	(1,456)
Proceeds from sale of property, plant and equipment and intangibles		**46**	18	283
Disposal of discontinued operation, net of cash disposed		**–**	–	(1,060)
Disposal of subsidiaries, net of cash disposed		**–**	–	358
Other cash flows associated with investing activities		**84**	1,191	206
Net cash from investing activities		**(12,826)**	677	3,502
Dividends paid and other coupon payments on equity instruments		**(1,912)**	(1,658)	(1,273)
Issuance of subordinated debt	27	**1,352**	221	3,041
Redemption of subordinated debt	27	**(3,248)**	(3,246)	(1,378)
Issue of shares and other equity instruments	28	**3,582**	1,964	2,490
Repurchase of shares and other equity instruments		**(2,668)**	(3,582)	(1,339)
Issuance of debt securities[a]		**3,994**	–	–
Net purchase of treasury shares		**(410)**	(486)	(580)
Net cash from financing activities		**690**	(6,787)	961
Effect of exchange rates on cash and cash equivalents		**(3,347)**	4,160	(4,773)
Net (decrease)/increase in cash and cash equivalents from continuing operations		**(27,778)**	6,554	60,401
Net cash from discontinued operation		**–**	–	101
Net (decrease)/increase in cash and cash equivalents		**(27,778)**	6,554	60,502
Cash and cash equivalents at beginning of year		**211,165**	204,612	144,110
Cash and cash equivalents at end of year		**183,387**	211,166	204,612
Cash and cash equivalents comprise:				
Cash and balances at central banks		**150,258**	177,069	171,082
Loans and advances to banks with original maturity less than three months		**8,021**	7,676	7,592
Cash collateral and settlement balances with banks with original maturity less than three months		**24,628**	25,504	25,228
Treasury and other eligible bills with original maturity less than three months		**480**	917	682
Trading portfolio assets with original maturity less than three months		**–**	–	28
		183,387	211,166	204,612

Note
a Issuance of debt securities included in financing activities relate to instruments that qualify as eligible liabilities and satisfy regulatory requirements for MREL instruments which came into effect during 2019.

Interest received was £34,016m (2018: £26,254m; 2017: £21,784m) and interest paid was £23,186m (2018: £16,124m; 2017: £10,310m).

The Group is required to maintain balances with central banks and other regulatory authorities and these amounted to £4,893m (2018: £4,717m; 2017: £3,360m).

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.

Parent company accounts

Statement of comprehensive income

For the year ended 31 December	Notes	2019 £m	2018[a] £m	2017[a] £m
Dividends received from subsidiaries	42	**1,560**	15,360	674
Net interest income/(expense)		**214**	(101)	(10)
Other income	42	**1,760**	923	690
Operating expenses		**(267)**	(312)	(96)
Profit before tax		**3,267**	15,870	1,258
Taxation		**(86)**	79	12
Profit after tax		**3,181**	15,949	1,270
Other comprehensive income		**–**	–	60
Total comprehensive income		**3,181**	15,949	1,330
Profit after tax attributable to:				
Ordinary equity holders		**2,368**	15,197	631
Other equity instrument holders		**813**	752	639
Profit after tax		**3,181**	15,949	1,270
Total comprehensive income attributable to:				
Ordinary equity holders		**2,368**	15,197	691
Other equity instrument holders		**813**	752	639
Total comprehensive income		**3,181**	15,949	1,330

Note

a From 2019, due to an IAS 12 update, the tax relief on payments in relation to AT1 instruments has been recognised in the tax charge of the income statement, whereas it was previously recorded in retained earnings. Comparatives have been restated, reducing the tax charge for 2018 by £143m and 2017 by £123m. Further detail can be found in Note 1.

For the year ended 31 December 2019, profit after tax was £3,181m (2018: £15,949m) and total comprehensive income was £3,181m (2018: £15,949m). Other comprehensive income of £60m in 2017 related to the gain on available for sale instruments. The Company has 79 members of staff (2018: 87).

Balance sheet

As at 31 December	Notes	2019 £m	2018 £m
Assets			
Investment in subsidiaries	42	**59,546**	57,374
Loans and advances to subsidiaries		**28,850**	29,374
Financial assets at fair value through the income statement	42	**10,348**	6,945
Derivative financial instruments		**58**	168
Other assets		**2**	115
Total assets		**98,804**	93,976
Liabilities			
Deposits at amortised cost		**500**	576
Subordinated liabilities	42	**7,656**	6,775
Debt securities in issue	42	**30,564**	32,373
Financial liabilities designated at fair value	42	**3,498**	–
Other liabilities		**119**	72
Total liabilities		**42,337**	39,796
Equity			
Called up share capital	28	**4,331**	4,283
Share premium account	28	**263**	28
Other equity instruments	28	**10,865**	9,633
Other reserves		**394**	394
Retained earnings		**40,614**	39,842
Total equity		**56,467**	54,180
Total liabilities and equity		**98,804**	93,976

The financial statements on pages 246 to 247 and the accompanying note on page 333 were approved by the Board of Directors on 12 February 2020 and signed on its behalf by:

Nigel Higgins
Group Chairman

James E Staley
Group Chief Executive

Tushar Morzaria
Group Finance Director

Statement of changes in equity

	Notes	Called up share capital and share premium £m	Other equity instruments £m	Other reserves[a] £m	Retained earnings £m	Total equity £m
Balance as at 1 January 2019		**4,311**	**9,633**	**394**	**39,842**	**54,180**
Profit after tax and other comprehensive income		**–**	**813**	**–**	**2,368**	**3,181**
Issue of new ordinary shares		**182**	**–**	**–**	**–**	**182**
Issue of shares under employee share schemes		**101**	**–**	**–**	**20**	**121**
Issue and exchange of other equity instruments		**–**	**1,232**	**–**	**(396)**	**836**
Vesting of shares under employee share schemes		**–**	**–**	**–**	**(19)**	**(19)**
Dividends paid	11	**–**	**–**	**–**	**(1,201)**	**(1,201)**
Other equity instruments coupons paid		**–**	**(813)**	**–**	**–**	**(813)**
Other reserve movements		**–**	**–**	**–**	**–**	**–**
Balance as at 31 December 2019		**4,594**	**10,865**	**394**	**40,614**	**56,467**
Balance as at 31 December 2017		22,045	8,943	480	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[b]		–	752	–	15,197	15,949
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[b]		–	(752)	–	–	(752)
Capital reorganisation		(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

Notes

a As a result of the adoption of IFRS 9 on 1 January 2018, the available for sale reserve of £86m has been transferred to retained earnings.

b From 2019, due to an IAS 12 update, the tax relief on payments in relation to equity instruments has been recognised in the tax charge of the income statement, whereas it was previously recorded in retained earnings. Comparatives have been restated, increasing profit after tax by £143m. Further detail can be found in Note 1.

Cash flow statement

For the year ended 31 December	2019 £m	2018 £m	2017 £m
Reconciliation of profit before tax to net cash flows from operating activities:			
Profit before tax	**3,267**	15,870	1,258
Adjustment for non-cash items:			
Dividends in specie	**–**	(14,294)	–
Other non-cash items	**(582)**	653	76
Changes in operating assets and liabilities	**87**	55	102
Net cash generated from operating activities	**2,772**	2,284	1,436
Capital contribution to and investment in subsidiary	**(1,187)**	(2,680)	(2,801)
Net cash used in investing activities	**(1,187)**	(2,680)	(2,801)
Issue of shares and other equity instruments	**3,597**	1,953	2,581
Redemption of other equity instruments	**(2,668)**	(1,532)	–
Net increase in loans and advances to subsidiaries of the Parent	**(4,464)**	(7,767)	(9,707)
Net increase in debt securities in issue	**2,588**	9,174	6,503
Proceeds of borrowings and issuance of subordinated debt	**1,194**	–	3,019
Dividends paid	**(1,019)**	(680)	(392)
Coupons paid on other equity instruments	**(813)**	(752)	(639)
Net cash generated from financing activities	**(1,585)**	396	1,365
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	**1,560**	1,066	674
Interest received/(paid)	**214**	(101)	(10)

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 Execution Services Limited. Dividends received are treated as operating income.

for the year ended 31 December 2019

This section describes the 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 Group) under Section 399 of the Companies Act 2006. The 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, separate financial statements have been presented for the holding company.

2. Compliance with International Financial Reporting Standards

The consolidated financial statements of the Group, and the separate 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 separate 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 16 *Leases*, IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments*, the amendments to IAS 12 *Income Taxes*, the amendments to IAS 19 *Employee Benefits*, and the amendments to IFRS 9, IAS 39 and IFRS 7 which were applied from 1 January 2019.

3. Basis of preparation

The consolidated and separate 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 Group prepares financial statements in accordance with IFRS. The 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

The 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 Group has control over another entity when the 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 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 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 Group member is a partner, advantage has been taken of the exemption under Regulation 7 of the Partnership (Accounts) Regulations 2008 with regard to preparing and filing of individual partnership financial statements.

Details of the principal subsidiaries are given in Note 34, and a complete list of all subsidiaries is presented in Note 43.

(ii) Foreign currency translation

The 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 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.

1 Significant accounting policies continued

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 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.

(iii) Financial assets and liabilities

The 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 Group applies the requirements of IAS 39 *Financial Instruments: Recognition and Measurement* for hedge accounting purposes.

Recognition

The 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 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 are 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 are 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 the impairment requirements of IFRS 9 do not apply.

The accounting policy for each type of financial asset or liability is included within the relevant note for the item. The Group's policies for determining the fair values of the assets and liabilities are set out in Note 17.

Derecognition

The 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 derecognised 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% or more 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 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 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.

1 Significant accounting policies continued

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 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 Group obtains such loans or cash collateral, in exchange for the transfer of collateral.

The 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 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 or mandatorily at fair value through profit and loss.

The 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 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.

(iv) Issued debt and equity instruments

The 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 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 16 *Leases*, IFRIC Interpretation 23 *Uncertainty over Income Tax Treatment*, the amendments to IAS 12 *Income Taxes*, the amendments to IAS 19 *Employee Benefits*, and the amendments to IFRS 9, IAS 39 and IFRS 7 which were applied from 1 January 2019.

IFRS 16 – Leases

IFRS 16 *Leases*, which replaced IAS 17 *Leases*, does not result in a significant change to lessor accounting; however, for lessee accounting there is no longer a distinction between operating and finance leases. Instead, the lessee is required to recognise both a right of use (ROU) asset and lease liability on-balance sheet. There is a recognition exemption permitted for leases with a term of 12 months or less.

The Group applied IFRS 16 on a modified retrospective basis and took advantage of the option not to restate comparative periods. The Group applied 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 Group adjusted the carrying amount of the ROU asset at the date of initial application by the previous carrying amount of its onerous lease provision
- to apply the recognition exception for leases with a term not exceeding 12 months
- to use hindsight in determining the lease term if the contract contains options to extend or terminate the lease.

Upon adoption of IFRS 16, the Group applied the transition option which permitted the ROU asset to equal the lease liability, adjusted for prepaid or accrued prepayments. This approach resulted in a lease liability of £1,696m and an ROU asset of £1,644m being recognised as at 1 January 2019. The difference in the lease liability and the ROU asset was a result of the following adjustments:

- an increase in the ROU asset as a result of rental prepayments of £55m, and
- a decrease in the ROU asset as a result of onerous lease provisions previously recognised of £64m, £40m of rent free adjustments and £3m of finance sublease arrangements.

The ROU asset was recorded in property, plant and equipment and the lease liability within other liabilities.

When measuring lease liabilities, the Group discounted lease payments using the incremental borrowing rate at 1 January 2019. The weighted average applied was 4.57%.

1 Significant accounting policies continued

The following shows a reconciliation between the operating lease commitments as at 31 December 2018 and the lease liability recorded as at 1 January 2019.

	£m
Operating lease commitment as at 31 December 2018 as disclosed in the Group consolidated financial statements	**2,345**
Impact of discounting using the Group's incremental borrowing rate	**(793)**
Recognition exemption for short term leases	**(17)**
Extension and termination options reasonably certain to be exercised	**161**
Lease liability recognised as at 1 January 2019	**1,696**

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. There was no significant effect from the adoption of IFRIC 23 in relation to accounting for uncertain tax positions.

IAS 12 – Income Taxes – Amendments to IAS 12

The IASB amended IAS 12 in order to clarify the accounting treatment of the income tax consequences of dividends. As a result of the amendment, 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. The amendments of IAS 12 were applied to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. This resulted in reducing the tax charge and increasing profit after tax for 2019 by £222m, 2018 by £211m and 2017 by £174m. This change does not impact retained earnings or earnings per share.

IAS 19 – Employee Benefits – Amendments to IAS 19

The IASB issued amendments to the guidance in IAS 19 *Employee Benefits*, in connection with accounting for plan amendments, curtailments and settlements. There was no significant effect from the adoption of the amendments to IAS 19.

IFRS 9, IAS 39 and IFRS 7 – Amendments relating to Interest Rate Benchmark Reform

IFRS 9, IAS 39 and IFRS 7 were amended in September 2019. The amendments are effective for periods beginning on or after 1 January 2020 with earlier application permitted. The Group elected to early adopt the amendments with effect from 1 January 2019. The amendments have been endorsed by the EU.

IFRS 9 allows companies when they first apply IFRS 9, to choose as an accounting policy to continue to apply the hedge accounting requirements of IAS 39. The Group made the election to continue to apply the IAS 39 hedge accounting requirements, and consequently, the amendments to IAS 39 have been adopted by the Group.

The objective of the amendments are to provide temporary exceptions from applying specific hedge accounting requirements during the period of uncertainty resulting from interest rate benchmark reform. Each of the exceptions adopted by the Group are described below.

- Highly probable requirement
  When determining whether a forecast transaction or cash flow is highly probable, the Group assumes that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the reform. This amendment has also been applied when cash flows are still expected to occur in respect of amounts remaining in the cash flow hedge reserve.
- Prospective assessments
  When performing prospective assessments, the Group assumes that the interest rate benchmark on which the hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.
- Retrospective assessments
  The Group will not discontinue hedge accounting during the period of IBOR-related uncertainty solely because the retrospective effectiveness falls outside the required 80-125% range.
- Hedge of a non-contractually specified benchmark portion of an interest rate
  The Group only considers at inception of such a hedging relationship whether the separately identifiable requirement is met.

The amendments to IFRS 7 require certain disclosures to be made in the first period that the amendments to IFRS 9 or IAS 39 are adopted. Refer to Note 14 where these disclosures have been included.

Future accounting developments

The following accounting standards have been issued by the IASB but are not yet effective:

1 Significant accounting policies continued

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 reinsurance), 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.

In June 2019, the IASB published an exposure draft with proposed amendments to IFRS 17. The proposed amendments that are expected to be relevant to the Group are changes to the scoping of IFRS 17, changes in the effective date of IFRS 17 and changes to IFRS 9 which were consequential amendments as a result of IFRS 17.

The standard is currently effective from 1 January 2021, although the amendments would change the effective date to 1 January 2022, and the standard has not yet been endorsed by the EU. The Group is currently assessing the expected impact of adopting this standard.

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 259
- Tax on page 264
- Fair value of financial instruments on page 279
- Pensions and post-retirement benefits – obligations on page 316
- Provisions including conduct and legal, competition and regulatory matters on page 303.

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 139 to 140 and 148 to 175
- Market risk on pages 141 and 176 to 177
- Treasury and capital risk – liquidity on pages 142 and 178 to 189
- Treasury and capital risk – capital on pages 142 and 190 to 199.

These disclosures are covered by the Audit opinion (included on pages 232 to 240) where referenced as audited.

Performance/return

The notes included in this section focus on the results and performance of the 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 215.

2 Segmental reporting

Presentation of segmental reporting

The 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.

The Group is a British universal bank and for segmental reporting purposes it defines its two operating divisions as Barclays UK and Barclays International.

- **Barclays UK** which meets the banking needs of UK based retail customers and small to medium sized enterprises, through offering products and services. The division includes the UK Personal banking, UK Business banking and the Barclaycard consumer UK businesses.
- **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 Private Bank businesses; the Investment Bank; the international Barclaycard business; and Payments.

The table below also includes Head Office which comprises head office, Barclays Execution Services FTE and legacy businesses.

Analysis of results by business

	Barclays UK £m	Barclays International £m	Head Office £m	Group results £m
For the year ended 31 December 2019				
Total income	7,353	14,675	(396)	21,632
Credit impairment charges	(712)	(1,173)	(27)	(1,912)
Net operating income/(expenses)	6,641	13,502	(423)	19,720
Operating costs	(3,996)	(9,163)	(200)	(13,359)
UK bank levy	(41)	(174)	(11)	(226)
Litigation and conduct	(1,582)	(116)	(151)	(1,849)
Total operating expenses	(5,619)	(9,453)	(362)	(15,434)
Other net income[a]	–	69	2	71
Profit/(loss) before tax	1,022	4,118	(783)	4,357
Total assets (£bn)	257.8	861.4	21.0	1,140.2
Number of employees (full time equivalent)	21,400	11,200	48,200	80,800
Average number of employees (full time equivalent)				82,700
For the year ended 31 December 2018				
Total income[b]	7,383	14,026	(273)	21,136
Credit impairment (charges)/releases	(826)	(658)	16	(1,468)
Net operating income/(expenses)	6,557	13,368	(257)	19,668
Operating costs	(4,075)	(9,324)	(228)	(13,627)
UK bank levy	(46)	(210)	(13)	(269)
GMP charge	–	–	(140)	(140)
Litigation and conduct	(483)	(127)	(1,597)	(2,207)
Total operating expenses	(4,604)	(9,661)	(1,978)	(16,243)
Other net income/(expenses)[a]	3	68	(2)	69
Profit/(loss) before tax	1,956	3,775	(2,237)	3,494
Total assets (£bn)	249.7	862.1	21.5	1,133.3
Number of employees (full time equivalent)	22,600	12,400	48,500	83,500

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 During 2018, £351m of certain legacy capital instrument funding costs were charged to Head Office, the impact of which would have been materially the same if the charges had been included in full year 2017.

2 Segmental reporting continued

Analysis of results by business

	Barclays UK £m	Barclays International £m	Head Office[a] £m	Barclays Non-Core[b] £m	Group results £m
For the year ended 31 December 2017					
Total income	7,383	14,382	(159)	(530)	21,076
Credit impairment charges	(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[c]	(5)	254	(189)	197	257
Profit/(loss) before tax from continuing operations	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)	22,800	11,500	45,600	–	79,900

Notes

a The reintegration of Non-Core assets on 1 July 2017 resulted in the transfer of c.£9bn of assets into Head Office relating to a portfolio of Italian mortgages. The portfolio generated a loss before tax of £37m in the second half of the year and included assets of £9bn as at 31 December 2017.

b The Non-Core segment was closed on 1 July 2017 with the residual assets and liabilities reintegrated into, and associated financial performance subsequently reported in, Barclays UK, Barclays International and Head Office. Financial results up until 30 June 2017 are reflected in the Non-Core segment for 2017. Comparative results have not been restated.

c 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.

Income by geographic region[a]

For the year ended 31 December	2019 £m	2018 £m	2017 £m
Continuing operations			
United Kingdom	**11,809**	11,529	10,919
Europe	**1,754**	1,617	1,984
Americas	**7,064**	7,058	7,194
Africa and Middle East	**59**	43	137
Asia	**946**	889	842
Total	**21,632**	21,136	21,076

Income from individual countries which represent more than 5% of total income[a]

For the year ended 31 December	2019 £m	2018 £m	2017 £m
Continuing operations			
United Kingdom	**11,809**	11,529	10,919
United States	**6,939**	6,911	7,049

Note

a The geographical analysis is now based on the location of office where the transactions are recorded, whereas it was previously based on counterparty location. The new approach is better aligned to the geographical view of the business following the implementation of structural reform. Prior year comparatives have been restated.

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 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.

The 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.

	2019 £m	2018 £m	2017 £m
Cash and balances at central banks	**1,091**	1,123	583
Loans and advances at amortised cost	**12,450**	12,073	12,069
Financial investments	**–**	–	754
Fair value through other comprehensive income	**1,032**	1,029	–
Other	**883**	316	225
Interest income	**15,456**	14,541	13,631
Deposits at amortised cost	**(2,449)**	(2,250)	(1,493)
Debt securities in issue	**(1,906)**	(1,677)	(915)
Subordinated liabilities	**(1,068)**	(1,223)	(1,223)
Other	**(626)**	(329)	(155)
Interest expense	**(6,049)**	(5,479)	(3,786)
Net interest income	**9,407**	9,062	9,845

Interest income presented above represents interest revenue calculated using the effective interest method. Costs to originate credit card balances of £697m (2018: £596m; 2017: £497m) have been amortised to interest income during the year. Interest income includes £48m (2018: £53m; 2017: £48m) accrued on impaired loans. Other interest expense includes £76m relating to IFRS 16 lease interest expenses.

4 Net fee and commission income

Accounting for net fee and commission income under IFRS 15 effective from 1 January 2018

The Group applies IFRS 15 *Revenue from Contracts with Customers*. The standard establishes a five-step model governing revenue recognition. The five-step model requires the 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.

The Group recognises fee and commission income charged for services provided by the 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

The Group applies IAS 18 *Revenue*. Fees and commissions charged for services provided or received by the 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 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.

4 Net fee and commission income continued

	2019			
	Barclays UK £m	Barclays International £m	Head Office £m	Total £m
Fee type				
Transactional	1,074	2,809	–	3,883
Advisory	177	903	–	1,080
Brokerage and execution	208	1,131	–	1,339
Underwriting and syndication	–	2,358	–	2,358
Other	92	242	12	346
Total revenue from contracts with customers	1,551	7,443	12	9,006
Other non-contract fee income	–	116	–	116
Fee and commission income	1,551	7,559	12	9,122
Fee and commission expense	(365)	(1,990)	(7)	(2,362)
Net fee and commission income	1,186	5,569	5	6,760

	2018			
	Barclays UK £m	Barclays International £m	Head Office £m	Total £m
Fee type				
Transactional	1,102	2,614	–	3,716
Advisory	209	850	–	1,059
Brokerage and execution	153	1,073	–	1,226
Underwriting and syndication	–	2,462	–	2,462
Other	78	207	27	312
Total revenue from contracts with customers	1,542	7,206	27	8,775
Other non-contract fee income	–	118	–	118
Fee and commission income	1,542	7,324	27	8,893
Fee and commission expense	(360)	(1,707)	(17)	(2,084)
Net fee and commission income	1,182	5,617	10	6,809

	2017[a] £m
Fee and commission income	
Banking, investment management and credit related fees and commissions	8,622
Foreign exchange commission	129
Fee and commission income	8,751
Fee and commission expense	(1,937)
Net fee and commission income	6,814

Note
a The 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 for 2017 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.

4 Net fee and commission income continued

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 the closing of an acquisition or another 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.

Included in the underwriting and syndication, are commitment fees to provide loan financing includes fees which are not presented as part of the carrying value of the loan in accordance with IFRS 9, for example as part of the effective interest rate. 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 Group had no material contract assets or contract liabilities as at 31 December 2019 (2018: nil).

Impairment on fee receivables and contract assets

During 2019, there have been no material impairments recognised in relation to fees receivable and contract assets (2018: nil). Fees in relation to transactional business can be added to outstanding customer balances. These amounts may be subsequently impaired as part of the overall loans and advances balance.

Remaining performance obligations

The 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 Group has a right to consideration that corresponds directly with the value of the service provided to the client or customer.

Costs incurred in obtaining or fulfilling a contract

The 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 £159m at 31 December 2019 (2018: £125m).

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 2019, the amount of amortisation was £30m (2018: £30m) and there was no impairment loss recognised in connection with the capitalised contract costs (2018: nil).

Performance/return

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.

	2019 £m	2018 £m	2017 £m
Net gains from financial instruments held for trading	**2,941**	3,292	2,388
Net gains from financial instruments designated at fair value	**256**	267	1,112
Net gains from financial instruments mandatorily at fair value	**1,038**	1,007	–
Net trading income	**4,235**	4,566	3,500

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.

	2019 £m	2018 £m	2017 £m
Net gains from financial instruments mandatorily at fair value	**510**	226	–
Net gains from disposal of debt instruments at fair value through other comprehensive income	**502**	158	–
Net gains from disposal of financial assets and liabilities measured at amortised cost[a]	**257**	38	147
Dividend income	**76**	91	48
Net (losses)/gains on other investments	**(214)**	72	30
Net gains from financial instruments designated at fair value[b]	**–**	–	338
Net gains from disposal of available for sale investments[c]	**–**	–	298
Net investment income	**1,131**	585	861

Notes

a Included within the 2019 balance of £257m are gains of £170m relating to the sale of debt securities as part of the Group's Treasury operations.

b Following the adoption of IFRS 9 in 2018, gains or losses on financial assets designated at fair value to eliminate or reduce an accounting mismatch are recognised within net trading income lines.

c Following the adoption of IFRS 9 in 2018, available for sale classification is no longer applicable.

7 Credit impairment charges

Accounting for the impairment of financial assets under IFRS 9 effective from 1 January 2018

Impairment

The 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 and lifetime ECLs are calculated by multiplying the respective 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 Group assesses when a significant increase in credit risk has occurred based on quantitative and qualitative assessments. The credit risk of an exposure is considered to have significantly increased when:

i) Quantitative test

The annualised lifetime PD has increased by more than an agreed threshold relative to the equivalent at origination.

PD deterioration thresholds are defined as percentage increases, and are set at an origination score band and segment level to ensure the test appropriately captures significant increases in credit risk at all risk levels. Generally, thresholds are inversely correlated to the origination PD, i.e. as the origination PD increases, the threshold value reduces.

The assessment of the point at which a PD increase is deemed 'significant', is based upon analysis of the portfolios' risk profile against a common set of principles and performance metrics (consistent across both retail and wholesale businesses), incorporating expert credit judgement where appropriate. Application of quantitative PD floors does not represent the use of the low credit risk exemption as exposures can separately move into Stage 2 via the qualitative route described below.

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 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

This is 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

This is 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.

The criteria for determining a significant increase in credit risk for assets with bullet repayments follows the same principle as all other assets, i.e. quantitative, qualitative and backstop tests are all applied.

Exposures will move back to Stage 1 once they no longer meet the criteria for a significant increase in credit risk. This means that, at a minimum all payments must be up-to-date, the PD deterioration test is no longer met, the account is no longer classified as high risk, and the customer has evidenced an ability to maintain future payments.

7 Credit impairment charges continued

Exposures are only removed from Stage 3 and re-assigned to Stage 2 once the original default trigger event no longer applies. Exposures being removed from Stage 3 must no longer qualify as credit impaired, and:

a) the obligor will also have demonstrated consistently good payment behaviour over a 12-month period, by making all consecutive contractual payments due and, for forborne exposures, the relevant EBA defined probationary period has also been successfully completed or;

b) (for non-forborne exposures) the performance conditions are defined and approved within an appropriately sanctioned restructure plan, including 12 months' payment history have been met.

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

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.

The Group uses a five-scenario model to calculate ECL. An external consensus forecast is assembled from key sources, including HM Treasury (short and medium term forecasts), Bloomberg (based on median of economic forecasts) and the Urban Land Institute (for US House Prices), 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 eight economic variables, (GDP, unemployment, House Price Index (HPI) and base rates in both the UK and US markets), and expanded variables using statistical models based on historical correlations. The upside and downside shocks are designed to evolve over a five-year stress horizon, with all five scenarios converging to a steady state after approximately eight years.

The methodology for estimating probability weights for each of the scenarios involves a comparison of the distribution of key historical 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 same scenarios and weights that are used in the estimation of expected credit losses are also used for the Barclays Group 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.

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.

An asset is considered credit impaired when one or more events occur that have a detrimental impact on the estimated future cash flows of the financial asset. This comprises assets defined as defaulted and other individually assessed exposures where imminent default or actual loss is identified.

Uncollectable loans are written off against the related allowance for loan impairment on completion of the 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, with any difference in valuation recognised immediately within the income statement, subject to observability criteria.

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

7 Credit impairment charges continued

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.

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

Forbearance

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

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

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

Accounting for the impairment of financial assets under IAS 39 for 2017

Loans and other assets held at amortised cost

In accordance with IAS 39, the 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 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.

7 Credit impairment charges continued

Impairment assessments are conducted individually for significant assets, which comprise all wholesale customer loans and larger retail business loans, and collectively for smaller loans and for portfolio level risks, such as country or sectoral risks. For the purposes of the assessment, loans with similar credit risk characteristics are grouped together – generally on the basis of their product type, industry, geographical location, collateral type, past due status and other factors relevant to the evaluation of expected future cash flows.

The impairment assessment includes estimating the expected future cash flows from the asset or the group of assets, which are then discounted using the original effective interest rate calculated for the asset. If this is lower than the carrying value of the asset or the portfolio, an impairment allowance is raised.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

Following impairment, interest income continues to be recognised at the original effective interest rate on the restated carrying amount, representing the unwind of the discount of the expected cash flows, including the principal due on non-accrual loans.

Uncollectable loans are written off against the related allowance for loan impairment on completion of the 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.

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 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 to materially capture the risk of these facilities. The behavioural life analysis for US Cards has been updated during the year to include more recent portfolio data, as a consequence the expected life of the US credit card portfolio has fallen from 10 years to seven years. For UK Cards, the expected life has similarly fallen from 10 years to eight years. These reductions led to management adjustment releases against impairment of £28m for US Cards and £9m for UK Cards.

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 £1,696m (2018: £1,598m; 2017: £2,095m) 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 Group's position relative to other claimants, the reliability of customer information and the likely cost and duration of the work-out process. 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 charge of £208m (2018: release £133m; 2017: release £238m) 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 151.

7 Credit impairment charges continued

	2019			2018			2017[a]		
	Impairment charges £m	Recoveries[b] £m	Total £m	Impairment charges £m	Recoveries[b] £m	Total £m	Impairment charges £m	Recoveries[b] £m	Total £m
Loans and advances	**1,957**	**(124)**	**1,833**	1,785	(195)	1,590	2,654	(334)	2,320
Provision for undrawn contractually committed facilities and guarantees provided	**71**	**–**	**71**	(125)	–	(125)	13	–	13
Loans impairment	**2,028**	**(124)**	**1,904**	1,660	(195)	1,465	2,667	(334)	2,333
Cash collateral and settlement balances	**1**	**–**	**1**	(1)	–	(1)	–	–	–
Financial investments	**–**	**–**	**–**	–	–	–	3	–	3
Financial assets at fair value through other comprehensive income	**1**	**–**	**1**	4	–	4	–	–	–
Other financial assets measured at cost	**6**	**–**	**6**	–	–	–	–	–	–
Credit impairment charges	**2,036**	**(124)**	**1,912**	1,663	(195)	1,468	2,670	(334)	2,336

Notes
a The comparatives for 2017 are presented on an IAS 39 basis.
b Cash recoveries of previously written off amounts.

Write-offs subject to enforcement activity

The contractual amount outstanding on financial assets that were written off during the year and that are still subject to enforcement activity is £1,660m (2018: £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 £1,383m (2018: £851m) were subject to non-substantial modification during the year, with a resulting loss of £22m (2018: £26m). The gross carrying amount of financial assets for which the loss allowance has changed to a 12 month ECL during the year amounts to £401m (2018: £114m).

8 Operating expenses

	2019 £m	2018 £m	2017 £m
Infrastructure costs			
Property and equipment	**1,409**	1,360	1,366
Depreciation and amortisation[a]	**1,487**	1,252	1,161
Lease payments[a]	**41**	329	342
Impairment of property, equipment and intangible assets	**33**	9	80
Total infrastructure costs	**2,970**	2,950	2,949
Administration and general costs			
Consultancy, legal and professional fees	**590**	729	1,064
Marketing and advertising	**425**	495	433
UK bank levy	**226**	269	365
Other administration and general expenses	**1,059**	964	878
Total administration and general costs	**2,300**	2,457	2,740
Staff costs	**8,315**	8,629	8,560
Provisions for litigation and conduct	**1,849**	2,207	1,207
Operating expenses	**15,434**	16,243	15,456

Note
a Following the adoption of IFRS 16 from 1 January 2019, the depreciation charge associated with right of use assets is reported within the depreciation and amortisation charge for 2019.

For further details on staff costs including accounting policies, refer to Note 31.

9 Tax

Accounting for income taxes

The 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 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 Group's tax returns. The 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 Group ultimately expects to pay the tax authority to resolve the position. Effective from 1 January 2019, the Group changed its accounting policy on the accrual of interest and penalty amounts in respect of uncertain income tax positions and now recognises such amounts as an expense within profit before tax and will continue to do so in future periods. The prior periods' tax charges have not been restated because the accrual for interest and penalties in those periods in respect of uncertain tax positions was not material.

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. The 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, the 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 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 are provided in this note.

	2019 £m	2018 £m	2017 £m
Current tax charge/(credit)			
Current year[a]	**1,037**	689	594
Adjustments in respect of prior years	**(45)**	(214)	55
	992	475	649
Deferred tax charge/(credit)			
Current year	**86**	442	1,507
Adjustments in respect of prior years	**(75)**	(6)	(90)
	11	436	1,417
Tax charge	**1,003**	911	2,066

Note

a From 2019, due to an IAS 12 update, the tax relief on payments in relation to AT1 instruments has been recognised in the tax charge of the income statement, whereas it was previously recorded in retained earnings. Comparatives have been restated, reducing the tax charge for 2018 by £211m and 2017 by £174m. Further detail can be found in Note 1.

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.

	2019 £m	2019 %	2018 £m	2018 %	2017 £m	2017 %
Profit before tax	**4,357**		3,494		3,541	
Tax charge based on the standard UK corporation tax rate of 19% (2018: 19%; 2017: 19.25%)	**828**	**19.0%**	664	19.0%	682	19.3%
Impact of profits/losses earned in territories with different statutory rates to the UK (weighted average tax rate is 24.2% (2018: 21.9%; 2017: 29.4%))	**227**	**5.2%**	100	2.9%	356	10.1%
Recurring items:						
Non-creditable taxes including withholding taxes	**150**	**3.4%**	156	4.5%	191	5.4%
Non-deductible expenses	**45**	**1.0%**	81	2.3%	90	2.5%
Impact of UK bank levy being non-deductible	**43**	**1.0%**	51	1.5%	70	2.0%
Banking surcharge and other items[a]	**57**	**1.3%**	104	2.9%	77	2.2%
Impact of Barclays Bank PLC's overseas branches being taxed both locally and in the UK	**15**	**0.3%**	16	0.5%	(61)	(1.7%)
Tax adjustments in respect of share-based payments	**(6)**	**(0.1%)**	17	0.5%	5	0.1%
Changes in recognition of deferred tax and effect of unrecognised tax losses	**(82)**	**(1.9%)**	(104)	(3.0%)	(71)	(2.0%)
Adjustments in respect of prior years	**(120)**	**(2.7%)**	(220)	(6.3%)	(35)	(1.0%)
AT1 tax credit[a]	**(157)**	**(3.6%)**	(148)	(4.3%)	(123)	(3.5%)
Non-taxable gains and income	**(260)**	**(6.0%)**	(245)	(7.0%)	(178)	(5.0%)
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	**263**	**6.1%**	93	2.7%	129	3.6%
Non-deductible provisions for investigations and litigation	**–**	**–**	346	9.9%	72	2.0%
Non-taxable gains and income on divestments	**–**	**–**	–	–	(39)	(1.1%)
Total tax charge	**1,003**	**23.0%**	911	26.1%	2,066	58.3%

Note

a From 2019, due to an IAS 12 update, the tax relief on payments in relation to AT1 instruments has been recognised in the tax charge of the income statement, whereas it was previously recorded in retained earnings. The tax charge for the current period has been reduced by £222m (relief at the standard UK corporation tax rate is £157m and the relief at the banking surcharge rate is £65m). Comparatives have been restated, reducing the tax charge for 2018 by £211m and 2017 by £174m (relief at the standard UK corporation tax rate is £148m (2018) and £123m (2017) and the relief at the banking surcharge rate is £63m (2018) and £51m (2017)). Further detail can be found in Note 1.

Factors driving the effective tax rate

The effective tax rate of 23.0% is higher than the UK corporation tax rate of 19% primarily due to provisions for UK customer redress being non-deductible, profits earned outside the UK being taxed at local statutory tax rates that are higher than the UK tax rate, 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 and tax relief on payments made under AT1 instruments, as well as adjustments in respect of prior periods.

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. Excluding this accounting change which resulted in tax relief on payments in relation to AT1 instruments of £222m (2018: £211m) being included in the income statement tax charge, the Barclays Group's effective tax rate would have been 28.1% (2018: 32.1%).

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. However, the UK Government has announced its intention to introduce legislation to reverse the planned rate reduction and to maintain the current rate of 19%.

9 Tax continued

Tax in the consolidated statement of comprehensive income

The tax relating to each component of other comprehensive income can be found on page 242 in the consolidated statement of comprehensive income which includes within Other a tax credit of £16m (2018: £30m credit) on other items including share-based payments.

Current tax assets and liabilities

Movements on current tax assets and liabilities were as follows:

	2019 £m	2018 £m
Assets	798	482
Liabilities	(628)	(586)
As at 1 January	170	(104)
Income statement[a]	(992)	(475)
Other comprehensive income and reserves[a]	423	110
Corporate income tax paid	228	548
Other movements	270	91
	99	170
Assets	412	798
Liabilities	(313)	(628)
As at 31 December	99	170

Note
a Due to the IAS 12 update impacting AT1 tax credits, the 2018 comparative has been restated to reflect the £211m tax credit in the income statement, whereas it was previously recorded in retained earnings. Further detail can be found in Note 1.

Deferred tax assets and liabilities

The deferred tax amounts on the balance sheet were as follows:

	2019 £m	2018 £m
Intermediate Holding Company ('IHC Tax Group')	1,037	1,454
US Branch Tax Group	1,015	1,087
UK Tax Group	818	861
Other	420	426
Deferred tax asset	3,290	3,828
Deferred tax liability	(23)	(51)
Net deferred tax	3,267	3,777

US deferred tax assets in the IHC and US Branch Tax Groups

The deferred tax asset in the IHC Tax Group of £1,037m (2018: £1,454m) includes £54m (2018: £220m) relating to tax losses and the deferred tax asset in Barclays Bank PLC's US Branch Tax Group of £1,015m (2018: £1,087m) includes £84m (2018: £167m) 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 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 £818m (2018: £861m) includes £268m (2018: nil) relating to tax losses. There is no time limit on utilisation of UK tax losses and business profit forecasts indicate that these will be fully recovered.

9 Tax continued

Other deferred tax assets

The deferred tax asset of £420m (2018: £426m) in other entities within the Group includes £117m (2018: £142m) relating to tax losses. 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 £420m (2018: £426m), an amount of £150m (2018: £247m) 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.

The table below shows movements on deferred tax assets and liabilities during the year. The amounts are different from those disclosed on the balance sheet and in the preceding table as they are presented before offsetting asset and liability balances where there is a legal right to set-off and an intention to settle on a net basis.

	Fixed asset timing differences £m	Fair value through other comprehensive income £m	Cash flow hedges £m	Retirement benefit obligations £m	Loan impairment allowance £m	Other provisions £m	Tax losses carried forward £m	Share-based payments and deferred compensation £m	Other £m	Total £m
Assets	1,292	180	39	46	601	112	529	359	1,377	4,535
Liabilities	(16)	(35)	(10)	(435)	–	–	–	–	(262)	(758)
At 1 January 2019	**1,276**	**145**	**29**	**(389)**	**601**	**112**	**529**	**359**	**1,115**	**3,777**
Income statement	51	–	–	(4)	(49)	23	18	(19)	(31)	(11)
Other comprehensive income and reserves	–	(42)	(210)	(205)	(40)	2	–	9	72	(414)
Other movements	(20)	(2)	–	(4)	(11)	(9)	(24)	(5)	(10)	(85)
	1,307	101	(181)	(602)	501	128	523	344	1,146	3,267
Assets	1,338	119	–	38	501	128	523	344	1,458	4,449
Liabilities	(31)	(18)	(181)	(640)	–	–	–	–	(312)	(1,182)
At 31 December 2019	**1,307**	**101**	**(181)**	**(602)**	**501**	**128**	**523**	**344**	**1,146**	**3,267**
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 and reserves	–	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

Note
a Following the adoption of IFRS 9 and IFRS 15 on 1 January 2018, additional deferred tax assets of £627m were recognised.

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 £1,199m (2018: £635m). The amount of deferred tax assets expected to be recovered after more than 12 months is £3,945m (2018: £3,703m). 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 £213m (2018: £175m), unused tax credits of £247m (2018: £198m), and gross tax losses of £19,582m (2018: £16,313m). The tax losses include capital losses of £3,980m (2018: £3,225m). Of these tax losses, £41m (2018: £240m) expire within five years, £239m (2018: £259m) expire within six to 10 years, £5,178m (2018: £948m) expire within 11 to 20 years and £14,124m (2018: £14,866m) 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 £0.7bn (2018: £0.6bn).

Performance/return

10 Earnings per share

	2019 £m	2018[a] £m	2017[a] £m
Profit attributable to ordinary equity holders of the parent in respect of continuing operations	2,461	1,597	587
Loss attributable to ordinary equity holders of the parent in respect of discontinued operations	–	–	(2,335)
Profit/(loss) attributable to ordinary equity holders of the parent in respect of continuing and discontinued operations	**2,461**	**1,597**	**(1,748)**

Note

a From 2019, due to an IAS 12 update, the tax relief on payments in relation to AT1 instruments has been recognised in the tax charge of the income statement, whereas it was previously recorded in retained earnings. Comparatives have been restated, increasing the profit attributable to ordinary equity holders for 2018 by £211m and 2017 by £174m. Further detail can be found in Note 1.

	2019 million	2018 million	2017 million
Basic weighted average number of shares in issue	**17,200**	**17,075**	**16,996**
Number of potential ordinary shares	282	308	288
Diluted weighted average number of shares	**17,482**	**17,383**	**17,284**

	Basic earnings per share			Diluted earnings per share		
	2019 p	2018 p	2017 p	2019 p	2018 p	2017 p
Earnings/(loss) per ordinary share	14.3	9.4	(10.3)	14.1	9.2	(10.1)
Earnings per ordinary share in respect of continuing operations	14.3	9.4	3.5	14.1	9.2	3.4
Loss per ordinary share in respect of discontinued operation	–	–	(13.8)	–	–	(13.5)

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 expected dilutive potential ordinary shares held in respect of Barclays PLC, totalling 282m (2018: 308m) shares. The total number of share options outstanding, under schemes considered to be potentially dilutive, was 533m (2018: 544m). These options have strike prices ranging from £1.19 to £2.27.

Of the total number of employee share options and share awards at 31 December 2019, 43m (2018: 43m) were anti-dilutive.

The 125m (2018: 79m) increase in the basic weighted average number of shares are 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 2019 of 9.0p per ordinary share of 25p each. The remaining full year dividend for 2019 of 6.0p per ordinary share will be paid on 3 April 2020 to shareholders on the Share Register on 28 February 2020 following the 3.0p half year dividend paid on 23 September 2019. On 31 December 2019, there were 17,322m ordinary shares in issue. The financial statements for the year ended 31 December 2019 do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained profits in the year ending 31 December 2020. The 2019 financial statements include the 2019 half year dividend of £517m (2018: £427m) and a full year dividend declared in relation to 2018 of £684m (2018: £341m). Dividends are funded out of distributable reserves.

Assets and liabilities held at fair value

The notes included in this section focus on assets and liabilities the 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 Group's approach to managing market risk can be found on page 141.

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	
	2019 £m	2018 £m	**2019 £m**	2018 £m
Debt securities and other eligible bills	**52,739**	57,283	**(23,741)**	(25,394)
Equity securities	**56,000**	39,565	**(13,175)**	(12,488)
Traded loans	**5,378**	7,234	**–**	–
Commodities	**78**	105	**–**	–
Trading portfolio assets/(liabilities)	**114,195**	104,187	**(36,916)**	(37,882)

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	
	2019 £m	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m
Loans and advances	**4,900**	5,267	**17,792**	14,257	**22,692**	19,524
Debt securities	**3,995**	3,855	**1,254**	667	**5,249**	4,522
Equity securities	**–**	–	**7,495**	6,019	**7,495**	6,019
Reverse repurchase agreements and other similar secured lending	**40**	106	**96,847**	118,935	**96,887**	119,041
Other financial assets	**–**	–	**763**	542	**763**	542
Financial assets at fair value through the income statement	**8,935**	9,228	**124,151**	140,420	**133,086**	149,648

Assets and liabilities held at fair value

13 Financial assets at fair value through the income statement continued

Credit risk of financial assets 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 for loans and advances. The table does not include debt securities and reverse repurchase agreements and other similar secured lending designated at FV as they have minimal exposure to credit risk. Reverse repurchase agreements are collateralised and debt securities are primarily relating to high quality sovereigns.

	Maximum exposure as at 31 December		Changes in fair value during the year ended		Cumulative changes in fair value from inception	
	2019 £m	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m
Loans and advances designated at fair value, attributable to credit risk[a]	**4,900**	5,267	**4**	4	**(26)**	(35)

Note
a The value mitigated by related credit derivatives was nil (2018: nil).

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 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, credit risk, inflation risk, 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 Group applies the requirements of IAS 39 *Financial Instruments: Recognition and Measurement* for hedge accounting purposes. The 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 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.

The Group has elected to early adopt the 'Amendments to IAS 39 and IFRS 7 Interest Rate Benchmark Reform' issued in September 2019. In accordance with the transition provisions, the amendments have been adopted retrospectively to hedging relationships that existed at the start of the reporting period or were designated thereafter, and to the amount accumulated in the cash flow hedge reserve at that date.

The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR (Interbank Offered Rates) reform. The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness continues to be recorded in the income statement. Furthermore, the amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present.

In summary, the reliefs provided by the amendments that apply to the Group are:

- When considering the 'highly probable' requirement, the Group has assumed that the IBOR interest rates upon which our hedged items are based do not change as a result of IBOR reform.
- In assessing whether the hedge is expected to be highly effective on a forward-looking basis the Group has assumed that the IBOR interest rates upon which the cash flows of the hedged items and the interest rate swaps that hedge them are based are not altered by IBOR reform.
- The Group will not discontinue hedge accounting during the period of IBOR-related uncertainty solely because the retrospective effectiveness falls outside the required 80–125% range.
- The Group has not recycled the cash flow hedge reserve relating to the period after the reforms are expected to take effect.
- The Group has assessed whether the hedged IBOR risk component is a separately identifiable risk only when it first designates a hedged item in a fair value hedge and not on an ongoing basis.

14 Derivative financial instruments continued

Further amendments are expected for future accounting periods following completion of the second part of the IASB's two-phased project which focuses on the impacts of IBOR reform on financial reporting.

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 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 Group's investment in the operation.

Total derivatives

	2019			2018		
	Notional contract amount	Fair value		Notional contract amount	Fair value	
	£m	Assets £m	Liabilities £m	£m	Assets £m	Liabilities £m
Total derivative assets/(liabilities) held for trading	**42,111,110**	**229,063**	**(228,617)**	44,193,753	222,384	(219,578)
Total derivative assets/(liabilities) held for risk management	**181,375**	**173**	**(587)**	180,202	154	(65)
Derivative assets/(liabilities)	**42,292,485**	**229,236**	**(229,204)**	44,373,955	222,538	(219,643)

Further information on netting arrangements of derivative financial instruments can be found within Note 18.

Assets and liabilities held at fair value

14 Derivative financial instruments continued

The fair values and notional amounts of derivative instruments held for trading and held for risk management are set out in the following table:

Derivatives held for trading and held for risk management

	2019			2018		
	Notional contract amount	Fair value		Notional contract amount	Fair value	
	£m	Assets £m	Liabilities £m	£m	Assets £m	Liabilities £m
Derivatives held for trading						
Foreign exchange derivatives						
OTC derivatives	4,906,647	56,480	(56,845)	5,193,761	64,018	(63,887)
Derivatives cleared by central counterparty	74,698	84	(145)	72,526	163	(233)
Exchange traded derivatives	18,520	12	(31)	23,585	7	(7)
Foreign exchange derivatives	4,999,865	56,576	(57,021)	5,289,872	64,188	(64,127)
Interest rate derivatives						
OTC derivatives	12,627,808	140,207	(133,401)	9,969,325	123,706	(119,289)
Derivatives cleared by central counterparty	17,428,460	867	(1,093)	16,083,853	1,056	(1,016)
Exchange traded derivatives	5,041,948	1,251	(1,265)	11,087,714	356	(323)
Interest rate derivatives	35,098,216	142,325	(135,759)	37,140,892	125,118	(120,628)
Credit derivatives						
OTC derivatives	399,386	5,253	(5,399)	386,508	6,575	(5,239)
Derivatives cleared by central counterparty	426,130	2,962	(2,687)	372,567	4,180	(4,280)
Credit derivatives	825,516	8,215	(8,086)	759,075	10,755	(9,519)
Equity and stock index derivatives						
OTC derivatives	232,050	10,628	(15,785)	190,496	9,711	(11,830)
Exchange traded derivatives	841,994	10,178	(10,849)	692,435	11,171	(12,066)
Equity and stock index derivatives	1,074,044	20,806	(26,634)	882,931	20,882	(23,896)
Commodity derivatives						
OTC derivatives	7,327	303	(256)	9,756	521	(408)
Exchange traded derivatives	106,142	838	(861)	111,227	920	(1,000)
Commodity derivatives	113,469	1,141	(1,117)	120,983	1,441	(1,408)
Derivative assets/(liabilities) held for trading	42,111,110	229,063	(228,617)	44,193,753	222,384	(219,578)
Total OTC derivatives held for trading	18,173,218	212,871	(211,686)	15,749,846	204,531	(200,653)
Total derivatives cleared by central counterparty held for trading	17,929,288	3,913	(3,925)	16,528,946	5,399	(5,529)
Total exchange traded derivatives held for trading	6,008,604	12,279	(13,006)	11,914,961	12,454	(13,396)
Derivative assets/(liabilities) held for trading	42,111,110	229,063	(228,617)	44,193,753	222,384	(219,578)
Derivatives held for risk management						
Derivatives designated as cash flow hedges						
OTC interest rate derivatives	1,195	7	(1)	2,075	11	(6)
Interest rate derivatives cleared by central counterparty	66,578	–	–	73,314	–	–
Derivatives designated as cash flow hedges	67,773	7	(1)	75,389	11	(6)
Derivatives designated as fair value hedges						
OTC interest rate derivatives	8,379	136	(586)	2,065	143	(49)
Interest rate derivatives cleared by central counterparty	104,078	–	–	99,780	–	–
Derivatives designated as fair value hedges	112,457	136	(586)	101,845	143	(49)
Derivatives designated as hedges of net investments						
OTC foreign exchange derivatives	1,145	30	–	2,968	–	(10)
Derivatives designated as hedges of net investments	1,145	30	–	2,968	–	(10)
Derivative assets/(liabilities) held for risk management	181,375	173	(587)	180,202	154	(65)
Total OTC derivatives held for risk management	10,719	173	(587)	7,108	154	(65)
Total derivatives cleared by central counterparty held for risk management	170,656	–	–	173,094	–	–
Derivative assets/(liabilities) held for risk management	181,375	173	(587)	180,202	154	(65)

14 Derivative financial instruments continued

Hedge accounting

Hedge accounting is applied predominantly for the following risks:

- interest rate risk – 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
- 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
- contractually linked inflation risk – arises from financial instruments within contractually specified inflation risk. The Group does not hedge inflation risk that arises from other activities.

In order to hedge these risks, the Group uses the following hedging instruments:

- interest rate derivatives to swap interest rate exposures into either fixed or variable rates
- currency derivatives to swap foreign currency net investment exposure to local currency
- inflation derivatives to swap inflation exposure into either fixed or variable interest rates.

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.

In some hedging relationships, the Group designates risk components of hedged items as follows:

- benchmark interest rate risk as a component of interest rate risk, such as the LIBOR or Risk Free Rate (RFR) component
- inflation risk as a contractually specified component of a debt instrument
- spot exchange rate risk for foreign currency financial assets or financial liabilities
- 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.

In respect of many of the 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 Group applies hedge accounting to dynamic scenarios, predominantly in relation to interest rate risk, with a combination of hedged items in order for its financial statements to reflect as closely as possible the economic risk management undertaken. In some cases, if the hedge accounting objective changes, the relevant hedge accounting relationship is de-designated and 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 Group mitigates this by matching the CET1 capital movements to the revaluation of the foreign currency RWA exposures. Net investment hedges are designated where necessary to reduce the exposure to movement in a particular exchange rate to within limits mandated by risk. As far as possible, existing external currency liabilities are designated as the hedging instruments.

The hedging instruments share the same risk exposures as the hedged items. Hedge effectiveness is determined with reference to quantitative tests, predominantly regression testing, 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.

Sources of ineffectiveness include the following:

- mismatches between the contractual terms of the hedged item and hedging instrument, including basis differences
- changes in credit risk of the hedging instruments
- if a hedging relationship becomes over-hedged, for example 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
- cash flow hedges using external swaps with non-zero fair values
- the effects of the forthcoming reforms to IBOR because these might take effect at a different time and have a different impact on hedged items and hedging instruments.

Across all benchmarks which Barclays is materially exposed to, there is still uncertainty regarding the precise timing and effects of IBOR reform. There is yet to be full consensus regarding methodologies for converging existing IBORs to their final benchmark rates. As such, Barclays has not incorporated any change in assumptions for affected benchmarks into its expectations or calculations. Barclays does, however, assume sufficient liquidity in IBOR linked benchmarks to provide reliable valuation calculations of both hedged items and hedging instruments (notwithstanding reliefs already applied within the financial reporting).

Assets and liabilities held at fair value

14 Derivative financial instruments continued

Interest Rate Benchmark Reform

Following the financial crisis, the reform and replacement of benchmark interest rates such as IBOR has become a priority for global regulators. Since the changes are market driven, there is currently some uncertainty around the timing and precise nature of these changes.

The Group's risk exposure is directly affected by interest rate benchmark reform, across both its cash flow hedge accounting activities; where IBOR-linked derivatives are designated as a cash flow hedge of IBOR-linked cash flows, and its fair value hedge accounting activities; where IBOR-linked derivatives are designated as a fair value hedge of fixed interest rate assets and liabilities.

The Group's risk exposure is predominately to GBP, USD, EUR, JPY and AUD LIBOR with the vast majority concentrated in derivatives within the Corporate and Investment Bank. Some additional exposure resides on floating rate loans and advances and debt securities held and issued within the Corporate and Investment Bank. Retail lending and mortgage exposure in Barclays UK is minimal. Approaches to transition will vary product by product, and counterparty by counterparty. Barclays expected derivative contracts facing central clearing counterparties to follow a market-wide, standardised approach to reform. Whereas bilateral derivative agreements, loan agreements and other cash securities to largely be negotiated bilaterally with the counterparty.

There are key differences between IBORs and RFRs. IBORs are 'term rates', which means that they are published for a borrowing period (for example three months), and they are 'forward-looking', because they are published at the beginning of a borrowing period, based upon an estimated inter-bank borrowing cost for the period. RFRs are typically 'backward-looking' rates, as they are based upon overnight rates from actual transactions, and are therefore published at the end of the overnight borrowing period. Furthermore, IBORs include a credit spread over the RFR. Therefore, to transition existing contracts and agreements to RFR, adjustments for term and credit differences may need to be applied to RFR-linked rates to enable the two benchmarks to be economically equivalent upon transition. The methodologies for determining these adjustments are undergoing in-depth consultations by industry working groups, on behalf of the respective global regulators and related market participants.

Barclays has established a Group-wide LIBOR Transition Programme, with oversight from the Group Finance Director and with cross-business line and functions-support governance. The Transition Programme follows a risk management approach, based upon recognised 'change delivery' control standards, to drive strategic execution, and identify, manage and resolve key risks and issues as they arise. Accountable Executives are in place within key working groups, with overall Board oversight delegated to the Board Risk Committee and the Group Finance Director. Barclays performs a prominent stewardship role to drive orderly transition via our representation on official sector and industry working groups across all major jurisdictions and product classes. The Group is actively engaging with the counterparties to include appropriate fallback provisions in its floating rate assets and liabilities with maturities after 2021, when most IBORs are expected to cease to exist. We expect that the hedging instruments will be modified by the amendments to the 2006 ISDA definitions that will include fallback provisions for when the existing IBORs are permanently discontinued. Additionally, the Group Finance Director is Chair of the UK's 'Working Group on Sterling Risk-Free Reference Rates', whose mandate is to catalyse a broad-based transition to using SONIA (Sterling Overnight Index Average) as the primary Sterling interest rate benchmark in bond, loan and derivatives markets. Further, hedge accounting specific impacts of IBOR reform are expected as transition progresses, with impact on financial reporting becoming clearer following anticipated completion of Phase 2 of the IASB's IBOR Reform project.

Amount, timing and uncertainty of future cash flows

The following table shows the hedging instruments which are carried on the Group's balance sheet:

		Carrying value					
Hedge type	Risk category	Derivative assets £m	Derivative liabilities £m	Loan liabilities £m	Nominal amount £m	Change in fair value used as a basis to determine ineffectiveness £m	Nominal amount directly impacted by IBOR reform £m
As at 31 December 2019							
Fair value	Interest rate risk	**110**	**(44)**	**–**	**104,568**	**(1,571)**	**55,552**
	Inflation risk	**26**	**(542)**	**–**	**7,889**	**(82)**	**6,101**
Cash flow	Interest rate risk	**3**	**(1)**	**–**	**66,515**	**739**	**15,223**
	Inflation risk	**4**	**–**	**–**	**1,258**	**31**	**–**
Net investment	Foreign exchange risk	**30**	**–**	**(10,051)**	**11,196**	**288**	**–**
As at 31 December 2018							
Fair value	Interest rate risk	106	(41)	–	98,320	135	n/a
	Inflation risk	37	(8)	–	3,525	29	n/a
Cash flow	Interest rate risk	11	(6)	–	75,389	(380)	n/a
Net investment	Foreign exchange risk	–	(10)	(12,325)	15,300	(745)	n/a

14 Derivative financial instruments continued

The following table summarises the significant hedge accounting exposures impacted by the IBOR reform as at 31 December 2019:

Current benchmark rate	Expected convergence to RFR	Nominal amount of hedged items directly impacted by IBOR reform £m	Nominal amount of hedging instruments directly impacted by IBOR reform £m
GBP London Interbank Offered Rate (LIBOR)	Reformed Sterling Overnight Index Average (SONIA)	14,733	12,269
USD LIBOR/Effective Federal Funds Rate (EFFR)	Secured Overnight Financing Rate (SOFR)	57,941	57,967
Euro Overnight Index Average (EONIA)	Euro Short-Term Rate (€STR)	3,009	3,009
JPY LIBOR	Tokyo Overnight Average (TONA)	1,428	1,428
AUD LIBOR	Bank Bill Swap Rate (BBSW)/Overnight Cash Rate (AONIA)	1,183	1,183
All Other IBORs	Various Other RFRs	1,199	1,020

The Group's exposure risk management also includes the use of the Euro Interbank Offered Rate (EURIBOR). The calculation methodology of EURIBOR changed during 2019. In July 2019, the Belgian Financial Services and Markets Authority granted authorisation with respect to EURIBOR under the European Union Benchmarks Regulation. This allows market participants to continue to use EURIBOR after 1 January 2020 for both existing and new contracts. The Group expects that EURIBOR will continue to exist as a benchmark rate for the foreseeable future. The Group does not anticipate changing the hedged risk to a different benchmark. For these reasons, the Group does not consider its fair value or cash flow hedges of the EURIBOR benchmark interest rate to be directly affected by interest rate benchmark reform at 31 December 2019.

The following table profiles the expected notional values of current hedging instruments in future years:

	2020 £m	2021 £m	2022 £m	2023 £m	2024 £m	2025 and later £m
As at 31 December						
Fair value hedges of interest rate risk						
Notional amount	**97,933**	**79,192**	**64,625**	**57,432**	**44,630**	**38,488**
Fair value hedges of inflation risk						
Notional amount	**6,675**	**5,519**	**4,560**	**3,589**	**3,036**	**2,025**

There are 2,308 (2018: 1,805) interest rate risk fair value hedges with an average fixed rate of 2.13% (2018: 2.79%) across the relationships and 117 (2018: 44) inflation risk fair value hedges with an average rate of 0.7% (2018: 1%) across the relationships.

The Group has hedged the following forecast cash flows, which primarily vary with interest rates. These cash flows are expected to impact the income statement in the following periods, excluding any hedge adjustments that may be applied:

	Total £m	Up to one year £m	One to two years £m	Two to three years £m	Three to four years £m	Four to five years £m	More than five years £m
2019							
Forecast receivable cash flows	**1,696**	**493**	**409**	**324**	**238**	**122**	**110**
2018							
Forecast receivable cash flows	2,599	685	717	536	346	200	115

The maximum length of time over which the 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 (2018: 10 years).

Assets and liabilities held at fair value

14 Derivative financial instruments continued

Hedged items in fair value hedges

Hedged item statement of financial position classification and risk category	Carrying amount £m	Accumulated fair value adjustment included in carrying amount: Total £m	Of which: Accumulated fair value adjustment on items no longer in a hedge relationship £m	Change in fair value used as a basis to determine ineffectiveness £m	Hedge ineffectiveness recognised in the income statement[a] £m
2019					
Assets					
Loans and advances at amortised cost					
– Interest rate risk	**8,442**	**694**	**(643)**	**1,030**	**76**
– Inflation risk	**525**	**325**	**–**	**(2)**	**1**
Financial assets at fair value through other comprehensive income					
– Interest rate risk	**32,169**	**922**	**494**	**2,046**	**(4)**
– Inflation risk	**7,811**	**87**	**–**	**111**	**(16)**
Debt securities classified as amortised cost					
– Interest rate risk	**2,974**	**(1)**	**–**	**(1)**	**–**
– Inflation risk	**2,258**	**(41)**	**–**	**(41)**	**1**
Liabilities					
Debt securities in issue					
– Interest rate risk	**(55,589)**	**(1,574)**	**(75)**	**(1,445)**	**(13)**
2018					
Assets					
Loans and advances at amortised cost					
– Interest rate risk	7,106	(363)	(626)	(568)	37
– Inflation risk	512	312	–	2	(1)
Financial assets at fair value through other comprehensive income					
– Interest rate risk	30,108	416	(21)	(96)	17
– Inflation risk	2,907	(20)	–	(50)	(18)
Liabilities					
Debt securities in issue					
– Interest rate risk	53,935	(289)	(256)	549	(34)

Note
a Hedge ineffectiveness is recognised in 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 adjusts other comprehensive income.

14 Derivative financial instruments continued

Hedged items in cash flow hedges and hedges of net investments in foreign operations

Description of hedge relationship and hedged risk	Change in value of hedged item used as the basis for recognising ineffectiveness £m	Balance in cash flow hedging reserve for continuing hedges £m	Balance in currency translation reserve for continuing hedges £m	Balances remaining in cash flow hedging reserve for which hedge accounting is no longer applied £m	Balances remaining in currency translation reserve for which hedge accounting is no longer applied £m	Hedging gains or losses recognised in other comprehensive income £m	Hedge ineffectiveness recognised in the income statement[a] £m
2019							
Cash flow hedge of interest rate risk							
Loans and advances at amortised cost	**(696)**	**(223)**	**–**	**(1,072)**	**–**	**(706)**	**43**
Debt securities classified as amortised cost	**(29)**	**(26)**	**–**	**–**	**–**	**(25)**	**2**
Hedge of net investment in foreign operations							
USD foreign operations	**215**	**–**	**1,087**	**–**	**–**	**215**	**–**
EUR foreign operations	**70**	**–**	**(1)**	**–**	**16**	**70**	**–**
Other foreign operations	**3**	**–**	**1**	**–**	**240**	**3**	**–**
Total foreign operations	**288**	**–**	**1,087**	**–**	**256**	**288**	**–**
2018							
Cash flow hedge of interest rate risk							
Loans and advances at amortised cost	375	(44)	–	(827)	–	334	(5)
Hedge of net investment in foreign operations							
USD foreign operations	719	–	1,648	–	–	719	–
EUR foreign operations	–	–	1	–	86	–	–
Other foreign operations	25	–	(3)	–	241	25	(1)
Total foreign operations	744	–	1,646	–	327	744	(1)

Note
a Hedge ineffectiveness is recognised in net interest income.

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	2019 Amount recycled from other comprehensive income due to hedged item affecting income statement £m	2019 Amount recycled from other comprehensive income due to sale or disposal of investment £m	2018 Amount recycled from other comprehensive income due to hedged item affecting income statement £m	2018 Amount recycled from other comprehensive income due to sale or disposal of investment £m
Cash flow hedge of interest rate risk				
Recycled to interest income	**259**	**18**	332	–
Hedge of net investment in foreign operations				
Recycled to other income	**–**	**15**	–	(41)

A detailed reconciliation of the movements of the cash flow hedging reserve and the currency translation reserve is as follows:

	2019 Cash flow hedging reserve £m	2019 Currency translation reserve £m	2018 Cash flow hedging reserve £m	2018 Currency translation reserve £m
Balance on 1 January	**660**	**3,888**	1,161	3,054
Currency translation movements	**(7)**	**(816)**	(10)	1,537
Hedging gains/(losses) for the year	**731**	**287**	(334)	(744)
Amounts reclassified in relation to cash flows affecting profit or loss	**(277)**	**(15)**	(332)	41
Tax	**(105)**	**–**	175	–
Balance on 31 December	**1,002**	**3,344**	660	3,888

Assets and liabilities held at fair value

15 Financial assets at fair value through other comprehensive income

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 remeasured at fair value and changes therein (except for those relating to impairment, interest income and foreign currency exchange gains and losses) are recognised in other comprehensive income until the assets are sold. 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 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 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 derecognition of these equity securities are not transferred to profit or loss. These assets are also not subject to the impairment requirements and therefore no amounts are recycled to the income statement. Where the 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

Available for sale financial assets are held at fair value with gains and losses being included in other comprehensive income. The 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 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.

	2019 £m	2018 £m
Debt securities and other eligible bills	**64,103**	51,026
Equity securities	**1,023**	1,122
Loans and advances	**624**	668
Financial assets at fair value through other comprehensive income	**65,750**	52,816

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, unless the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch in P&L. In these scenarios, all gains and losses on that liability (including the effects of changes in the credit risk of the liability) are presented in P&L. On derecognition of the financial liability no amount relating to own credit risk are recycled to the income statement. The 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 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.

	2019		2018	
	Fair value £m	Contractual amount due on maturity £m	Fair value £m	Contractual amount due on maturity £m
Debt securities	**49,559**	**56,891**	46,649	54,159
Deposits	**25,526**	**25,725**	31,682	32,029
Repurchase agreements and other similar secured borrowing	**128,547**	**128,706**	138,484	138,724
Other financial liabilities	**694**	**694**	19	19
Financial liabilities designated at fair value	**204,326**	**212,016**	216,834	224,931

The cumulative own credit net loss recognised is £373m (2018: £121m loss).

17 Fair value of financial instruments

Accounting for financial assets and liabilities – fair values

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

All financial instruments are initially recognised at fair value on the date of initial recognition (including transaction costs, other than financial instruments held at fair value through profit or loss) and depending on the subsequent classification of the financial 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 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.

Assets and liabilities held at fair value

17 Fair value of financial instruments continued

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 288.

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.

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

	2019				2018			
	Valuation technique using				Valuation technique using			
As at 31 December	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Trading portfolio assets	60,352	51,579	2,264	114,195	51,029	49,545	3,613	104,187
Financial assets at fair value through the income statement	10,445	114,141	8,500	133,086	8,918	131,348	9,382	149,648
Derivative financial assets	5,439	220,642	3,155	229,236	6,813	210,510	5,215	222,538
Financial assets at fair value through other comprehensive income	18,755	46,566	429	65,750	19,764	32,697	355	52,816
Investment property	–	–	13	13	–	–	9	9
Total assets	**94,991**	**432,928**	**14,361**	**542,280**	86,524	424,100	18,574	529,198
Trading portfolio liabilities	(20,977)	(15,939)	–	(36,916)	(20,654)	(17,225)	(3)	(37,882)
Financial liabilities designated at fair value	(82)	(203,882)	(362)	(204,326)	(76)	(216,478)	(280)	(216,834)
Derivative financial liabilities	(5,305)	(219,910)	(3,989)	(229,204)	(6,152)	(208,748)	(4,743)	(219,643)
Total liabilities	**(26,364)**	**(439,731)**	**(4,351)**	**(470,446)**	(26,882)	(442,451)	(5,026)	(474,359)

17 Fair value of financial instruments continued

The following table shows the Barclays Group's Level 3 assets and liabilities that are held at fair value disaggregated by product type:

Level 3 assets and liabilities held at fair value by product type

	2019		2018	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Interest rate derivatives	**605**	**(812)**	2,478	(2,456)
Foreign exchange derivatives	**291**	**(298)**	192	(185)
Credit derivatives	**539**	**(342)**	1,381	(331)
Equity derivatives	**1,711**	**(2,528)**	1,136	(1,743)
Commodity derivatives	**9**	**(9)**	28	(28)
Corporate debt	**521**	**–**	456	–
Reverse repurchase and repurchase agreements	**–**	**(167)**	768	–
Non-asset backed loans	**6,811**	**–**	8,304	–
Asset backed securities	**756**	**–**	688	–
Equity cash products	**1,228**	**–**	698	(3)
Private equity investments	**899**	**(19)**	1,071	(19)
Other[a]	**991**	**(176)**	1,374	(261)
Total	**14,361**	**(4,351)**	18,574	(5,026)

Note

a Other includes commercial real estate loans, funds and fund-linked products, issued debt, government sponsored debt 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, observability and sensitivity analysis for material products within Level 3, are described below.

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.

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.

Assets and liabilities held at fair value

17 Fair value of financial instruments continued

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.

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.

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.

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.

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.

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.

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.

Equity cash products

Description: Includes listed equities, Exchange Traded Funds (ETF) and preference shares.

Valuation: Valuation of equity cash products is primarily determined through market observable prices.

Observability: Prices for actively traded equity cash products are considered observable. Unobservable equity prices are generally determined by reference to actively traded instruments that are similar in nature, or inferred via another reasonable method.

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.

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 (2018: there were no material transfers between Level 1 and Level 2).

Level 3 movement analysis

The following table summarises the movements in the Level 3 balances during the period. The table shows gains and losses and includes amounts for all financial assets and liabilities that are held at fair value transferred to and from Level 3 during the period. Transfers have been reflected as if they had taken place at the beginning of the year.

Asset and liability transfers between Level 2 and Level 3 are primarily due to i) an increase or decrease in observable market activity related to an input or ii) a change in the significance of the unobservable input, with assets and liabilities classified as Level 3 if an unobservable input is deemed significant.

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 2019 £m	Purchases £m	Sales £m	Issues £m	Settlements £m	Total gains and losses in the period recognised in the income statement		Total gains or losses recognised in OCI £m	Transfers		As at 31 December 2019 £m
						Trading income £m	Other income £m		In £m	Out £m	
Corporate debt	388	126	(52)	–	(311)	1	–	–	45	(77)	120
Non-asset backed loans	2,263	1,844	(2,799)	–	(134)	24	–	–	200	(424)	974
Asset backed securities	664	202	(166)	–	–	(30)	–	–	16	(30)	656
Equity cash products	136	62	(40)	–	–	(31)	–	–	293	(28)	392
Other	162	–	–	–	(1)	(24)	–	–	–	(15)	122
Trading portfolio assets	3,613	2,234	(3,057)	–	(446)	(60)	–	–	554	(574)	2,264
Non-asset backed loans	5,688	235	–	–	(755)	343	(1)	–	–	(16)	5,494
Equity cash products	559	66	–	–	(2)	3	209	–	–	–	835
Private equity investments	1,071	45	(121)	–	(28)	–	55	–	41	(163)	900
Other	2,064	5,719	(5,720)	–	(9)	12	(15)	–	24	(804)	1,271
Financial assets at fair value through the income statement	9,382	6,065	(5,841)	–	(794)	358	248	–	65	(983)	8,500
Non-asset backed loans	–	283	–	–	–	–	–	60	–	–	343
Asset backed securities	–	116	(30)	–	–	–	–	–	–	–	86
Equity cash products	2	–	(1)	–	–	–	–	(1)	–	–	–
Other	353	–	–	–	(135)	–	–	–	–	(218)	–
Financial assets at fair value through other comprehensive income	355	399	(31)	–	(135)	–	–	59	–	(218)	429
Investment property	9	5	–	–	–	–	(1)	–	–	–	13
Trading portfolio liabilities	(3)	–	–	–	–	–	–	–	–	3	–
Financial liabilities designated at fair value	(280)	(179)	10	(42)	41	67	(2)	–	(27)	50	(362)
Interest rate derivatives	22	(9)	–	–	88	(92)	–	–	(177)	(38)	(206)
Foreign exchange derivatives	7	–	–	–	25	(12)	–	–	(32)	5	(7)
Credit derivatives	1,050	(59)	3	–	(866)	76	–	–	(9)	3	198
Equity derivatives	(607)	(296)	(35)	–	(2)	(296)	–	–	(37)	454	(819)
Net derivative financial instruments[a]	472	(364)	(32)	–	(755)	(324)	–	–	(255)	424	(834)
Total	13,548	8,160	(8,951)	(42)	(2,089)	41	245	59	337	(1,298)	10,010

Note

a The derivative financial instruments are represented on a net basis. On a gross basis, derivative financial assets are £3,155m (2018: £5,215m) and derivative financial liabilities are £3,989m (2018: £4,743m).

17 Fair value of financial instruments continued

Analysis of movements in Level 3 assets and liabilities

	As at 1 January 2018 £m	Purchases £m	Sales £m	Issues £m	Settlements £m	Total gains and losses in the period recognised in the income statement: Trading income £m	Total gains and losses in the period recognised in the income statement: Other income £m	Total gains or losses recognised in OCI £m	Transfers: In £m	Transfers: Out £m	As at 31 December 2018 £m
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	245	18	(55)	–	(20)	(32)	–	–	145	(139)	162
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
Equity cash products	398	87	(1)	–	–	1	74	–	–	–	559
Private equity investments	688	279	(114)	–	–	2	117	–	125	(26)	1,071
Other	360	6,624	(4,920)	–	(47)	29	18	–	–	–	2,064
Financial assets at fair value through the income statement	7,519	7,064	(5,035)	–	(555)	81	209	–	125	(26)	9,382
Equity cash products	36	–	(16)	–	–	–	–	–	–	(18)	2
Private equity investments	129	–	–	–	–	–	–	–	–	(129)	–
Other	40	–	–	–	–	–	–	(1)	314	–	353
Financial assets at 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)
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)
Net derivative financial instruments	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

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

	2019				2018			
	Income statement		Other comprehensive income		Income statement		Other comprehensive income	
As at 31 December	Trading income £m	Other income £m	Other comprehensive income £m	Total £m	Trading income £m	Other income £m	Other comprehensive income £m	Total £m
Trading portfolio assets	(57)	–	–	(57)	(60)	–	–	(60)
Financial assets at fair value through the income statement	346	246	–	592	68	206	–	274
Fair value through other comprehensive income	–	–	60	60	–	–	(1)	(1)
Investment property	–	(1)	–	(1)	–	(1)	–	(1)
Trading portfolio liabilities	–	–	–	–	(3)	–	–	(3)
Financial liabilities designated at fair value	64	–	–	64	55	–	–	55
Net derivative financial instruments	(459)	–	–	(459)	(14)	–	–	(14)
Total	(106)	245	60	199	46	205	(1)	250

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:

			2019 Range		2018 Range		
	Valuation technique(s)[c]	Significant unobservable inputs	Min	Max	Min	Max	Units[a]
Derivative financial instruments[b]							
Interest rate derivatives	Discounted cash flows	Inflation forwards	1	3	1	2	%
		Credit spread	41	1,620	6	897	bps
	Comparable pricing	Price	–	37	–	100	points
	Option model	Inflation volatility	47	190	33	174	bps vol
		Interest rate volatility	8	431	10	199	bps vol
		IR – IR correlation	(30)	100	(26)	100	%
Credit derivatives	Discounted cash flows	Credit spread	72	200	142	209	bps
	Comparable pricing	Price	–	155	10	96	points
Equity derivatives	Option model	Equity volatility	1	200	2	81	%
		Equity – equity correlation	(20)	100	(100)	100	%
	Discounted cash flow	Discounted margin	(500)	1,100	(171)	301	bps
Non-derivative financial instruments							
Non-asset backed loans	Discounted cash flows	Loan spread	31	1,884	30	531	bps
		Credit spread	180	1,223	25	800	bps
		Price	–	133	–	118	points
	Comparable pricing	Price	–	123	–	100	points
Asset backed securities	Comparable pricing	Price	–	99	–	102	points
Private equity investments	EBITDA multiple	EBITDA multiple	5	16	7	8	Multiple
	Discounted cash flow	Discount margin	8	10	8	10	%
Other[d]	Discounted cash flows	Credit spread	126	649	143	575	bps

Notes

a The units used to disclose ranges for significant unobservable inputs are percentages, points and basis points. Points are a percentage of par; for example, 100 points equals 100% of par. A basis point equals 1/100th of 1%; for example, 150 basis points equals 1.5%.

b Certain derivative instruments are classified as Level 3 due to a significant unobservable credit spread input into the calculation of the Credit Valuation Adjustment for the instruments. The range of significant unobservable credit spreads is between 41-1,620bps (2018: 6-897bps).

c A range has not been provided for Net Asset Value as there would be a wide range reflecting the diverse nature of the positions.

d Other includes commercial real estate loans, funds and fund-linked products, issued debt, government sponsored debt and investment property.

17 Fair value of financial instruments continued

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.

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 near zero defaults since inception. While the overall loan spread range is from 31bps to 1,884bps (2018: 30bps to 531bps), 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.

EBITDA multiple

EBITDA multiple is the ratio of the valuation of the investment to the earnings before interest, taxes, depreciation and amortisation.

Assets and liabilities held at fair value

17 Fair value of financial instruments continued

In general, a significant increase in the multiple will result in a fair value increase for an investment.

Sensitivity analysis of valuations using unobservable inputs

	2019				2018			
	Favourable changes		Unfavourable changes		Favourable changes		Unfavourable changes	
	Income statement £m	Equity £m	Income statement £m	Equity £m	Income statement £m	Equity £m	Income statement £m	Equity £m
Interest rate derivatives	**44**	**–**	**(127)**	**–**	80	–	(162)	–
Foreign exchange derivatives	**5**	**–**	**(7)**	**–**	7	–	(10)	–
Credit derivatives	**73**	**–**	**(47)**	**–**	126	–	(73)	–
Equity derivatives	**114**	**–**	**(119)**	**–**	110	–	(112)	–
Commodity derivatives	**–**	**–**	**–**	**–**	1	–	(1)	–
Corporate debt	**11**	**–**	**(16)**	**–**	10	–	(2)	–
Non-asset backed loans	**214**	**8**	**(492)**	**(8)**	274	–	(458)	–
Equity cash products	**123**	**–**	**(175)**	**–**	121	–	(155)	–
Private equity investments	**205**	**–**	**(235)**	**–**	230	–	(241)	–
Other[a]	**1**	**–**	**(1)**	**–**	2	–	(2)	–
Total	**790**	**8**	**(1,219)**	**(8)**	961	–	(1,216)	–

Note
a Other includes commercial real estate loans, funds and fund-linked products, issued debt, government-sponsored debt 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 £798m (2018: £961m) or to decrease fair values by up to £1,227m (2018: £1,216m) with substantially all the potential effect impacting profit and loss rather than reserves.

Fair value adjustments

Key balance sheet valuation adjustments are quantified below:

	2019 £m	2018 £m
Exit price adjustments derived from market bid-offer spreads	**(429)**	(457)
Uncollateralised derivative funding	**(57)**	(47)
Derivative credit valuation adjustments	**(135)**	(125)
Derivative debit valuation adjustments	**155**	237

Exit price adjustments derived from market bid-offer spreads

The Barclays Group uses mid-market pricing where it is a market maker and has the ability to transact at, or better than, mid price (which is the case for certain equity, bond and vanilla derivative markets). For other financial assets and liabilities, bid-offer adjustments are recorded to reflect the exit level for the expected close out strategy. The methodology for determining the bid-offer adjustment for a derivative portfolio involves calculating the net risk exposure by offsetting long and short positions by strike and term in accordance with the risk management and hedging strategy.

Bid-offer levels are generally derived from market quotes such as broker data. Less liquid instruments may not have a directly observable bid-offer level. In such instances, an exit price adjustment may be derived from an observable bid-offer level for a comparable liquid instrument, or determined by calibrating to derivative prices, or by scenario or historical analysis.

Exit price adjustments derived from market bid-offer spreads have decreased by £28m to £429m as a result of movements in market bid offer spreads.

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 £57m 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 £10m to £57m mainly as a result of increase in underlying derivative exposures.

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 2019 was to reduce FFVA by £170m (2018: £141m).

17 Fair value of financial instruments continued

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 £36m (2018: £50m) increase in CVA.

Correlation between counterparty credit and underlying derivative risk factors, termed 'wrong-way,' or 'right-way' risk, is not systematically incorporated into the CVA calculation but is adjusted where the underlying exposure is directly related to the counterparty.

CVA increased by £10m to £135m, as a result of increase in underlying derivative exposures offset by general tightening in Credit Spreads. DVA decreased by £82m to £155m, as a result of tightening in Barclays' credit spreads.

Barclays continues to monitor market practices and activity to ensure the approach to uncollateralised derivative valuation remains appropriate.

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 £113m (2018: £141m) for financial instruments measured at fair value and £255m (2018: £262m) for financial instruments carried at amortised cost. There are additions of £41m (2018: £65m), and amortisation and releases of £69m (2018: £33m) for financial instruments measured at fair value and additions of £7m (2018: £29m) and amortisation and releases of £14m (2018: £20m) 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 £3,218m (2018: £4,797m).

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:

	2019					2018				
As at 31 December	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
Financial assets										
Loans and advances at amortised cost[a]	**339,115**	**337,510**	**11,145**	**73,378**	**250,985**	326,406	325,264	4,599	68,955	249,653
Reverse repurchase agreements and other similar secured lending	**3,379**	**3,379**	**–**	**3,379**	**–**	2,308	2,308	–	2,308	–
Financial liabilities										
Deposits at amortised cost	**(415,787)**	**(415,807)**	**(327,329)**	**(78,659)**	**(9,819)**	(394,838)	(394,857)	(348,905)	(40,106)	(5,846)
Repurchase agreements and other similar secured borrowing	**(14,517)**	**(14,517)**	**–**	**(14,517)**	**–**	(18,578)	(18,578)	–	(18,578)	–
Debt securities in issue	**(76,369)**	**(78,512)**	**–**	**(76,142)**	**(2,370)**	(82,286)	(81,687)	–	(78,315)	(3,372)
Subordinated liabilities	**(18,156)**	**(18,863)**	**–**	**(18,863)**	**–**	(20,559)	(21,049)	–	(21,049)	–

Note

a The fair value hierarchy for finance lease receivables presented within loans and advances at amortised cost, with fair value amounting to £2,002m (2018: £2,057m), is not required as part of the standard.

17 Fair value of financial instruments continued

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.

Reverse repurchase agreements and other similar secured borrowing

The fair value of reverse repurchase agreements approximates carrying amount as these balances are generally short dated and fully collateralised.

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.

Repurchase agreements and other similar secured borrowing

The fair value of repurchase agreements approximates carrying amounts as these balances are generally short dated.

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.

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 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 'Net amounts' presented on the next page are not intended to represent the Group's actual exposure to credit risk, as a variety of credit mitigation strategies are employed in addition to netting and collateral arrangements.

18 Offsetting financial assets and financial liabilities continued

	Amounts subject to enforceable netting arrangements						Amounts not subject to enforceable netting arrange-ments[c] £m	Balance sheet total[d] £m
	Effects of offsetting on-balance sheet			Related amounts not offset				
	Gross amounts £m	Amounts offset[a] £m	Net amounts reported on the balance sheet £m	Financial instruments £m	Financial collateral[b] £m	Net amount £m		
As at 31 December 2019								
Derivative financial assets	**260,206**	**(32,546)**	**227,660**	**(175,998)**	**(38,922)**	**12,740**	**1,576**	**229,236**
Reverse repurchase agreements and other similar secured lending[e]	**374,274**	**(276,021)**	**98,253**	**–**	**(98,253)**	**–**	**2,013**	**100,266**
Total assets	**634,480**	**(308,567)**	**325,913**	**(175,998)**	**(137,175)**	**12,740**	**3,589**	**329,502**
Derivative financial liabilities	**(255,269)**	**31,180**	**(224,089)**	**175,998**	**38,632**	**(9,459)**	**(5,115)**	**(229,204)**
Repurchase agreements and other similar secured borrowing[e]	**(406,081)**	**276,021**	**(130,060)**	**–**	**130,058**	**(2)**	**(13,004)**	**(143,064)**
Total liabilities	**(661,350)**	**307,201**	**(354,149)**	**175,998**	**168,690**	**(9,461)**	**(18,119)**	**(372,268)**
As at 31 December 2018								
Derivative financial assets	239,180	(18,687)	220,493	(172,001)	(36,904)	11,588	2,045	222,538
Reverse repurchase agreements and other similar secured lending[e]	354,409	(235,772)	118,637	–	(118,195)	442	2,712	121,349
Total assets	593,589	(254,459)	339,130	(172,001)	(155,099)	12,030	4,757	343,887
Derivative financial liabilities	(233,543)	18,229	(215,314)	172,001	32,959	(10,354)	(4,329)	(219,643)
Repurchase agreements and other similar secured borrowing[e]	(375,976)	235,772	(140,204)	–	140,165	(39)	(16,858)	(157,062)
Total liabilities	(609,519)	254,001	(355,518)	172,001	173,124	(10,393)	(21,187)	(376,705)

Notes

a Amounts offset for Derivative financial assets additionally includes cash collateral netted of £4,099m (2018: £2,187m). Amounts offset for Derivative financial liabilities additionally includes cash collateral netted of £5,465m (2018: £2,645m). Settlements assets and liabilities have been offset amounting to £14,079m (2018: £23,095m).

b Financial collateral of £38,922m (2018: £36,904m) was received in respect of derivative assets, including £33,411m (2018: £31,402m) of cash collateral and £5,511m (2018: £5,502m) of non-cash collateral. Financial collateral of £38,632m (2018: £32,959m) was placed in respect of derivative liabilities, including £35,712m (2018: £29,842m) of cash collateral and £2,920m (2018: £3,117m) of non-cash collateral. The collateral amounts are limited to net balance sheet exposure so as to not include overcollateralisation.

c This column includes contractual rights of set-off that are subject to uncertainty under the laws of the relevant jurisdiction.

d The balance sheet total is the sum of 'Net amounts reported on the balance sheet' that are subject to enforceable netting arrangements and 'Amounts not subject to enforceable netting arrangements'.

e Reverse repurchase agreements and other similar secured lending of £100,266m (2018: £121,349m) is split by fair value £96,887m (2018: £119,041m) and amortised cost £3,379m (2018: £2,308m). Repurchase agreements and other similar secured borrowing of £143,064m (2018: £157,062m) is split by fair value £128,547m (2018: £138,484m) and amortised cost £14,517m (2018: £18,578m).

Derivative assets and liabilities

The 'Financial instruments' column identifies financial assets and liabilities that are subject to set-off under netting agreements, such as the ISDA Master Agreement or derivative exchange or clearing counterparty agreements, whereby all outstanding transactions with the same counterparty can be offset and close-out netting applied across all outstanding transactions covered by the agreements if an event of default or other predetermined events occur.

Financial collateral refers to cash and non-cash collateral obtained, typically daily or weekly, to cover the net exposure between counterparties by enabling the collateral to be realised in an event of default or if other predetermined events occur.

Repurchase and reverse repurchase agreements and other similar secured lending and borrowing

The 'Amounts offset' column identifies financial assets and liabilities that are subject to set-off under netting agreements, such as Global Master Repurchase Agreements and Global Master Securities Lending Agreements, whereby all outstanding transactions with the same counterparty can be offset and close-out netting applied across all outstanding transactions covered by the agreements if an event of default or other predetermined events occur.

Financial collateral typically comprises highly liquid securities which are legally transferred and can be liquidated in the event of counterparty default.

These offsetting and collateral arrangements and other credit risk mitigation strategies used by the Group are further explained in the Credit risk mitigation section on page 139.

Assets at amortised cost and other investments

The notes included in this section focus on the Group's loans and advances and deposits at amortised cost, leases, property, plant and equipment and goodwill and intangible assets. Details regarding the Group's liquidity and capital position can be found on pages 178 to 197.

19 Loans and advances and deposits at amortised cost

Accounting for loans and advances and deposits held at amortised cost under IFRS 9 effective from 1 January 2018

Loans and advances to customers and banks, customer accounts, debt securities and most financial liabilities, are held at amortised cost. That is, the initial fair value (which is normally the amount advanced or borrowed) is adjusted for repayments and the amortisation of coupon, fees and expenses to represent the effective interest rate of the asset or liability. Balances deferred on-balance sheet as effective interest rate adjustments are amortised to interest income over the life of the financial instrument to which they relate.

Financial assets that are held in a business model to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are SPPI, are measured at amortised cost. The carrying value of these financial assets at initial recognition includes any directly attributable transaction costs. Refer to Note 1 for details on 'solely payments of principal and interest'.

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

Accounting for loans and advances and deposits held at amortised cost under IAS 39 for 2017

Loans and advances to customers and banks, customer accounts, debt securities and most financial liabilities, are held at amortised cost. That is, the initial fair value (which is normally the amount advanced or borrowed) is adjusted for repayments and the amortisation of coupon, fees and expenses to represent the effective interest rate of the asset or liability. Balances deferred on-balance sheet as effective interest rate adjustments are amortised to interest income over the life of the financial instrument to which they relate.

Loans and advances and deposits at amortised cost

As at 31 December	2019 £m	2018 £m
Loans and advances at amortised cost to banks	**9,624**	10,575
Loans and advances at amortised cost to customers	**311,739**	310,097
Debt securities at amortised cost	**17,752**	5,734
Total loans and advances at amortised cost	**339,115**	326,406
Deposits at amortised cost from banks	**15,402**	14,166
Deposits at amortised cost from customers	**400,385**	380,672
Total deposits at amortised cost	**415,787**	394,838

20 Property, plant and equipment

Accounting for property, plant and equipment

The Group applies IAS 16 *Property Plant and Equipment* and IAS 40 *Investment Properties*.

Property, plant and equipment is stated at cost, which includes direct and incremental acquisition costs less accumulated depreciation and provisions for impairment, if required. Subsequent costs are capitalised if these result in enhancement of the asset.

Depreciation is provided on the depreciable amount of items of property, plant and equipment on a straight-line basis over their estimated useful economic lives. Depreciation rates, methods and the residual values underlying the calculation of depreciation of items of property, plant and equipment are kept under review to take account of any change in circumstances. The Group uses the following annual rates in calculating depreciation:

Annual rates in calculating depreciation	Depreciation rate
Freehold land	Not depreciated
Freehold buildings and long-leasehold property (more than 50 years to run)	2-3.3%
Leasehold property over the remaining life of the lease (less than 50 years to run)	Over the remaining life of the lease
Costs of adaptation of freehold and leasehold property	6-10%
Equipment installed in freehold and leasehold property	6-10%
Computers and similar equipment	17-33%
Fixtures and fittings and other equipment	9-20%

Costs of adaptation and installed equipment are depreciated over the shorter of the life of the lease or the depreciation rates noted in the table above.

Investment property

The Group initially recognises investment property at cost, and subsequently at fair value at each balance sheet date, reflecting market conditions at the reporting date. Gains and losses on remeasurement are included in the income statement.

Assets at amortised cost and other investments

20 Property, plant and equipment continued

	Investment property £m	Property £m	Equipment £m	Leased assets £m	Right of use assets[a] £m	Total £m
Cost						
As at 31 December 2018	9	3,684	2,956	9	–	6,658
Effects of changes in accounting policies (see Note 1)	–	–	–	–	1,748	1,748
As at 1 January 2019	9	3,684	2,956	9	1,748	8,406
Additions	5	377	337	–	95	814
Disposals	–	(73)	(251)	–	(10)	(334)
Exchange and other movements	(1)	(50)	(65)	–	(7)	(123)
As at 31 December 2019	13	3,938	2,977	9	1,826	8,763
Accumulated depreciation and impairment						
As at 31 December 2018	–	(1,792)	(2,322)	(9)	–	(4,123)
Effects of changes in accounting policies (see Note 1)	–	–	–	–	(104)	(104)
As at 1 January 2019	–	(1,792)	(2,322)	(9)	(104)	(4,227)
Depreciation charge	–	(178)	(229)	–	(226)	(633)
Impairment	–	(11)	(1)	–	(2)	(14)
Disposals	–	56	205	–	–	261
Exchange and other movements	–	24	41	–	–	65
As at 31 December 2019	–	(1,901)	(2,306)	(9)	(332)	(4,548)
Net book value	13	2,037	671	–	1,494	4,215
Cost						
As at 1 January 2018	116	3,493	2,748	9	–	6,366
Additions	9	217	262	–	–	488
Disposals	(115)	(83)	(99)	–	–	(297)
Change in fair value of investment properties	(3)	–	–	–	–	(3)
Exchange and other movements	2	57	45	–	–	104
As at 31 December 2018	9	3,684	2,956	9	–	6,658
Accumulated depreciation and impairment						
As at 1 January 2018	–	(1,668)	(2,117)	(9)	–	(3,794)
Depreciation charge	–	(166)	(252)	–	–	(418)
Impairment	–	(3)	–	–	–	(3)
Disposals	–	73	79	–	–	152
Exchange and other movements	–	(28)	(32)	–	–	(60)
As at 31 December 2018	–	(1,792)	(2,322)	(9)	–	(4,123)
Net book value	9	1,892	634	–	–	2,535

Note
a Right of use (ROU) asset balances relate to property leases under IFRS 16, which Barclays adopted on 1 January 2019. Refer to Note 21 for further details.

Property rentals of £22m (2018: £19m) have been included in other income.

The fair value of investment property is determined by reference to current market prices for similar properties, adjusted as necessary for condition and location, or by reference to recent transactions updated to reflect current economic conditions. Discounted cash flow techniques may be employed to calculate fair value where there have been no recent transactions, using current external market inputs such as market rents and interest rates. Valuations are carried out by management with the support of appropriately qualified independent valuers. Refer to Note 17 for further details.

21 Leases

Accounting for leases under IFRS 16 effective from 1 January 2019

IFRS 16 applies to all leases with the exception of licences of intellectual property, rights held by licencing 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. IFRS 16 includes an accounting policy choice for a lessee to elect not to apply IFRS 16 to remaining assets within the scope of IAS 38 *Intangible Assets* which the Group has decided to apply.

When the Group is the lessee, it is 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.

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 lease liability is remeasured when there is a change in one of the following:

- future lease payments arising from a change in an index or rate
- the Group's estimate of the amount expected to be payable under a residual value guarantee, or
- the Group's assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in the income statement if the carrying amount of the ROU asset has been reduced to nil.

On the balance sheet, the ROU assets are included within property, plant and equipment and the lease liabilities are included within other liabilities.

The Group applies the recognition exemption in IFRS 16 for leases with a term not exceeding 12 months. For these leases the lease payments are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more appropriate.

When the Group is the lessor, the lease must be classified as either a finance lease or an operating lease. A finance lease is a lease which confers substantially all the risks and rewards of the leased assets on the lessee. An operating lease is a lease where substantially all of the risks and rewards of the leased asset remain with the lessor.

When the lease is deemed a finance lease, the leased asset is not held on the balance sheet; instead a finance lease receivable is recognised representing the minimum lease payments receivable under the terms of the lease, discounted at the rate of interest implicit in the lease.

When the lease is deemed an operating lease, the lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate. The Group holds the leased assets on-balance sheet within property, plant and equipment.

Accounting for finance leases under IAS 17 for 2018 and 2017

Under IAS 17, a finance lease is a lease which confers substantially all the risks and rewards of the leased assets on the lessee. Where the Group is the lessor, the leased asset is not held on the balance sheet; instead a finance lease receivable is recognised representing the minimum lease payments receivable under the terms of the lease, discounted at the rate of interest implicit in the lease. Where the Group is the lessee, the leased asset is recognised in property, plant and equipment and a finance lease liability is recognised, representing the minimum lease payments payable under the lease, discounted at the rate of interest implicit in the lease.

Interest income or expense is recognised in interest receivable or payable, allocated to accounting periods to reflect a constant periodic rate of return.

Accounting for operating leases under IAS 17 for 2018 and 2017

An operating lease under IAS 17 is a lease where substantially all of the risks and rewards of the leased assets remain with the lessor. Where the Group is the lessor, lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate. The Group holds the leased assets on-balance sheet within property, plant and equipment.

Where the Group is the lessee, rentals payable are recognised as an expense in the income statement on a straight-line basis over the lease term unless another systematic basis is more appropriate.

Assets at amortised cost and other investments

21 Leases continued

As a Lessor

Finance lease receivables are included within loans and advances at amortised cost. The Group specialises in the provision of leasing and other asset finance facilities across a broad range of asset types to business and individual customers.

The following table sets out a maturity analysis of lease receivables, showing the lease payments to be received after the reporting date.

	2019				2018			
	Gross investment in finance lease receivables £m	Future finance income £m	Present value of minimum lease payments receivable £m	Unguaranteed residual values £m	Gross investment in finance lease receivables £m	Future finance income £m	Present value of minimum lease payments receivable £m	Unguaranteed residual values £m
Not more than one year	1,403	(115)	1,288	77	1,333	(110)	1,223	86
One to two years	909	(76)	833	53	827	(69)	758	53
Two to three years	593	(49)	544	45	599	(49)	550	55
Three to four years	354	(28)	326	43	401	(38)	363	20
Four to five years	123	(8)	115	19	185	(15)	170	20
Over five years	115	(17)	98	22	381	(44)	337	22
Total	**3,497**	**(293)**	**3,204**	**259**	3,726	(325)	3,401	256

The Group does not have any material operating leases as a lessor.

The impairment allowance for finance lease receivables amounted to £55m (2018: £87m).

Finance lease income

Finance lease income is included within interest income. The following table shows amounts recognised in the income statement during the year.

	2019 £m
Finance income from net investment in lease	141
Profit on sales	6

As a Lessee

The Group leases various offices, branches and other premises under non-cancellable lease arrangements to meet its operational business requirements. In some instances, Barclays will sublease property to third parties when it is no longer needed to meet business requirements. Currently, Barclays does not have any material subleasing arrangements.

ROU asset balances relate to property leases only. Refer to Note 20 for a breakdown of the carrying amount of ROU assets.

The total expenses recognised during the year for short term leases were £14m. The portfolio of short term leases to which Barclays is exposed at the end of the year is not dissimilar to the expenses recognised in the year.

Lease liabilities

	2019 £m
As at 31 December 2018	–
Effect of changes in accounting policies (see Note 1)	1,696
As at 1 January 2019	1,696
Interest expense	76
New leases	94
Disposals	(19)
Cash payments	(289)
Exchange and other movements	5
As at 31 December 2019 (see Note 23)	1,563

21 Leases continued

The below table sets out a maturity analysis of undiscounted lease liabilities, showing the lease payments to be paid after the reporting date.

Undiscounted lease liabilities maturity analysis

	2019 £m
Not more than one year	**296**
One to two years	**252**
Two to three years	**208**
Three to four years	**186**
Four to five years	**165**
Five to ten years	**565**
Greater than ten years	**310**
Total undiscounted lease liabilities as at 31 December 2019	**1,982**

In addition to the cash flows identified above, Barclays is exposed to:

- variable lease payments: This variability will typically arise from either inflation index instruments or market based pricing adjustments. Currently, Barclays has 939 leases out of the total 1,467 leases which have variable lease payment terms based on market based pricing adjustments. Of the gross cash flows identified above, £1,526m is attributable to leases with some degree of variability predominately linked to market based pricing adjustments
- extension and termination options: The table above represents Barclays best estimate of future cash out flows for leases, including assumptions regarding the exercising of contractual extension and termination options. The above gross cash flows have been reduced by £474m for leases where Barclays is highly expected to exercise an early termination option. However, there is no significant impact where Barclays is expected to exercise an extension option.

The Group currently does not have any significant sale and lease back transactions. The Group does not have any restrictions or covenants imposed by the lessor on its property leases which restrict its businesses.

Operating lease commitments under IAS 17 in 2018

In 2018, operating lease rentals of £329m were included in administration and general expenses.

The prior year comparative table for future minimum lease payments by the Group under non-cancellable operating leases are as follows:

	2018 Property £m
Not more than one year	302
Over one year but not more than five years	786
Over five years	1,257
Total	2,345

22 Goodwill and intangible assets

Accounting for goodwill and intangible assets

Goodwill

The carrying value of goodwill is determined in accordance with IFRS 3 *Business Combinations* and IAS 36 *Impairment of Assets*.

Goodwill arising on the acquisition of subsidiaries represents the excess of the fair value of the purchase consideration over the fair value of the Group's share of the assets acquired and the liabilities and contingent liabilities assumed on the date of the acquisition.

Goodwill is reviewed annually for impairment, or more frequently when there are indications that impairment may have occurred. The test involves comparing the carrying value of the cash generating unit (CGU) including goodwill with the present value of the pre-tax cash flows, discounted at a rate of interest that reflects the inherent risks, of the CGU to which the goodwill relates, or the CGU's fair value if this is higher.

Intangible assets

Intangible assets other than goodwill are accounted for in accordance with IAS 38 *Intangible Assets*.

Intangible assets are initially recognised when they are separable or arise from contractual or other legal rights, the cost can be measured reliably and, in the case of intangible assets not acquired in a business combination, where it is probable that future economic benefits attributable to the assets will flow from their use.

Intangible assets are stated at cost (which is, in the case of assets acquired in a business combination, the acquisition date fair value) less accumulated amortisation and provisions for impairment, if any, and are amortised over their useful lives in a manner that reflects the pattern to which they contribute to future cash flows, generally using the amortisation periods set out below:

Assets at amortised cost and other investments

22 Goodwill and intangible assets continued

Annual rates in calculating amortisation	Amortisation rate
Goodwill	Not amortised
Internally generated software[a]	12 months to 6 years
Other software	12 months to 6 years
Customer lists	12 months to 25 years
Licences and other	12 months to 25 years

Note

a Exceptions to the above rate relate to useful lives of certain core banking platforms that are assessed individually and, if appropriate, amortised over longer periods ranging from 10 to 15 years.

Intangible assets are reviewed for impairment when there are indications that impairment may have occurred.

		Intangible assets				
	Goodwill £m	Internally generated software £m	Other software £m	Customer lists £m	Licences and other £m	Total £m
2019						
Cost						
As at 1 January 2019	**4,768**	**5,835**	**389**	**1,630**	**558**	**13,180**
Additions and disposals	**–**	**857**	**120**	**(124)**	**(39)**	**814**
Exchange and other movements	**(8)**	**(49)**	**(4)**	**(41)**	**(30)**	**(132)**
As at 31 December 2019	**4,760**	**6,643**	**505**	**1,465**	**489**	**13,862**
Accumulated amortisation and impairment						
As at 1 January 2019	**(861)**	**(2,362)**	**(254)**	**(1,359)**	**(371)**	**(5,207)**
Disposals	**–**	**67**	**25**	**124**	**37**	**253**
Amortisation charge	**–**	**(716)**	**(52)**	**(49)**	**(37)**	**(854)**
Impairment charge	**–**	**(17)**	**(2)**	**–**	**–**	**(19)**
Exchange and other movements	**–**	**39**	**4**	**34**	**7**	**84**
As at 31 December 2019	**(861)**	**(2,989)**	**(279)**	**(1,250)**	**(364)**	**(5,743)**
Net book value	**3,899**	**3,654**	**226**	**215**	**125**	**8,119**
2018						
Cost						
As at 1 January 2018	4,759	5,501	427	1,547	519	12,753
Additions and disposals	–	280	(34)	–	12	258
Exchange and other movements	9	54	(4)	83	27	169
As at 31 December 2018	4,768	5,835	389	1,630	558	13,180
Accumulated amortisation and impairment						
As at 1 January 2018	(860)	(2,195)	(313)	(1,209)	(327)	(4,904)
Disposals	–	530	101	–	13	644
Amortisation charge	–	(669)	(50)	(81)	(34)	(834)
Impairment charge	–	(6)	–	–	–	(6)
Exchange and other movements	(1)	(22)	8	(69)	(23)	(107)
As at 31 December 2018	(861)	(2,362)	(254)	(1,359)	(371)	(5,207)
Net book value	3,907	3,473	135	271	187	7,973

Goodwill

Goodwill is allocated to business operations according to business segments as follows:

	2019 £m	2018 £m
Barclays UK	**3,526**	3,526
Barclays International	**329**	334
Head Office	**44**	47
Total net book value of goodwill	**3,899**	3,907

22 Goodwill and intangible assets continued

Goodwill

Testing goodwill for impairment involves a significant amount of judgement. This includes the identification of independent CGUs and the allocation of goodwill to these units based on which units are expected to benefit from the acquisition. Cash flow projections take into account changes in the market in which a business operates including the level of growth, competitive activity, and the impacts of regulatory change. The estimation of pre-tax cash flows is sensitive to the periods for which detailed forecasts are available and to assumptions regarding long-term sustainable cash flows.

Goodwill within Personal Banking was £2,718m (2018: £2,718m), of which £2,501m (2018: £2,501m) was attributable to Woolwich, and within Business Banking was £629m (2018: £629m), fully attributable to Woolwich. The carrying value of the CGUs have been determined by using net asset values. The recoverable amounts of the CGUs, calculated as value in use, have been determined using cash flow predictions based on financial budgets approved by management, covering a five-year period, with a terminal growth rate of 1.5% (2018: 0.0% to 3.5%) applied thereafter. The forecasted cash flows have been discounted using a pre-tax rate range of 11.0% to 13.3% (2018: 11.1% to 13.7%). Based on these assumptions, the total recoverable amount exceeded the carrying amount including goodwill by £4,551m (2018: £7,762m). A one percentage point change in the discount rate or terminal growth rate would increase or decrease the recoverable amount by £1,458m (2018: £1,501m) and £968m (2018: £980m) respectively. A reduction in the forecasted cash flows of 15% per annum (2018: 10%) would reduce the recoverable amount by £2,534m (2018: £1,828m). Other goodwill of £552m (2018: £560m) was allocated to multiple CGUs which are not considered individually significant.

Other intangible assets

Determining the estimated useful lives of intangible assets (such as those arising from contractual relationships) requires an analysis of circumstances. The assessment of whether an asset is exhibiting indicators of impairment as well as the calculation of impairment, which requires the estimate of future cash flows and fair values less costs to sell, also requires the preparation of cash flow forecasts and fair values for assets that may not be regularly bought and sold.

Accruals, provisions, contingent liabilities and legal proceedings

The notes included in this section focus on the Group's accruals, provisions and contingent liabilities. Provisions are recognised for present obligations arising as consequences of past events where it is probable that a transfer of economic benefit will be necessary to settle the obligation, and it can be reliably estimated. Contingent liabilities reflect potential liabilities that are not recognised on the balance sheet.

23 Other liabilities

	2019 £m	2018 £m
Accruals and deferred income[a]	3,472	3,877
Other creditors	3,257	3,540
Items in the course of collection due to other banks	213	277
Obligations under finance lease	–	22
Lease liabilities[b] (refer to Note 21)	1,563	–
Other liabilities	**8,505**	**7,716**

Notes

a Upon adoption of IFRS 16 on 1 January 2019, £40m of rent free adjustments which were previously recorded within accruals and deferred income were transferred to right of use asset impairment allowance. Please see Note 1 for further detail.

b Lease liabilities represents the minimum lease payments under the lease, discounted at the rate of interest implicit in the lease.

24 Provisions

Accounting for provisions

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

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

Critical accounting estimates and judgements

The financial reporting of provisions involves a significant degree of judgement and is complex. Identifying whether a present obligation exists and estimating the probability, timing, nature and quantum of the outflows that may arise from past events requires judgements to be made based on the specific facts and circumstances relating to individual events and often requires specialist professional advice. When matters are at an early stage, accounting judgements and estimates can be difficult because of the high degree of uncertainty involved. Management continues to monitor matters as they develop to re-evaluate on an ongoing basis whether provisions should be recognised, however there can remain a wide range of possible outcomes and uncertainties, particularly in relation to legal, competition and regulatory matters, and as a result it is often not practicable to make meaningful estimates even when matters are at a more advanced stage.

The complexity of such matters often requires the input of specialist professional advice in making assessments to produce estimates. Customer redress and legal, competition and regulatory matters are areas where a higher degree of professional judgement is required. The amount that is recognised as a provision can also be very sensitive to the assumptions made in calculating it. This gives rise to a large range of potential outcomes which require judgement in determining an appropriate provision level. See below for information on payment protection redress and Note 26 for more detail of legal, competition and regulatory matters.

				Customer redress				
	Onerous contracts £m	Redundancy and restructuring £m	Undrawn contractually committed facilities and guarantees[a] £m	Payment Protection Insurance £m	Other customer redress £m	Legal, competition and regulatory matters £m	Sundry provisions £m	Total £m
As at 31 December 2018	139	169	271	888	444	414	327	2,652
Effects of changes in accounting policies[b]	(64)	–	–	–	–	–	–	(64)
As at 1 January 2019	75	169	271	888	444	414	327	2,588
Additions	29	178	391	1,425	219	287	121	2,650
Amounts utilised	(48)	(137)	–	(1,158)	(211)	(303)	(86)	(1,943)
Unused amounts reversed	(14)	(58)	(334)	–	(38)	(17)	(38)	(499)
Exchange and other movements	–	(9)	(6)	–	6	(5)	(18)	(32)
As at 31 December 2019	42	143	322	1,155	420	376	306	2,764

Notes

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

b Upon adoption of IFRS 16 on 1 January 2019, £64m of onerous lease provisions were transferred to right of use asset impairment allowance. Please see page 250 in Note 1 for further detail.

24 Provisions continued

Provisions expected to be recovered or settled within no more than 12 months after 31 December 2019 were £2,457m (2018: £2,144m).

Onerous contracts

Onerous contract provisions comprise an estimate of the costs involved with fulfilling the terms and conditions of contracts net of any expected benefits to be received.

Redundancy and restructuring

These provisions comprise the estimated cost of restructuring, including redundancy costs where an obligation exists. Additions made during the year relate to formal restructuring plans and have either been utilised, or reversed, where total costs are now expected to be lower than the original provision amount.

Undrawn contractually committed facilities and guarantees

Impairment allowance under IFRS 9 considers both the drawn and the undrawn counterparty exposure. For retail portfolios, the total impairment allowance is allocated to the drawn exposure to the extent that the allowance does not exceed the exposure as ECL is not reported separately. Any excess is reported on the liability side of the balance sheet as a provision. For wholesale portfolios, the impairment allowance on the undrawn exposure is reported on the liability side of the balance sheet as a provision. Provisions are made if it is probable that a facility will be drawn and the resulting asset is expected to have a realisable value that is less than the amount advanced.

Customer redress

Customer redress provisions comprise the estimated cost of making redress payments to customers, clients and counterparties for losses or damages associated with inappropriate judgement in the execution of Barclays Group's business activities. Provisions for other customer redress include smaller provisions across the retail and corporate businesses which are expected to be utilised in the next 12-24 months.

Legal, competition and regulatory matters

The Barclays Group is engaged in various legal proceedings, both in the UK and a number of other overseas jurisdictions, including the US. For further information in relation to legal proceedings and discussion of the associated uncertainties, refer to Note 26.

Sundry provisions

This category includes provisions that do not fit into any of the other categories, such as fraud losses and dilapidation provisions.

Payment Protection Insurance (PPI) redress

As at 31 December 2019, Barclays had recognised cumulative provisions totalling £11bn (December 2018: £9.6bn), against the cost of PPI redress and associated processing costs, of which £1.4bn was recognised in Q3 2019. Utilisation of the cumulative provisions to date is £9.8bn (December 2018: £8.7bn), leaving a residual provision of £1.2bn (December 2018: £0.9bn). This represents Barclays best estimate as at 31 December 2019 based on the information available.

The current provision reflects the estimated cost of PPI redress attributable to claims and information requests from customers, Claims Management Companies and the Official Receiver in relation to bankrupt individuals, prior to the Financial Conduct Authority (FCA) complaint deadline of 29 August 2019.

Q3 2019 saw an exceptional level of claims, enquiries and information requests received in advance of the complaint deadline of 29 August 2019. Of the greater than two million items outstanding at Q3 2019, materially all have now been processed into Barclays' systems, 52% of which has been resolved including invalid items.

The residual provision has been calculated by applying a number of assumptions to the population of claims and information requests. Based on resolution of complaints during Q4 2019, the observed outcomes support the aggregate provision amount.

The following table outlines the key assumptions used in the provision calculation as at 31 December 2019, excluding enquiries from the Official Receiver, and a sensitivity analysis illustrating the impact on the provision, if assumptions prove too high or too low.

Assumptions

- **Validity of claims and information requests received (%)** – the proportion of claims and information requests received prior to the FCA complaint deadline that are expected to be valid when all processing stages are completed.
- **Average uphold rate per claim (%)** – the expected average uphold rate applied to valid claims where PPI policy/policies exist.
- **Average claim redress** – the expected average payment to customers for upheld valid claims based on the type and age of the policy/ policies (£).

Accruals, provisions, contingent liabilities and legal proceedings

24 Provisions continued

Validity assumptions	Historically observed valid	Current assumption valid	Sensitivity volume +/– 1% valid rate	Sensitivity £m
Claims received[a]	20%-40%	25%[e]	3k	1% = £8m
Information requests received[b]	5%-11%	7%[e]	32k	1% = £76m
Average uphold rate per claim[c]	88%	86%[f]	–	1% = £8m
Average uphold rate per valid claim[d]	£2,231	£2,314	–	£100 = £31m

Notes

a Total valid claims received, excluding those for which no PPI policy exists, information requests received, enquiries from the Official Receiver in relation to bankrupt individuals and responses to proactive mailing. The sensitivity analysis has been calculated to show the impact of a 1% increase or decrease in the volume of unresolved valid claims would have on the provision level, inclusive of operational processing costs.

b Total valid information requests received, excluding those for which no PPI policy exists, enquiries from the Official Receiver in relation to bankrupt individuals and responses to proactive mailing. The sensitivity analysis has been calculated to show the impact a 1% increase or decrease in the volume of valid information requests would have on the provision level, inclusive of operational processing costs.

c Average uphold rate per claim, excluding those for which no PPI policy exists, enquiries from the Official Receiver in relation to bankrupt individuals and responses to proactive mailing. The sensitivity analysis has been calculated to show the impact a 1% change in the average uphold rate per claim would have on the provision level.

d Average redress stated on a per policy basis for valid claims received by Barclays excluding enquiries from the Official Receiver in relation to bankrupt individuals and responses to proactive mailing. The sensitivity analysis has been calculated to show the impact a £100 increase or decrease in the average redress per claim would have on the provision level.

e Based on recently observed data, August to December 2019.

f Based on annual observed rate to September 2019. No material change observed to December 2019.

These assumptions remain subjective due to the uncertainty associated with the outstanding population of claims and information requests yet to be resolved. It is possible that the eventual cumulative provision may differ from the current estimate.

The estimate related to enquiries received from the Official Receiver is subject to additional uncertainty and sensitivity as the legal position; uphold rates and average claim redress may differ from those experienced more generally, given the particular circumstances of this population. The range of uncertainty is not material in the context of the total provision.

25 Contingent liabilities and commitments

Accounting for contingent liabilities

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

The following table summarises the nominal principal amount of contingent liabilities and commitments which are not recorded on-balance sheet:

	2019 £m	2018 £m
Guarantees and letters of credit pledged as collateral security	**17,606**	15,805
Performance guarantees, acceptances and endorsements	**6,921**	4,498
Total contingent liabilities	**24,527**	20,303
Of which: Financial guarantees carried at fair value	***43***	*4*
Documentary credits and other short-term trade related transactions	**1,291**	1,741
Standby facilities, credit lines and other commitments	**333,164**	322,482
Total commitments	**334,455**	324,223
Of which: Loan commitments carried at fair value	***17,679***	*11,723*

Provisions held against contingent liabilities and commitments equal £322m (2018: £271m).

Further details on contingent liabilities relating to legal and competition and regulatory matters can be found in Note 26.

26 Legal, competition and regulatory matters

Members of the Group face legal, competition and regulatory challenges, many of which are beyond our control. The extent of the impact of these matters cannot always be predicted but may materially impact our operations, financial results, condition and prospects. Matters arising from a set of similar circumstances can give rise to either a contingent liability or a provision, or both, depending on the relevant facts and circumstances.

The recognition of provisions in relation to such matters involves critical accounting estimates and judgements in accordance with the relevant accounting policies as described in Note 24, Provisions. We have not disclosed an estimate of the potential financial impact or effect on the Group of contingent liabilities where it is not currently practicable to do so. Various matters detailed in this note seek damages of an unspecified amount. While certain matters specify the damages claimed, such claimed amounts do not necessarily reflect the Group's potential financial exposure in respect of those matters.

Matters are ordered under headings corresponding to the financial statements in which they are disclosed.

1. Barclays PLC and Barclays Bank PLC

Investigations into certain advisory services agreements and other matters and civil action

FCA proceedings

In 2008, Barclays Bank PLC and Qatar Holdings LLC entered into two advisory service agreements (the Agreements). The Financial Conduct Authority (FCA), is conducting an investigation into whether the Agreements may have related to Barclays PLC's capital raisings in June and November 2008 (the Capital Raisings) and therefore should have been disclosed in the announcements or public documents relating to the Capital Raisings. In 2013, the FCA issued warning notices (the Notices) finding that Barclays PLC and Barclays Bank PLC acted recklessly and in breach of certain disclosure-related listing rules, and that Barclays PLC was also in breach of Listing Principle 3. The financial penalty provided in the Notices is £50m. Barclays PLC and Barclays Bank PLC continue to contest the findings. The FCA action has been stayed due to the UK Serious Fraud Office (SFO) proceedings pending against certain former Barclays executives. All charges brought by the SFO against Barclays PLC and Barclays Bank PLC in relation to the Agreements were dismissed in 2018.

Civil action

PCP Capital Partners LLP and PCP International Finance Limited (PCP) are seeking damages of approximately £1.6bn from Barclays Bank PLC for fraudulent misrepresentation and deceit, arising from alleged statements made by Barclays Bank PLC to PCP in relation to the terms on which securities were to be issued to potential investors, allegedly including PCP, in the November 2008 capital raising. Barclays Bank PLC is defending the claim and trial is scheduled to commence in June 2020.

Investigation into historic hiring practices

In 2019, Barclays PLC reached a settlement of $6.4m with the US Securities and Exchanges Commission (SEC) in relation to certain of its hiring practices in Asia, resolving this matter.

Investigations into LIBOR and other benchmarks and related civil actions

Regulators and law enforcement agencies, including certain competition authorities, from a number of governments have been conducting investigations relating to Barclays Bank PLC's involvement in allegedly manipulating certain financial benchmarks, such as LIBOR. The SFO has closed its investigation with no action to be taken against the Group. Various individuals and corporates in a range of jurisdictions have threatened or brought civil actions against the Group and other banks in relation to the alleged manipulation of LIBOR and/or other benchmarks. Certain actions remain pending.

USD LIBOR civil actions

The majority of the USD LIBOR cases, which have been filed in various US jurisdictions, have been consolidated for pre-trial purposes in the US District Court in the Southern District of New York (SDNY). The complaints are substantially similar and allege, among other things, that Barclays PLC, Barclays Bank PLC, Barclays Capital Inc. (BCI) and other financial institutions individually and collectively violated provisions of the US Sherman Antitrust Act (Antitrust Act), the US Commodity Exchange Act (CEA), the US Racketeer Influenced and Corrupt Organizations Act (RICO), the Securities Exchange Act of 1934 and various state laws by manipulating USD LIBOR rates.

Putative class actions and individual actions seek unspecified damages with the exception of five lawsuits, in which the plaintiffs are seeking a combined total in excess of $1.25bn in actual damages and additional punitive damages against all defendants, including Barclays Bank PLC. Some of the lawsuits also seek trebling of damages under the Antitrust Act and RICO. Barclays has previously settled certain claims. Two of the class action settlements where Barclays has paid $20m and $7.1m, respectively, remain subject to final court approval and/or the right of class members to opt out of the settlement to file their own claims.

Sterling LIBOR civil actions

In 2016, two putative class actions filed in the SDNY against Barclays Bank PLC, BCI and other Sterling LIBOR panel banks alleging, among other things, that the defendants manipulated the Sterling LIBOR rate in violation of the Antitrust Act, CEA and RICO, were consolidated. The defendants' motion to dismiss the claims was granted in December 2018. The plaintiffs have appealed the dismissal.

Japanese Yen LIBOR civil actions

In 2012, a putative class action was filed in the SDNY against Barclays Bank PLC and other Japanese Yen LIBOR panel banks by a lead plaintiff involved in exchange-traded derivatives and members of the Japanese Bankers Association's Euroyen Tokyo Interbank Offered Rate (Euroyen TIBOR) panel. The complaint alleges, among other things, manipulation of the Euroyen TIBOR and Yen LIBOR rates and breaches of the CEA and the Antitrust Act. In 2014, the court dismissed the plaintiff's antitrust claims in full, but the plaintiff's CEA claims remain pending.

In 2015, a second putative class action, making similar allegations to the above class action, was filed in the SDNY against Barclays PLC, Barclays Bank PLC and BCI. In 2017, this action was dismissed in full and the plaintiffs have appealed the dismissal.

Accruals, provisions, contingent liabilities and legal proceedings

26 Legal, competition and regulatory matters continued

SIBOR/SOR civil action

In 2016, a putative class action was filed in the SDNY against Barclays PLC, Barclays Bank PLC, BCI and other defendants, alleging manipulation of the Singapore Interbank Offered Rate (SIBOR) and Singapore Swap Offer Rate (SOR). In October 2018, the court dismissed all claims against Barclays PLC, Barclays Bank PLC and BCI. The plaintiffs have appealed the dismissal.

ICE LIBOR civil actions

In 2019, several putative class actions have been filed in the SDNY against Barclays PLC, Barclays Bank PLC, BCI, other financial institution defendants and Intercontinental Exchange Inc. and certain of its affiliates (ICE), asserting antitrust claims that defendants manipulated USD LIBOR through defendants' submissions to ICE. These actions have been consolidated. The defendants have filed a motion to dismiss.

Non-US benchmarks civil actions

Legal proceedings (which include the claims referred to below in 'Local authority civil actions concerning LIBOR') have been brought or threatened against Barclays Bank PLC (and, in certain cases, Barclays Bank UK PLC) in the UK in connection with alleged manipulation of LIBOR, EURIBOR and other benchmarks. Proceedings have also been brought in a number of other jurisdictions in Europe and Israel. Additional proceedings in other jurisdictions may be brought in the future.

Foreign Exchange investigations and related civil actions

In 2015, the Group reached settlements totalling approximately $2.38bn with various US federal and state authorities and the FCA in relation to investigations into certain sales and trading practices in the Foreign Exchange market. Under the related plea agreement with the US Department of Justice (DoJ), which received final court approval in January 2017, the Group agreed to a term of probation of three years. The Group also continues to provide relevant information to certain authorities.

The European Commission is one of a number of authorities still conducting an investigation into certain trading practices in Foreign Exchange markets. The European Commission announced two settlements in May 2019 and the Group paid penalties totalling approximately €210m. In June 2019, the Swiss Competition Commission announced two settlements and the Group paid penalties totalling approximately CHF 27m. The financial impact of the ongoing matters is not expected to be material to the Group's operating results, cash flows or financial position.

A number of individuals and corporates in a range of jurisdictions have also threatened or brought civil actions against the Group and other banks in relation to alleged manipulation of Foreign Exchange markets, and may do so in the future. Certain actions remain pending.

FX opt out civil action

In 2018, Barclays Bank PLC and BCI settled a consolidated action filed in the SDNY, alleging manipulation of Foreign Exchange markets (Consolidated FX Action), for a total amount of $384m. Also in 2018, a group of plaintiffs who opted out of the Consolidated FX Action filed a complaint in the SDNY against Barclays PLC, Barclays Bank PLC, BCI and other defendants.

Retail basis civil action

In 2015, a putative class action was filed against several international banks, including Barclays PLC and BCI, on behalf of a proposed class of individuals who exchanged currencies on a retail basis at bank branches (Retail Basis Claims). The SDNY has ruled that the Retail Basis Claims are not covered by the settlement agreement in the Consolidated FX Action. The Court subsequently dismissed all Retail Basis Claims against the Group and all other defendants. The plaintiffs have filed an amended complaint.

State law FX civil action

In 2017, the SDNY dismissed consolidated putative class actions brought under federal and various state laws on behalf of proposed classes of (i) stockholders of Exchange Traded Funds and others who purportedly were indirect investors in FX instruments, and (ii) investors who traded FX instruments through FX dealers or brokers not alleged to have manipulated Foreign Exchange Rates. The plaintiffs' amended complaint as to their state law claims is pending.

Non-US FX civil actions

In addition to the actions described above, legal proceedings have been brought or are threatened against Barclays PLC, Barclays Bank PLC, BCI and Barclays Execution Services Limited (BX) in connection with alleged manipulation of Foreign Exchange in the UK, a number of other jurisdictions in Europe, Israel and Australia and additional proceedings may be brought in the future.

Metals investigations and related civil actions

Barclays Bank PLC previously provided information to the DoJ, the US Commodity Futures Trading Commission and other authorities in connection with investigations into metals and metals-based financial instruments.

A number of US civil complaints, each on behalf of a proposed class of plaintiffs, have been consolidated and transferred to the SDNY. The complaints allege that Barclays Bank PLC and other members of The London Gold Market Fixing Ltd. manipulated the prices of gold and gold derivative contracts in violation of US antitrust and other federal laws. This consolidated putative class action remains pending. A separate US civil complaint by a proposed class of plaintiffs against a number of banks, including Barclays Bank PLC, BCI and BX (formerly, Barclays Capital Services Limited), alleging manipulation of the price of silver in violation of the CEA, the Antitrust Act and state antitrust and consumer protection laws, has been dismissed as against the Barclays entities. The plaintiffs have the option to seek the court's permission to appeal.

Civil actions have also been filed in Canadian courts against Barclays PLC, Barclays Bank PLC, Barclays Capital Canada Inc. and BCI on behalf of proposed classes of plaintiffs alleging manipulation of gold and silver prices.

26 Legal, competition and regulatory matters continued

US residential mortgage related civil actions

There are various pending civil actions relating to US Residential Mortgage-Backed Securities (RMBS), including four actions arising from unresolved repurchase requests submitted by Trustees for certain RMBS, alleging breaches of various loan-level representations and warranties (R&Ws) made by Barclays Bank PLC and/or a subsidiary acquired in 2007 (the Acquired Subsidiary). The unresolved repurchase requests received as at 31 December 2019 had an original unpaid principal balance of approximately $2.1bn. The Trustees have also alleged that the relevant R&Ws may have been breached with respect to a greater (but unspecified) amount of loans than previously stated in the unresolved repurchase requests.

These repurchase actions are ongoing. In one repurchase action, the New York Court of Appeals held that claims related to certain R&Ws are time-barred. Barclays Bank PLC has reached a settlement to resolve two of the repurchase actions, which is subject to final court approval. The financial impact of the settlement is not expected to be material to the Group's operating results, cash flows or financial position. The remaining two repurchase actions are pending.

Government and agency securities civil actions and related matters

Certain governmental authorities are conducting investigations into activities relating to the trading of certain government and agency securities in various markets. The Group provided information in cooperation with such investigations. Civil actions have also been filed on the basis of similar allegations, as described below.

Treasury auction securities civil actions

Consolidated putative class action complaints filed in the US Federal Court against Barclays Bank PLC, BCI and other financial institutions under the Antitrust Act and state common law allege that the defendants (i) conspired to manipulate the US Treasury securities market and/or (ii) conspired to prevent the creation of certain platforms by boycotting or threatening to boycott such trading platforms. The defendants have filed a motion to dismiss.

In addition, certain plaintiffs have filed a related, direct action against BCI and certain other financial institutions, alleging that defendants conspired to fix and manipulate the US Treasury securities market in violation of the Antitrust Act, the CEA and state common law.

Supranational, Sovereign and Agency bonds civil actions

Civil antitrust actions have been filed in the SDNY and Federal Court of Canada in Toronto against Barclays Bank PLC, BCI, BX (formerly, Barclays Services Limited), Barclays Capital Securities Limited and, with respect to the civil action filed in Canada only, Barclays Capital Canada, Inc. and other financial institutions alleging that the defendants conspired to fix prices and restrain competition in the market for US dollar-denominated Supranational, Sovereign and Agency bonds.

In one of the actions filed in the SDNY, the court granted the defendants' motion to dismiss the plaintiffs' complaint with respect to Barclays Bank PLC and certain Group entities. Defendants have filed a motion to dismiss those plaintiffs' remaining claims against BCI. The remaining action filed in the SDNY is stayed.

Variable Rate Demand Obligations civil actions

Civil actions have been filed against Barclays Bank PLC and BCI and other financial institutions alleging the defendants conspired or colluded to artificially inflate interest rates set for Variable Rate Demand Obligations (VRDOs). VRDOs are municipal bonds with interest rates that reset on a periodic basis, most commonly weekly. Two actions in state court have been filed by private plaintiffs on behalf of the states of Illinois and California. Two putative class action complaints, which have been consolidated, have been filed in the SDNY.

Government bond civil actions

In a putative class action filed in the SDNY in 2019, plaintiffs alleged that BCI and certain other bond dealers conspired to fix the prices of US government sponsored entity bonds in violation of US antitrust law. BCI has agreed a settlement of $87m, subject to court approval. In 2019, the Louisiana Attorney General and the City of Baton Rouge each filed a complaint against Barclays Bank PLC and other financial institutions making similar allegations as the class action plaintiffs.

In 2018, a separate putative class action against various financial institutions including Barclays PLC, Barclays Bank PLC, BCI, Barclays Bank Mexico, S.A., and certain other subsidiaries of the Group was consolidated in the SDNY. The plaintiffs asserted antitrust and state law claims arising out of an alleged conspiracy to fix the prices of Mexican Government bonds. Barclays PLC has settled the claim, subject to court approval. The financial impact of the settlement is not material to the Group's operating results, cash flows or financial position.

BDC Finance L.L.C.

In 2008, BDC Finance L.L.C. (BDC) filed a complaint in the NY Supreme Court, demanding damages of $298m, alleging that Barclays Bank PLC had breached a contract in connection with a portfolio of total return swaps governed by an ISDA Master Agreement (collectively, the Agreement). Following a trial on certain liability issues, the court ruled in December 2018 that Barclays Bank PLC was not a defaulting party, which was affirmed on appeal.

In 2011, BDC's investment advisor, BDCM Fund Adviser, L.L.C. and its parent company, Black Diamond Capital Holdings, L.L.C. also sued Barclays Bank PLC and BCI in Connecticut State Court for unspecified damages allegedly resulting from Barclays Bank PLC's conduct relating to the Agreement, asserting claims for violation of the Connecticut Unfair Trade Practices Act and tortious interference with business and prospective business relations. This case is currently stayed.

Civil actions in respect of the US Anti-Terrorism Act

There are a number of civil actions, on behalf of more than 4,000 plaintiffs, filed in US federal courts in the US District Court in the Eastern District of New York (EDNY) and SDNY against Barclays Bank PLC and a number of other banks. The complaints generally allege that Barclays Bank PLC and those banks engaged in a conspiracy to facilitate US dollar-denominated transactions for the Government of Iran and various Iranian banks, which in turn funded acts of terrorism that injured or killed plaintiffs or plaintiffs' family members. The plaintiffs seek to recover damages for pain, suffering and mental anguish under the provisions of the US Anti-Terrorism Act, which allow for the trebling of any proven damages.

Accruals, provisions, contingent liabilities and legal proceedings

26 Legal, competition and regulatory matters continued

The court granted the defendants' motion to dismiss one action in the EDNY, and plaintiffs have filed a notice of appeal. The defendants have moved to dismiss two other EDNY actions. The court also granted the defendants' motion to dismiss another action in the SDNY, but the plaintiffs have moved to file an amended complaint. The remaining actions are stayed pending decisions in these cases.

Interest rate swap and credit default swap US civil actions

Barclays PLC, Barclays Bank PLC and BCI, together with other financial institutions that act as market makers for interest rate swaps (IRS) are named as defendants in several antitrust class actions which were consolidated in the SDNY in 2016. The complaints allege the defendants conspired to prevent the development of exchanges for IRS and demand unspecified money damages.

In 2018, trueEX LLC filed an antitrust class action in the SDNY against a number of financial institutions including Barclays PLC, Barclays Bank PLC and BCI based on similar allegations with respect to trueEX LLC's development of an IRS platform. In 2017, Tera Group Inc. filed a separate civil antitrust action in the SDNY claiming that certain conduct alleged in the IRS cases also caused the plaintiff to suffer harm with respect to the Credit Default Swaps market. In November 2018 and July 2019, respectively, the court dismissed certain claims in both cases for unjust enrichment and tortious interference but denied motions to dismiss the federal and state antitrust claims, which remain pending.

Portuguese Competition Authority investigation

The Portuguese Competition Authority found that a subsidiary of Barclays Bank PLC and other banks violated competition law by exchanging information about retail credit products relating to mortgages, consumer lending and lending to small and medium enterprises. The Group applied for immunity and received no fine.

2. Barclays PLC, Barclays Bank PLC and Barclays Bank UK PLC

Investigation into collections and recoveries relating to unsecured lending

Since February 2018, the FCA has been investigating whether the Group implemented effective systems and controls with respect to collections and recoveries and whether it paid due consideration to the interests of customers in default and arrears. The FCA investigation is at an advanced stage.

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

In 2018, HMRC issued notices that have the effect of removing certain overseas subsidiaries that have operations in the UK from Barclays' UK VAT Group, in which Group supplies between members are generally free from VAT. The notices have retrospective effect and correspond to assessments of £181m (inclusive of interest), of which Barclays would expect to attribute an amount of approximately £128m to Barclays Bank UK PLC and £53m to Barclays Bank PLC. HMRC's decision has been appealed to the First Tier Tribunal (Tax Chamber).

Local authority civil actions concerning LIBOR

Following settlement by Barclays Bank PLC of various governmental investigations concerning certain benchmark interest rate submissions referred to above in 'Investigations into LIBOR and other benchmarks and related civil actions', in the UK, certain local authorities have brought claims against Barclays Bank PLC (and, in certain cases, Barclays Bank UK PLC) asserting that they entered into loans in reliance on misrepresentations made by Barclays Bank PLC in respect of its conduct in relation to LIBOR. Barclays has applied to strike out the claims.

General

The Group is engaged in various other legal, competition and regulatory matters in the UK, the US and a number of other overseas jurisdictions. It is subject to legal proceedings brought by and against the Group which arise in the ordinary course of business from time to time, including (but not limited to) disputes in relation to contracts, securities, debt collection, consumer credit, fraud, trusts, client assets, competition, data management and protection, money laundering, financial crime, employment, environmental and other statutory and common law issues.

The Group is also subject to enquiries and examinations, requests for information, audits, investigations and legal and other proceedings by regulators, governmental and other public bodies in connection with (but not limited to) consumer protection measures, compliance with legislation and regulation, wholesale trading activity and other areas of banking and business activities in which the Group is or has been engaged. The Group is cooperating with the relevant authorities and keeping all relevant agencies briefed as appropriate in relation to these matters and others described in this note on an ongoing basis.

At the present time, Barclays PLC does not expect the ultimate resolution of any of these other matters to have a material adverse effect on the Group's financial position. However, in light of the uncertainties involved in such matters and the matters specifically described in this note, there can be no assurance that the outcome of a particular matter or matters (including formerly active matters or those matters arising after the date of this note) will not be material to Barclays PLC's results, operations or cash flow for a particular period, depending on, among other things, the amount of the loss resulting from the matter(s) and the amount of profit otherwise reported for the reporting period.

Capital instruments, equity and reserves

The notes included in this section focus on the Group's loan capital and shareholders' equity including issued share capital, retained earnings, other equity balances and interests of minority shareholders in our subsidiary entities (non-controlling interests). For more information on capital management and how the Group maintains sufficient capital to meet our regulatory requirements refer to page 142.

27 Subordinated liabilities

Accounting for subordinated liabilities

Subordinated liabilities are measured at amortised cost using the effective interest method under IFRS 9.

	2019 £m	2018 £m
As at 1 January	**20,559**	23,826
Issuances	**1,352**	221
Redemptions	**(3,248)**	(3,246)
Other	**(507)**	(242)
As at 31 December	**18,156**	20,559

Issuances of £1,352m comprises $1,500m 5.088% Fixed-to-Floating Rate Subordinated Notes (£1,194m) and £158m USD Floating Rate Notes.

Redemptions of £3,248m comprises £3,000m 14% Step-up Callable Perpetual Reserve Capital Instruments, £33m 6.3688% Step-up Callable Perpetual Reserve Capital Instruments, £158m USD Floating Rate Notes, £43m EUR Floating Rate Notes and £14m JPY Floating Rate Loans.

Subordinated liabilities include accrued interest and comprise undated and dated subordinated liabilities as follows:

	2019 £m	2018 £m
Undated subordinated liabilities	**303**	3,522
Dated subordinated liabilities	**17,853**	17,037
Total subordinated liabilities	**18,156**	20,559

None of the Group's subordinated liabilities are secured.

Undated subordinated liabilities

	Initial call date	2019 £m	2018 £m
Barclays Bank PLC issued			
Tier One Notes (TONs)			
6% Callable Perpetual Core Tier One Notes	2032	**16**	16
6.86% Callable Perpetual Core Tier One Notes (USD 179m)	2032	**203**	199
Reserve Capital Instruments (RCIs)			
6.3688% Step-up Callable Perpetual Reserve Capital Instruments	2019	**–**	34
14% Step-up Callable Perpetual Reserve Capital Instruments	2019	**–**	3,189
5.3304% Step-up Callable Perpetual Reserve Capital Instruments	2036	**53**	51
Undated Notes			
Junior Undated Floating Rate Notes (USD 38m)	Any interest payment date	**29**	30
Total undated subordinated liabilities		**303**	3,522

Undated subordinated liabilities

Undated subordinated liabilities are issued by Barclays Bank PLC and its subsidiaries for the development and expansion of the business and to strengthen the capital bases. The principal terms of the undated subordinated liabilities are described below:

Subordination

All undated subordinated liabilities rank behind the claims against the bank of depositors and other unsecured unsubordinated creditors and holders of dated subordinated liabilities in the following order: Junior Undated Floating Rate Notes; followed by TONs and RCIs ranking pari passu with each other.

Capital instruments, equity and reserves

27 Subordinated liabilities continued

Interest

The Junior Undated Notes are floating rate notes where rates are fixed periodically in advance based on the related interbank rate.

Payment of interest

No payment of principal or any interest may be made in relation to the TONs and RCIs unless Barclays Bank PLC satisfies a specified solvency test.

Barclays Bank PLC may elect to defer any payment of interest on the RCIs. Any such deferred payment of interest must be paid on the earlier of: (i) the date of redemption of the RCIs, and (ii) the coupon payment date falling on or nearest to the tenth anniversary of the date of deferral of such payment. While such deferral is continuing, neither Barclays Bank PLC nor Barclays PLC may (i) declare or pay a dividend, subject to certain exceptions, on any of its ordinary shares or preference shares and (ii) certain restrictions on the redemption, purchase or reduction of their respective share capital and certain other securities also apply.

Barclays Bank PLC may elect to defer any payment of interest on the TONs if it determines that it is, or such payment would result in it being, in non-compliance with capital adequacy requirements and policies of the PRA. Any such deferred payment of interest will only be payable on a redemption of the TONs. Until such time as Barclays Bank PLC next makes a payment of interest on the TONs, neither Barclays Bank PLC nor Barclays PLC may (i) declare or pay a dividend, subject to certain exceptions, on any of their respective ordinary shares or preference shares, or make payments of interest in respect of Barclays Bank PLC's Reserve Capital Instruments and (ii) certain restrictions on the redemption, purchase or reduction of their respective share capital and certain other securities also apply.

Repayment

All undated subordinated liabilities are repayable at the option of Barclays Bank PLC, generally in whole, at the initial call date and on any subsequent coupon or interest payment date. In addition, each issue of undated subordinated liabilities is repayable, at the option of Barclays Bank PLC in whole for certain tax reasons, either at any time, or on an interest payment date. There are no events of default except non-payment of principal or mandatory interest. Any repayments require the prior approval of the PRA.

Other

All issues of undated subordinated liabilities are non-convertible.

Dated subordinated liabilities

	Initial call date	Maturity date	2019 £m	2018 £m
Barclays PLC issued				
2.625% Fixed Rate Subordinated Callable Notes (EUR 1,250m)	2020	2025	**1,072**	1,130
2% Fixed Rate Subordinated Callable Notes (EUR 1,500m)	2023	2028	**1,309**	1,367
4.375% Fixed Rate Subordinated Notes (USD 1,250m)		2024	**995**	982
3.75% Fixed Rate Resetting Subordinated Callable Notes (SGD 200m)	2025	2030	**116**	116
5.20% Fixed Rate Subordinated Notes (USD 2,050m)		2026	**1,561**	1,509
4.836% Fixed Rate Subordinated Callable Notes (USD 2,000m)	2027	2028	**1,578**	1,523
5.088% Fixed-to-Floating Rate Subordinated Callable Notes (USD 1,500m)	2029	2030	**1,152**	–
Barclays Bank PLC issued				
Floating Rate Subordinated Notes (EUR 50m)		2019	**–**	45
5.14% Lower Tier 2 Notes (USD 1,094m)		2020	**832**	851
6% Fixed Rate Subordinated Notes (EUR 1,500m)		2021	**1,375**	1,474
9.5% Subordinated Bonds (ex-Woolwich Plc)		2021	**239**	256
Subordinated Floating Rate Notes (EUR 100m)		2021	**85**	89
10% Fixed Rate Subordinated Notes		2021	**2,157**	2,194
10.179% Fixed Rate Subordinated Notes (USD 1,521m)		2021	**1,123**	1,143
Subordinated Floating Rate Notes (EUR 50m)		2022	**43**	45
6.625% Fixed Rate Subordinated Notes (EUR 1,000m)		2022	**957**	1,032
7.625% Contingent Capital Notes (USD 3,000m)		2022	**2,284**	2,272
Subordinated Floating Rate Notes (EUR 50m)		2023	**42**	45
5.75% Fixed Rate Subordinated Notes		2026	**350**	351
5.4% Reverse Dual Currency Subordinated Loan (JPY 15,000m)		2027	**105**	107
6.33% Subordinated Notes		2032	**62**	61
Subordinated Floating Rate Notes (EUR 68m)		2040	**58**	61
External issuances by other subsidiaries		2021-2024	**358**	384
Total dated subordinated liabilities			**17,853**	17,037

27 Subordinated liabilities continued

Dated subordinated liabilities

Dated subordinated liabilities are issued by Barclays PLC, Barclays Bank PLC and respective subsidiaries for the development and expansion of their business and to strengthen their respective capital bases. The principal terms of the dated subordinated liabilities are described below:

Subordination

Dated subordinated liabilities issued by Barclays PLC ranks behind the claims against Barclays PLC of unsecured unsubordinated creditors but before the claims of the holders of its equity.

All dated subordinated liabilities externally issued by Barclays Bank PLC rank behind the claims against the bank of depositors and other unsecured unsubordinated creditors but before the claims of the undated subordinated liabilities and the holders of its equity. The dated subordinated liabilities externally issued by other subsidiaries are similarly subordinated as the external subordinated liabilities issued by Barclays Bank PLC.

Interest

Interest on the Floating Rate Notes is fixed periodically in advance, based on the related interbank or local central bank rates.

Interest on the 2.625% Fixed Rate Subordinated Callable Notes, 4.836% Fixed Rate Subordinated Callable Notes, 2% Fixed Rate Subordinated Callable Notes and the 3.75% Fixed Rate Resetting Subordinated Callable Notes are fixed until the call date. After the respective call dates, in the event that they are not redeemed, the interest rates will be reset and fixed until maturity based on a market rate. Interest on the 5.088% Fixed-to-Floating Rate Subordinated Callable Notes are fixed until the call date. After the call date, in the event that they are not redeemed, the interest rate will reset periodically in advance based on USD London interbank rates.

Repayment

Those subordinated liabilities with a call date are repayable at the option of the issuer, on conditions governing the respective debt obligations, some in whole or in part, and some only in whole. The remaining dated subordinated liabilities outstanding at 31 December 2019 are redeemable only on maturity, subject in particular cases to provisions allowing an early redemption in the event of certain changes in tax law, or to certain changes in legislation or regulations.

Any repayments prior to maturity require, in the case of Barclays PLC and Barclays Bank PLC, the prior approval of the PRA, or in the case of the overseas issues, the approval of the local regulator for that jurisdiction and of the PRA in certain circumstances.

There are no committed facilities in existence at the balance sheet date which permit the refinancing of debt beyond the date of maturity.

Other

The 7.625% Contingent Capital Notes will be automatically transferred from investors to Barclays PLC (or another entity within the Group) for nil consideration in the event the Barclays PLC consolidated CRD IV CET1 ratio (FSA October 2012 transitional statement) falls below 7%.

28 Ordinary shares, share premium and other equity

Called up share capital, allotted and fully paid

	Number of shares m	Ordinary share capital £m	Ordinary share premium £m	Total share capital and share premium £m	Other equity instruments £m
As at 1 January 2019	**17,133**	**4,283**	**28**	**4,311**	**9,632**
Issued to staff under share incentive plans	**76**	**19**	**82**	**101**	**–**
Issuances relating to Scrip Dividend Programme	**113**	**29**	**153**	**182**	**–**
AT1 securities issuance	**–**	**–**	**–**	**–**	**3,500**
AT1 securities redemption	**–**	**–**	**–**	**–**	**(2,262)**
Other movements	**–**	**–**	**–**	**–**	**1**
As at 31 December 2019	**17,322**	**4,331**	**263**	**4,594**	**10,871**
As at 1 January 2018	17,060	4,265	17,780	22,045	8,941
Issued to staff under share incentive plans	30	7	44	51	–
Issuances relating to Scrip Dividend Programme	43	11	77	88	–
AT1 securities issuance	–	–	–	–	1,925
AT1 securities redemption	–	–	–	–	(1,233)
Capital reorganisation	–	–	(17,873)	(17,873)	–
Other movements	–	–	–	–	(1)
As at 31 December 2018	17,133	4,283	28	4,311	9,632

Called up share capital

Called up share capital comprises 17,322m (2018: 17,133m) ordinary shares of 25p each.

Share repurchase

At the 2019 AGM on 2 May 2019, Barclays PLC was authorised to repurchase up to an aggregate of 1,714m of its ordinary shares of 25p. The authorisation is effective until the AGM in 2020 or the close of business on 30 June 2020, whichever is the earlier. No share repurchases were made during either 2019 or 2018.

Capital instruments, equity and reserves

28 Ordinary shares, share premium and other equity continued

Capital reorganisation

On 11 September 2018, the High Court of Justice in England and Wales confirmed the cancellation of the share premium account of Barclays PLC, with the balance of £17,873m credited to retained earnings.

Other equity instruments

Other equity instruments of £10,871m (2018: £9,632m) include AT1 securities issued by Barclays PLC. The AT1 securities are perpetual securities with no fixed maturity and are structured to qualify as AT1 instruments under prevailing capital rules applicable as at the relevant issue date.

In 2019, there were three issuances of AT1 instruments, in the form of Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities (2018: one issuance), totalling £3,500m (2018: £1,925m). There were also three redemptions in 2019 (2018: one redemption), totalling £2,262m (2018: £1,233m).

AT1 equity instruments

	Initial call date	2019 £m	2018 £m
AT1 equity instruments – Barclays PLC			
7.0% Perpetual Subordinated Contingent Convertible Securities	2019	**–**	695
6.625% Perpetual Subordinated Contingent Convertible Securities (USD 1,211m)	2019	**–**	711
6.5% Perpetual Subordinated Contingent Convertible Securities (EUR 1,077m)	2019	**–**	856
8.0% Perpetual Subordinated Contingent Convertible Securities (EUR 1,000m)	2020	**830**	830
7.875% Perpetual Subordinated Contingent Convertible Securities	2022	**995**	995
7.875% Perpetual Subordinated Contingent Convertible Securities (USD 1,500m)	2022	**1,131**	1,131
7.25% Perpetual Subordinated Contingent Convertible Securities	2023	**1,245**	1,245
7.75% Perpetual Subordinated Contingent Convertible Securities (USD 2,500m)	2023	**1,925**	1,925
5.875% Perpetual Subordinated Contingent Convertible Securities	2024	**1,244**	1,244
8% Perpetual Subordinated Contingent Convertible Securities (USD 2,000m)	2024	**1,509**	–
7.125% Perpetual Subordinated Contingent Convertible Securities	2025	**996**	–
6.375% Perpetual Subordinated Contingent Convertible Securities	2025	**996**	–
Total AT1 equity instruments		**10,871**	9,632

The principal terms of the AT1 securities are described below:

- AT1 securities rank behind the claims against Barclays PLC of 1) unsubordinated creditors; 2) claims which are expressed to be subordinated to the claims of unsubordinated creditors of Barclays PLC but not further or otherwise; or 3) claims which are, or are expressed to be, junior to the claims of other creditors of Barclays PLC, whether subordinated or unsubordinated, other than claims which rank, or are expressed to rank, pari passu with, or junior to, the claims of holders of the AT1 securities.
- AT1 securities bear a fixed rate of interest until the initial call date. After the initial call date, in the event that they are not redeemed, the AT1 securities will bear interest at rates fixed periodically in advance for five-year periods based on market rates.
- Interest on the AT1 securities will be due and payable only at the sole discretion of Barclays PLC, and Barclays PLC has sole and absolute discretion at all times and for any reason to cancel (in whole or in part) any interest payment that would otherwise be payable on any interest payment date.
- AT1 securities are undated and are redeemable, at the option of Barclays PLC, in whole but not in part at the initial call date, or on any fifth anniversary after the initial call date. In addition, the AT1 securities are redeemable, at the option of Barclays PLC, in whole in the event of certain changes in the tax or regulatory treatment of the securities. Any redemptions require the prior consent of the PRA.

All AT1 securities will be converted into ordinary shares of Barclays PLC, at a pre-determined price, should the fully loaded CET1 ratio of the Group fall below 7%.

29 Reserves

Currency translation reserve

The currency translation reserve represents the cumulative gains and losses on the retranslation of the Group's net investment in foreign operations, net of the effects of hedging.

Fair value through other comprehensive income reserve

The fair value through other comprehensive income reserve represents the changes in the fair value of fair value through other comprehensive income investments since initial recognition.

Cash flow hedging reserve

The cash flow hedging reserve represents the cumulative gains and losses on effective cash flow hedging instruments that will be recycled to profit or loss when the hedged transactions affect profit or loss.

Own credit reserve

The own credit reserve reflects the cumulative own credit gains and losses on financial liabilities at fair value. Amounts in the own credit reserve are not recycled to profit or loss in future periods.

Other reserves and treasury shares

Other reserves relate to redeemed ordinary and preference shares issued by the Group.

Treasury shares relate to Barclays PLC shares held in relation to the Group's various share schemes. These schemes are described in Note 32. Treasury shares are deducted from shareholders' equity within other reserves. A transfer is made to retained earnings in line with the vesting of treasury shares held for the purposes of share-based payments.

	2019 £m	2018 £m
Currency translation reserve	**3,344**	3,888
Fair value through other comprehensive income reserve	**(187)**	(258)
Cash flow hedging reserve	**1,002**	660
Own credit reserve	**(373)**	(121)
Other reserves and treasury shares	**974**	984
Total	**4,760**	5,153

30 Non-controlling interests

	Profit attributable to non-controlling interest		Equity attributable to non-controlling interest		Dividends paid to non-controlling interest	
	2019 £m	2018[a] £m	2019 £m	2018 £m	2019 £m	2018[a] £m
Barclays Bank PLC issued:						
– Preference shares	**41**	204	**529**	529	**41**	204
– Upper Tier 2 instruments	**39**	30	**691**	691	**39**	30
Other non-controlling interests	**–**	–	**11**	3	**–**	–
Total	**80**	234	**1,231**	1,223	**80**	234

Note

a From 2019, due to an IAS 12 update, the tax relief on payments in relation to Upper Tier 2 instruments has been recognised in the tax charge of the income statement, whereas it was previously recorded directly in equity. Comparatives have been restated, increasing profit attributable to non-controlling interest and dividends paid to non-controlling interest by £8m. Further detail can be found in Note 1.

Barclays Bank PLC and protective rights of non-controlling interests

Barclays PLC holds 100% of the voting rights of Barclays Bank PLC. As at 31 December 2019, Barclays Bank PLC has in issue preference shares and Upper Tier 2 instruments. These are non-controlling interests to the Group.

A fixed coupon rate is attached to all Upper Tier 2 instruments until the initial call date, with the exception of the 9% Bonds, which are fixed for the life of the issue and the Series 1, Series 2 and Series 3 Undated Notes, which are floating rate at rates fixed periodically in advance based on market rates.

After the initial call date, in the event they are not redeemed, coupon payments in relation to the 7.125%, 6.125% Undated Notes, and the 9.25% Bonds are fixed periodically in advance for five-year periods based on market rates. Coupon payments for all other Upper Tier 2 instruments are at rates fixed periodically in advance based on market rates.

Capital instruments, equity and reserves

30 Non-controlling interests continued

The payment of preference share dividends and Upper Tier 2 coupons are typically at the discretion of Barclays Bank PLC, except for coupon payments that become compulsory where Barclays PLC has declared or paid a dividend on ordinary shares, or in certain cases, any class of preference shares, in the preceding six-month period. Barclays Bank PLC is not obliged to make a payment of interest on its 9.25% Perpetual Subordinated Bonds if, in the immediately preceding 12-month interest period, a dividend has not been paid on any class of its share capital. Coupons not paid becomes payable in each case if such a dividend is subsequently paid or in certain other circumstances. No dividend or coupon payments may be made unless Barclays Bank PLC satisfies a specified solvency test. Under the terms of these instruments, Barclays PLC may not pay dividends on ordinary shares until a dividend or coupon is next paid on these instruments or the instruments are redeemed or purchased by Barclays Bank PLC. There are no restrictions on Barclays Bank PLC's ability to remit capital to the Parent as a result of these issued instruments.

Preference share redemptions are typically at the discretion of Barclays Bank PLC. Upper Tier 2 instruments are repayable, at the option of Barclays Bank PLC generally in whole at the initial call date and on any subsequent coupon payment date or, in the case of the 7.125%, 6.125% Undated Notes and the 9.25% Perpetual Bonds, on any fifth anniversary after the initial call date. In addition, each issue of Upper Tier 2 instruments is repayable, at the option of Barclays Bank PLC, in whole for certain tax reasons, either at any time, or on an interest payment date. There are no events of default except non-payment of principal or mandatory interest. Any repayments or redemptions require the prior approval of the PRA, and in respect of the preference shares, any such redemption will be subject to the Companies Act 2006 and the Articles of Barclays Bank PLC.

Instrument	2019 £m	2018 £m
Preference Shares:		
6.278% non-cumulative callable preference shares	318	318
4.75% non-cumulative callable preference shares	211	211
Total Barclays Bank PLC Preference Shares	**529**	529
Upper Tier 2 Instruments:		
Undated Floating Rate Primary Capital Notes Series 1	93	93
Undated Floating Rate Primary Capital Notes Series 2	179	179
5.03% Undated Reverse Dual Currency Subordinated Loan (JPY 8bn)	39	39
5.0% Reverse Dual Currency Undated Subordinated Loan (JPY 12bn)	53	53
Undated Floating Rate Primary Capital Notes Series 3 (£145m)	20	20
9% Permanent Interest Bearing Capital Bonds (£100m)	40	40
7.125% Undated Subordinated Notes (£525m)	158	158
6.125% Undated Subordinated Notes (£550m)	34	34
9.25% Perpetual Subordinated Bonds (ex Woolwich) (£150m)	75	75
Total Upper Tier 2 Instruments	**691**	691

Employee benefits

The notes included in this section focus on the costs and commitments associated with employing our staff.

31 Staff costs

Accounting for staff costs

The Group applies IAS 19 *Employee benefits* in its accounting for most of the components of staff costs.

Short-term employee benefits – salaries, accrued performance costs and social security are recognised over the period in which the employees provide the services to which the payments relate.

Performance costs – recognised to the extent that the 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 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 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.

	2019 £m	2018 £m	2017 £m
Incentive awards granted:			
Current year bonus	**1,008**	1,067	990
Deferred bonus	**429**	515	442
Commissions and other incentives	**53**	67	74
Total incentive awards granted	**1,490**	1,649	1,506
Reconciliation of incentive awards granted to income statement charge:			
Less: deferred bonuses granted but not charged in current year	**(293)**	(359)	(302)
Add: current year charges for deferred bonuses from previous years	**308**	299	457
Other differences between incentive awards granted and income statement charge	**(48)**	(33)	29
Income statement charge for performance costs	**1,457**	1,556	1,690
Other income statement charges:			
Salaries	**4,332**	4,200	3,982
Social security costs	**573**	558	580
Post-retirement benefits[a]	**501**	619	493
Other compensation costs	**480**	413	378
Total compensation costs[b]	**7,343**	7,346	7,123
Other resourcing costs:			
Outsourcing	**433**	594	1,094
Redundancy and restructuring	**132**	133	80
Temporary staff costs	**256**	386	354
Other	**151**	170	(91)
Total other resourcing costs	**972**	1,283	1,437
Total staff costs	**8,315**	8,629	8,560
Group compensation costs as % of total income[c]	**33.9%**	34.1%	33.8%
Group staff costs as % of total income[c]	**38.4%**	40.2%	40.6%

Notes

a Post-retirement benefits charge includes £270m (2018: £236m; 2017: £230m) in respect of defined contribution schemes and £231m (2018: £383m; 2017: £263m) in respect of defined benefit schemes.

b £439m (2018: £296m; 2017: £312m) of Group compensation was capitalised as internally generated software.

c 2018 comparative excludes a GMP charge of £140m.

32 Share-based payments

Accounting for share-based payments

The Group applies IFRS 2 *Share-based Payments* in accounting for employee remuneration in the form of shares.

Employee incentives include awards in the form of shares and share options, as well as offering employees the opportunity to purchase shares on favourable terms. The cost of the employee services received in respect of the shares or share options granted is recognised in the income statement over the period that employees provide services. The overall cost of the award is calculated using the number of shares and options expected to vest and the fair value of the shares or options at the date of grant.

The number of shares and options expected to vest takes into account the likelihood that performance and service conditions included in the terms of the awards will be met. Failure to meet the non-vesting condition is treated as a cancellation, resulting in an acceleration of recognition of the cost of the employee services.

The fair value of shares is the market price ruling on the grant date, in some cases adjusted to reflect restrictions on transferability. The fair value of options granted is determined using option pricing models to estimate the numbers of shares likely to vest. These take into account the exercise price of the option, the current share price, the risk-free interest rate, the expected volatility of the share price over the life of the option and other relevant factors. Market conditions that must be met in order for the award to vest are also reflected in the fair value of the award, as are any other non-vesting conditions – such as continuing to make payments into a share-based savings scheme.

The charge for the year arising from share-based payment schemes was as follows:

	Charge for the year		
	2019 £m	2018 £m	2017 £m
Share Value Plan	**6**	45	153
Deferred Share Value Plan	**266**	217	166
Others	**206**	187	186
Total equity settled	**478**	449	505
Cash settled	**3**	1	3
Total share-based payments	**481**	450	508

The terms of the main current plans are as follows:

Share Value Plan (SVP)

The SVP was introduced in March 2010. SVP awards have been granted to participants in the form of a conditional right to receive Barclays PLC shares or provisional allocations of Barclays PLC shares which vest or are considered for release over a period of three, five or seven years. Participants do not pay to receive an award or to receive a release of shares. For awards granted before December 2017, the grantor may also make a dividend equivalent payment to participants on release of a SVP award. SVP awards are also made to eligible employees for recruitment purposes. All awards are subject to potential forfeiture in certain leaver scenarios.

Deferred Share Value Plan (DSVP)

The DSVP was introduced in February 2017. The terms of the DSVP are materially the same as the terms of the SVP as described above, save that Executive Directors are not eligible to participate in the DSVP and the DSVP operates over market purchase shares only.

Other schemes

In addition to the SVP and DSVP, the Barclays Group operates a number of other schemes settled in Barclays PLC Shares including Sharesave (both UK and Ireland), Sharepurchase (both UK and overseas), and the Barclays Group Long Term Incentive Plan. A delivery of upfront shares to 'Material Risk Takers' can be made as a Share Incentive Award (Holding Period).

32 Share-based payments continued

Share option and award plans

The weighted average fair value per award granted, weighted average share price at the date of exercise/release of shares during the year, weighted average contractual remaining life and number of options and awards outstanding (including those exercisable) at the balance sheet date were as follows:

	2019				2018			
	Weighted average fair value per award granted in year £	Weighted average share price at exercise/ release during year £	Weighted average remaining contractual life years	Number of options/ awards outstanding (000s)	Weighted average fair value per award granted in year £	Weighted average share price at exercise/ release during year £	Weighted average remaining contractual life years	Number of options/ awards outstanding (000s)
SVP[a,b]	1.45	1.59	1	5,619	1.90	2.11	<1	67,898
DSVP[a,b]	1.43	1.60	1	325,872	1.94	2.10	1	206,571
Others[a]	0.40-1.60	1.57-1.70	0-3	232,259	0.36-2.11	1.82-2.11	0-3	217,952

Notes
a Options/award granted over Barclays PLC shares.
b Weighted average exercise price is not applicable for SVP and DSVP awards as these are not share option schemes.

SVP and DSVP are nil cost awards on which the performance conditions are substantially completed at the date of grant. Consequently, the fair value of these awards is based on the market value at that date.

Movements in options and awards

The movement in the number of options and awards for the major schemes and the weighted average exercise price of options was:

	SVP[a,b]		DSVP[a,b]		Others[a,c]			
	Number (000s)		Number (000s)		Number (000s)		Weighted average ex. price (£)	
	2019	2018	2019	2018	2019	2018	2019	2018
Outstanding at beginning of year/ acquisition date	67,898	191,610	206,571	125,399	217,952	210,160	1.41	1.41
Granted in the year	2,317	1,425	217,075	135,964	215,694	114,335	1.19	1.51
Exercised/released in the year	(62,970)	(119,688)	(82,354)	(43,402)	(151,827)	(78,771)	1.21	1.50
Less: forfeited in the year	(1,626)	(5,449)	(15,420)	(11,390)	(42,331)	(25,494)	1.51	1.54
Less: expired in the year	–	–	–	–	(7,229)	(2,278)	2.08	1.80
Outstanding at end of year	5,619	67,898	325,872	206,571	232,259	217,952	1.29	1.41
Of which exercisable:	–	–	–	–	32,376	23,556	1.32	1.96

Notes
a Options/award granted over Barclays PLC shares.
b Weighted average exercise price is not applicable for SVP and DSVP awards as these are not share option schemes.
c The number of awards within Others at the end of the year principally relates to Sharesave (number of awards exercisable at end of year was 15,148,343). The weighted average exercise price relates to Sharesave.

Awards and options granted under the Group's share plans may be satisfied using new issue shares, treasury shares and market purchase shares. Awards granted under the DSVP may be satisfied using market purchase shares only.

There were no significant modifications to the share-based payments arrangements in 2019 and 2018.

As at 31 December 2019, the total liability arising from cash-settled share-based payments transactions was £3m (2018: £2m).

Holdings of Barclays PLC shares

Various employee benefit trusts established by the Group hold shares in Barclays PLC to meet obligations under the Barclays share-based payment schemes. The total number of Barclays shares held in these employee benefit trusts at 31 December 2019 was 13.1m (2018: 11.4m). Dividend rights have been waived on all these shares. The total market value of the shares held in trust based on the year-end share price of £1.80 (2018: £1.51) was £24m (2018: £17m). For accounting of treasury shares, see Note 29.

Employee benefits

33 Pensions and post-retirement benefits

Accounting for pensions and post-retirement benefits

The Group operates a number of pension schemes and post-employment benefit schemes.

Defined contribution schemes – the Group recognises contributions due in respect of the accounting period in the income statement. Any contributions unpaid at the balance sheet date are included as a liability.

Defined benefit schemes – the Group recognises its obligations to members of each scheme at the period end, less the fair value of the scheme assets after applying the asset ceiling test.

Each scheme's obligations are calculated using the projected unit credit method. Scheme assets are stated at fair value as at the period end.

Changes in pension scheme liabilities or assets (remeasurements) that do not arise from regular pension cost, net interest on net defined benefit liabilities or assets, past service costs, settlements or contributions to the scheme, are recognised in other comprehensive income. Remeasurements comprise experience adjustments (differences between previous actuarial assumptions and what has actually occurred), the effects of changes in actuarial assumptions, return on scheme assets (excluding amounts included in the interest on the assets) and any changes in the effect of the asset ceiling restriction (excluding amounts included in the interest on the restriction).

Post-employment benefit schemes – the cost of providing healthcare benefits to retired employees is accrued as a liability in the financial statements over the period that the employees provide services to the Group, using a methodology similar to that for defined benefit pension schemes.

Pension schemes

UK Retirement Fund (UKRF)

The UKRF is the Barclays Group's main scheme, representing 97% of the Barclays Group's total retirement benefit obligations. Barclays Bank PLC is the principal employer of the UKRF. The UKRF was closed to new entrants on 1 October 2012, and comprises 10 sections, the two most significant of which are:

- Afterwork, which comprises a contributory cash balance defined benefit element, and a voluntary defined contribution element. The cash balance element is accrued each year and revalued until Normal Retirement Age in line with the increase in Retail Price Index (RPI) (up to a maximum of 5% p.a.). An increase of up to 2% a year may also be added at Barclays' discretion. The costs of ill-health retirements and death in service benefits for Afterwork members are borne by the UKRF. The main risks that Barclays runs in relation to Afterwork are limited although additional contributions are required if pre-retirement investment returns are not sufficient to provide for the benefits.
- The 1964 Pension Scheme. Most employees recruited before July 1997 built up benefits in this non-contributory defined benefit scheme in respect of service up to 31 March 2010. Pensions were calculated by reference to service and pensionable salary. From 1 April 2010, members became eligible to accrue future service benefits in either Afterwork or the Pension Investment Plan (PIP), a historic defined contribution section which is now closed to future contributions. The risks that Barclays runs in relation to the 1964 section are typical of final salary pension schemes, principally that investment returns fall short of expectations, that inflation exceeds expectations, and that retirees live longer than expected.

Barclays Pension Savings Plan (BPSP)

The BPSP is a defined contribution scheme providing benefits for all new UK hires from 1 October 2012, BPSP is not subject to the same investment return, inflation or life expectancy risks for Barclays that defined benefit schemes are. Members' benefits reflect contributions paid and the level of investment returns achieved.

Other

Apart from the UKRF and the BPSP, Barclays operates a number of smaller pension and long-term employee benefits and post-retirement healthcare plans globally, the largest of which are the US defined benefit schemes. Many of the schemes are funded, with assets backing the obligations held in separate legal vehicles such as trusts. Others are operated on an unfunded basis. The benefits provided, the approach to funding, and the legal basis of the schemes, reflect local environments.

Governance

The UKRF operates under trust law and is managed and administered on behalf of the members in accordance with the terms of the Trust Deed and Rules and all relevant legislation. The Corporate Trustee is Barclays Pension Funds Trustees Limited, a private limited company and a wholly-owned subsidiary of Barclays Bank PLC. The Trustee is the legal owner of the assets of the UKRF which are held separately from the assets of the Barclays Group.

The Trustee Board comprises six Management Directors selected by Barclays, of whom three are independent Directors with no relationship with Barclays (and who are not members of the UKRF), plus three Member Nominated Directors selected from eligible active staff, deferred and pensioner members who apply for the role.

The BPSP is a Group Personal Pension arrangement which operates as a collection of personal pension plans. Each personal pension plan is a direct contract between the employee and the BPSP provider (Legal & General Assurance Society Limited), and is regulated by the FCA.

Similar principles of pension governance apply to the Barclays Group's other pension schemes, depending on local legislation.

33 Pensions and post-retirement benefits continued

Amounts recognised

The following tables include amounts recognised in the income statement and an analysis of benefit obligations and scheme assets for all Barclays Group defined benefit schemes. The net position is reconciled to the assets and liabilities recognised on the balance sheet. The tables include funded and unfunded post-retirement benefits.

Income statement charge

	2019 £m	2018 £m	2017 £m
Current service cost	**231**	243	265
Net finance cost	**(48)**	(24)	(12)
Past service cost	**–**	134	(3)
Other movements	**2**	5	–
Total	**185**	358	250

Balance sheet reconciliation

	2019		2018	
	Total £m	Of which relates to UKRF £m	Total £m	Of which relates to UKRF £m
Benefit obligation at beginning of the year	**(28,269)**	**(27,301)**	(30,268)	(29,160)
Current service cost	**(231)**	**(210)**	(243)	(226)
Interest costs on scheme liabilities	**(747)**	**(718)**	(705)	(677)
Past service cost	**–**	**–**	(134)	(140)
Remeasurement (loss)/gain – financial	**(3,087)**	**(2,964)**	1,129	1,075
Remeasurement (loss)/gain – demographic	**223**	**214**	(241)	(245)
Remeasurement (loss)/gain – experience	**277**	**266**	(75)	(94)
Employee contributions	**(5)**	**(1)**	(4)	(1)
Benefits paid	**1,459**	**1,410**	2,205	2,167
Exchange and other movements	**47**	**–**	67	–
Benefit obligation at end of the year	**(30,333)**	**(29,304)**	(28,269)	(27,301)
Fair value of scheme assets at beginning of the year	**29,722**	**29,036**	30,922	30,112
Interest income on scheme assets	**795**	**774**	729	709
Employer contribution	**755**	**731**	754	741
Remeasurement – return on scheme assets greater than discount rate	**2,312**	**2,230**	(400)	(360)
Employee contributions	**5**	**1**	4	1
Benefits paid	**(1,459)**	**(1,410)**	(2,205)	(2,167)
Exchange and other movements	**(37)**	**–**	(82)	–
Fair value of scheme assets at end of the year	**32,093**	**31,362**	29,722	29,036
Net surplus	**1,760**	**2,058**	1,453	1,735
Retirement benefit assets	**2,108**	**2,058**	1,768	1,735
Retirement benefit liabilities	**(348)**	**–**	(315)	–
Net retirement benefit assets	**1,760**	**2,058**	1,453	1,735

Included within the benefit obligation was £759m (2018: £757m) relating to overseas pensions and £202m (2018: £204m) relating to other post-employment benefits.

As at 31 December 2019, the UKRF's scheme assets were in surplus versus IAS 19 obligations by £2,058m (2018: £1,735m). The movement for the UKRF was driven by higher than assumed asset returns, payment of deficit reduction contributions, updated mortality assumptions, and lower than expected inflation, partially offset by a decrease in the discount rate.

The weighted average duration of the benefit payments reflected in the defined benefit obligation for the UKRF is 17 years. The UKRF expected benefits are projected to be paid out for in excess of 50 years, although 25% of the total benefits are expected to be paid in the next 10 years; 30% in years 11 to 20 and 25% in years 20 to 30. The remainder of the benefits are expected to be paid beyond 30 years.

Of the £1,410m (2018: £2,167m) UKRF benefits paid out, £580m (2018: £1,420m) related to transfers out of the fund.

Where a scheme's assets exceed its obligation, an asset is recognised to the extent that it does not exceed the present value of future contribution holidays or refunds of contributions (the asset ceiling). In the case of the UKRF the asset ceiling is not applied as, in certain specified circumstances such as wind-up, the Group expects to be able to recover any surplus. Similarly, a liability in respect of future minimum funding requirements is not recognised. The Trustee does not have a substantive right to augment benefits, nor do they have the right to wind up the plan except in the dissolution of the Group or termination of contributions by the Group. The application of the asset ceiling to other plans and recognition of additional liabilities in respect of future minimum funding requirements are considered on an individual plan basis.

33 Pensions and post-retirement benefits continued

Critical accounting estimates and judgements

Actuarial valuation of the schemes' obligation is dependent upon a series of assumptions. Below is a summary of the main financial and demographic assumptions adopted for the UKRF.

Key UKRF financial assumptions	2019 % p.a.	2018 % p.a.
Discount rate	**1.92**	2.71
Inflation rate (RPI)	**3.02**	3.25

The UKRF discount rate assumption for 2019 was based on a variant of the standard Willis Towers Watson RATE Link model. This variant includes all bonds rated AA by at least one of the four major ratings agencies, and assumes that forward rates after year 30 are flat. The RPI inflation assumption for 2019 was set by reference to the Bank of England's implied inflation curve, assuming the forward rates remain flat after 30 years. The inflation assumption incorporates a deduction of 20 basis points as an allowance for an inflation risk premium. The methodology used to derive the discount rate and price inflation assumptions is consistent with that used at the prior year end, except for a switch to holding forward rates rather spot rates flat after year 30.

The UKRF's post-retirement mortality assumptions are based on a best estimate assumption derived from an analysis in 2019 of the UKRF's own post-retirement mortality experience, and taking account of recent evidence from published mortality surveys. An allowance has been made for future mortality improvements based on the 2018 core projection model published by the Continuous Mortality Investigation Bureau subject to a long-term trend of 1.5% per annum in future improvements. The methodology used is consistent with the prior year end, except that the 2017 core projection model was used at 2018, and a long-trend of 1.25% per annum was applied. The table below shows how the assumed life expectancy at 60, for members of the UKRF, has varied over the past three years:

Assumed life expectancy	2019	2018	2017
Life expectancy at 60 for current pensioners (years)			
– Males	**27.1**	27.7	27.8
– Females	**29.3**	29.4	29.4
Life expectancy at 60 for future pensioners currently aged 40 (years)			
– Males	**28.9**	29.2	29.3
– Females	**31.1**	31.0	31.0

The assumption for future transfers out has been removed, to reflect lower volumes experienced in 2019 and immaterial volumes expected going forwards. The previous assumption was that 5% of the benefit obligation in respect of deferred members will transfer out during 2020, 2.5% in 2021, tapering down to 0% from 2022 onwards.

Sensitivity analysis on actuarial assumptions

The sensitivity analysis has been calculated by valuing the UKRF liabilities using the amended assumptions shown in the table below and keeping the remaining assumptions the same as disclosed in the table above, except in the case of the inflation sensitivity where other assumptions that depend on assumed inflation have also been amended correspondingly. The difference between the recalculated liability figure and that stated in the balance sheet reconciliation table above is the figure shown. The selection of these movements to illustrate the sensitivity of the defined benefit obligation to key assumptions should not be interpreted as Barclays expressing any specific view of the probability of such movements happening.

Change in key assumptions	2019 (Decrease)/ Increase in UKRF defined benefit obligation £bn	2018 (Decrease)/ Increase in UKRF defined benefit obligation £bn
Discount rate		
0.5% p.a. increase	**(2.3)**	(2.1)
0.25% p.a. increase	**(1.2)**	(1.1)
0.25% p.a. decrease	**1.2**	1.1
0.5% p.a. decrease	**2.6**	2.4
Assumed RPI		
0.5% p.a. increase	**1.5**	1.3
0.25% p.a. increase	**0.8**	0.7
0.25% p.a. decrease	**(0.7)**	(0.6)
0.5% p.a. decrease	**(1.4)**	(1.3)
Life expectancy at 60		
One year increase	**1.0**	0.9
One year decrease	**(1.0)**	(0.9)

33 Pensions and post-retirement benefits continued

Assets

A long-term investment strategy has been set for the UKRF, with its asset allocation comprising a mixture of equities, bonds, property and other appropriate assets. This recognises that different asset classes are likely to produce different long-term returns and some asset classes may be more volatile than others. The long-term investment strategy ensures, among other aims, that investments are adequately diversified.

The UKRF also employs derivative instruments, where appropriate, to achieve a desired exposure or return, or to match assets more closely to liabilities. The value of assets shown reflects the assets held by the scheme, with any derivative holdings reflected on a fair value basis.

The value of the assets of the schemes and their percentage in relation to total scheme assets were as follows:

Analysis of scheme assets

	Total		Of which relates to UKRF	
	Value £m	% of total fair value of scheme assets %	Value £m	% of total fair value of scheme assets %
As at 31 December 2019				
Equities	**2,349**	**7.3**	**2,174**	**6.9**
Private equities	**2,083**	**6.5**	**2,083**	**6.6**
Bonds – fixed government	**3,447**	**10.7**	**3,175**	**10.1**
Bonds – index-linked government	**11,036**	**34.4**	**11,027**	**35.2**
Bonds – corporate and other	**9,234**	**28.8**	**9,042**	**28.8**
Property	**1,644**	**5.1**	**1,633**	**5.2**
Infrastructure	**1,558**	**4.9**	**1,558**	**5.0**
Cash and liquid assets	**742**	**2.3**	**670**	**2.2**
Fair value of scheme assets	**32,093**	**100.0**	**31,362**	**100.0**
As at 31 December 2018				
Equities	3,349	11.3	3,211	11.1
Private equities	1,995	6.7	1,995	6.9
Bonds – fixed government	3,320	11.2	3,062	10.5
Bonds – index-linked government	10,945	36.8	10,936	37.7
Bonds – corporate and other	6,371	21.4	6,197	21.3
Property	1,712	5.8	1,702	5.9
Infrastructure	1,196	4.0	1,196	4.1
Cash and liquid assets	834	2.8	737	2.5
Fair value of scheme assets	29,722	100.0	29,036	100.0

Included within the fair value of scheme assets were nil (2018: nil) relating to shares in Barclays PLC and nil (2018: nil) relating to bonds issued by Barclays PLC. The UKRF also invests in pooled investment vehicles which may hold shares or debt issued by Barclays PLC.

The UKRF assets above do not include the Senior Notes asset referred to in the section below on Triennial Valuation, as these are non-transferable instruments and not recognised under IAS19.

Approximately 44% of the UKRF assets are invested in liability-driven investment strategies; primarily UK gilts as well as interest rate and inflation swaps. These are used to better match the assets to its liabilities. The swaps are used to reduce the scheme's inflation and duration risks against its liabilities.

Triennial valuation

The latest triennial actuarial valuation of the UKRF with an effective date of 30 September 2019 has been completed. This valuation showed a funding deficit of £2.3bn and a funding level of 94%, compared to a £4.0bn funding deficit in the 30 September 2018 update, and a £7.9bn funding deficit in the previous triennial valuation (effective date 30 September 2016). The decrease in funding deficit over the year to 30 September 2019 was mainly driven by the payment of deficit reduction contributions and changes to mortality assumptions.

The Bank and UKRF Trustee have agreed a revised statement of funding principles, schedule of contributions, and recovery plan to seek to eliminate the funding deficit.

The main differences between the funding and accounting assumptions are a different approach to setting the discount rate and a more conservative longevity assumption for funding.

The deficit reduction contributions agreed with the UKRF Trustee as part of the 30 September 2019 triennial valuation recovery plan are shown alongside the deficit reduction contributions agreed in 2017 for the prior 30 September 2016 triennial valuation.

33 Pensions and post-retirement benefits continued

Year	Deficit reduction contributions under the 30 September 2016 valuation £m	Deficit reduction contributions under the 30 September 2019 valuation £m
Cash paid:		
2019 – paid in two instalments of £250m in April and September	500	–
2019 – paid in December	–	500
Future commitments:		
2020	500	500
2021	1,000	700
2022	1,000	294
2023	1,000	286
2024 to 2026	1,000 each year	–

As part of the triennial actuarial valuation, Barclays Bank PLC agreed to pay a £500m contribution on 11 December 2019 and at the same time the UKRF subscribed for non-transferable listed senior fixed rate notes for £500m, backed by UK gilts (the Senior Notes). The Senior Notes were issued by Heron Issuer Limited (Heron), an entity that is consolidated within the Barclays Group under IFRS 10. The Senior Notes entitle the UKRF to semi-annual coupon payments for five years, and full repayment of the subscription in cash at maturity in 2024. Heron acquired the gilts from BBPLC for cash of £600m to support these payments. BBPLC also subscribed for Junior notes issued by Heron for £100m. The contribution forms part of the recovery plan agreed as part of the 2019 valuation of the UKRF. No liability is recognised under IAS19 for the obligation to make deficit reduction contributions or to repay the Senior Notes, as settlement in 2024 gives rise to both a reduction in cash and a corresponding increase in net defined benefit assets.

The deficit reduction contributions are in addition to the regular contributions to meet the Barclays Group's share of the cost of benefits accruing over each year. The next funding valuation of the UKRF is due to be completed in 2023 with an effective date of 30 September 2022.

Other support measures agreed which remain in place

Collateral – The UKRF Trustee and Barclays Bank PLC have entered into an arrangement whereby a collateral pool has been put in place to provide security for the UKRF funding deficit as it increases or decreases over time. The collateral pool is currently made up of government securities, and agreement was made with the Trustee to cover 100% of the funding deficit with an overall cap of £9bn. The arrangement provides the UKRF Trustee with dedicated access to the pool of assets in the event of Barclays Bank PLC not paying a deficit reduction contribution to the UKRF or in the event of Barclays Bank PLC's insolvency. These assets are included within Note 38 Assets pledged, collateral received and assets transferred.

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

Participation – As permitted under the Financial Services and Markets Act 2000 (Banking Reform) (Pensions) Regulations 2015, Barclays Bank UK PLC is a participating employer in the UKRF and will remain so during a transitional phase until September 2025 as set out in a deed of participation. Barclays Bank UK PLC will make contributions for the future service of its employees who are currently Afterwork members and, in the event of Barclays Bank PLC's insolvency during this period provision has been made to require Barclays Bank UK PLC to become the principal employer of the UKRF. Barclays Bank PLC's Section 75 debt would be triggered by the insolvency (the debt would be calculated after allowing for the payment to the UKRF of the collateral above).

Defined benefit contributions paid with respect to the UKRF were as follows:

Contributions paid	£m
2019	**1,231**
2018	741
2017	1,124

There were nil (2018: nil; 2017: £153m) Section 75 contributions included within the Barclays Group's contributions paid as no participating employers left the UKRF scheme in 2019.

The Barclays Group's expected contribution to the UKRF in respect of defined benefits in 2020 is £743m (2019: £725m). In addition, the expected contributions to UK defined contribution schemes in 2020 is £33m (2019: £34m) to the UKRF and £185m (2019: £168m) to the BPSP.

Scope of consolidation

The notes included in this section present information on the Group's investments in subsidiaries, joint ventures and associates and its interests in structured entities. Detail is also given on securitisation transactions the Group has entered into and arrangements that are held off-balance sheet.

34 Principal subsidiaries

The Group applies IFRS 10 *Consolidated Financial Statements*. The consolidated financial statements combine the financial statements of the Group and all its subsidiaries. Subsidiaries are entities over which the Group has control. Under IFRS 10, this is when the Group is exposed or has rights to variable returns from its involvement in the entity and has the ability to affect those returns through its power over the entity.

The Group reassesses whether it controls an entity if facts and circumstances indicate that there have been changes to its power, its rights to variable returns or its ability to use its power to affect the amount of its returns.

Intra-group transactions and balances are eliminated on consolidation and consistent accounting policies are used throughout the Group for the purposes of the consolidation. Changes in ownership interests in subsidiaries are accounted for as equity transactions if they occur after control has been obtained and they do not result in loss of control.

The significant judgements used in applying this policy are set out below.

Accounting for investment in subsidiaries

In the individual financial statements of Barclays PLC, investments in subsidiaries are stated at cost less impairment.

Principal subsidiaries for the Group are set out below. This includes those subsidiaries that are most significant in the context of the Group's business, results or financial position.

Company name	Principal place of business or incorporation	Nature of business	Percentage of voting rights held %	Non-controlling interests – proportion of ownership interests %	Non-controlling interests – proportion of voting interests %
Barclays Bank PLC	United Kingdom	Banking, holding company	100	3	–
Barclays Bank UK PLC	United Kingdom	Banking, holding company	100	–	–
Barclays Bank Ireland PLC	Ireland	Banking, holding company	100	–	–
Barclays Execution Services Limited	United Kingdom	Service company	100	–	–
Barclays Capital Inc.	United States	Securities dealing	100	–	–
Barclays Capital Securities Limited	United Kingdom	Securities dealing	100	–	–
Barclays Securities Japan Limited	Japan	Securities dealing	100	–	–
Barclays US LLC	United States	Holding company	100	–	–
Barclays Bank Delaware	United States	Credit card issuer	100	–	–

The country of registration or incorporation is also the principal area of operation of each of the above subsidiaries.

Ownership interests are in some cases different to voting interests due to the existence of non-voting equity interests, such as preference shares. Refer to Note 30 for more information.

Determining whether the Group has control of an entity is generally straightforward based on ownership of the majority of the voting capital. However, in certain instances, this determination will involve judgement, particularly in the case of structured entities where voting rights are often not the determining factor in decisions over the relevant activities. This judgement will involve assessing the purpose and design of the entity. It will also often be necessary to consider whether the Group, or another involved party with power over the relevant activities, is acting as a principal in its own right or as an agent on behalf of others.

There is also often considerable judgement involved in the ongoing assessment of control over structured entities. In this regard, where market conditions have deteriorated such that the other investors' exposures to the structure's variable returns have been substantively eliminated, the Group may conclude that the managers of the structured entity are acting as its agent and therefore will consolidate the structured entity.

An interest in equity voting rights exceeding 50% would typically indicate that the Group has control of an entity. However, the entity set out below is excluded from consolidation because the Group does not have exposure to its variable returns.

Country of registration or incorporation	Company name	Percentage of voting rights held %	Equity shareholders' funds £m	Retained profit for the year £m
Cayman Islands	Palomino Limited	100	–	–

This entity is managed by an external counterparty and consequently is not controlled by the Group. Interests relating to this entity are included in Note 35.

Scope of consolidation

34 Principal subsidiaries continued

Significant restrictions

As is typical for a group of its size and international scope, there are restrictions on the ability of Barclays PLC to obtain distributions of capital, access the assets or repay the liabilities of members of its Group due to the statutory, regulatory and contractual requirements of its subsidiaries and due to the protective rights of non-controlling interests. These are considered below.

Regulatory requirements

Barclays' principal subsidiary companies have assets and liabilities before intercompany eliminations of £1,474bn (2018: £1,418bn) and £1,388bn (2018: £1,337bn) respectively. The assets and liabilities are subject to prudential regulation and regulatory capital requirements in the countries in which they are regulated. These require entities to maintain minimum capital levels which cannot be returned to the parent company, Barclays PLC on a going concern basis.

In order to meet capital requirements, subsidiaries may issue certain equity-accounted and debt-accounted financial instruments and non-equity instruments such as Tier 1 and Tier 2 capital instruments and other forms of subordinated liabilities. Refer to Note 27 and Note 28 for particulars of these instruments. These instruments may be subject to cancellation clauses or preference share restrictions that would limit the ability of the entity to repatriate the capital on a timely basis.

Liquidity requirements

Regulated subsidiaries of the Group are required to meet applicable PRA or local regulatory requirements pertaining to liquidity. Some of the regulated subsidiaries include Barclays Bank PLC and Barclays Capital Securities Limited (which are regulated on a combined basis under a Domestic Liquidity Sub-Group (DoLSub) arrangement), Barclays Bank UK PLC, Barclays Bank Ireland PLC, Barclays Capital Inc. and Barclays Bank Delaware. See pages 180 to 189 for further details of liquidity requirements, including those of the Group's significant subsidiaries.

Statutory requirements

The Group's subsidiaries are subject to statutory requirements not to make distributions of capital and unrealised profits and generally to maintain solvency. These requirements restrict the ability of subsidiaries to make remittances of dividends to Barclays PLC, the ultimate parent, except in the event of a legal capital reduction or liquidation. In most cases, the regulatory restrictions referred to above exceed the statutory restrictions.

Contractual requirements

Asset encumbrance

The Group uses its financial assets to raise finance in the form of securitisations and through the liquidity schemes of central banks, as well as to provide security to the UK Retirement Fund. Once encumbered, the assets are not available for transfer around the Group. The assets typically affected are disclosed in Note 38.

Other restrictions

The Group is required to maintain balances with central banks and other regulatory authorities, and these amounted to £4,893m (2018: £4,717m).

35 Structured entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well-defined objective with restrictions around their ongoing activities.

Depending on the Group's power over the activities of the entity and its exposure to and ability to influence its own returns, it may consolidate the entity. In other cases, it may sponsor or have exposure to such an entity but not consolidate it.

Consolidated structured entities

The Group has contractual arrangements which may require it to provide financial support to the following types of consolidated structured entities:

Securitisation vehicles

The Group uses securitisation as a source of financing and a means of risk transfer. Refer to Note 37 for further detail.

Commercial paper (CP) and medium-term note conduits

The Group provided £8.3bn (2018: £11.7bn) in undrawn contractual backstop liquidity facilities to CP conduits.

Fund management entities

In previous periods, the Group had contractually guaranteed the performance of certain cash investments in a number of managed investment funds which resulted in their consolidation. As at 31 December 2019, the notional value of the guarantees were nil (2018: nil) as the European Wealth Funds associated with these guarantees were either closed or ownership has been transferred outside the Group and they are no longer consolidated.

Employee benefit and other trusts

The Group provides capital contributions to employee benefit trusts to enable them to meet obligations to employees in relation to share-based remuneration arrangements. During 2019, the Group provided undrawn liquidity facilities of £2.5bn (2018: £2.6bn) to certain trusts.

35 Structured entities continued

Unconsolidated structured entities in which the Group has an interest

An interest in a structured entity is any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the entity for the Group. Such interests include holdings of debt or equity securities, derivatives that transfer financial risks from the entity to the Group, lending, loan commitments, financial guarantees and investment management agreements.

Interest rate swaps, foreign exchange derivatives that are not complex and which expose the Group to insignificant credit risk by being senior in the payment waterfall of a securitisation and derivatives that are determined to introduce risk or variability to a structured entity are not considered to be an interest in an entity and have been excluded from the disclosures below.

The nature and extent of the Group's interests in structured entities is summarised below:

Summary of interests in unconsolidated structured entities

	Secured financing £m	Short-term traded interests £m	Traded derivatives £m	Other interests £m	Total £m
As at 31 December 2019					
Assets					
Trading portfolio assets	–	9,585	–	76	9,661
Financial assets at fair value through the income statement	32,859	–	–	2,659	35,518
Derivative financial instruments	–	–	2,369	–	2,369
Financial assets at fair value through other comprehensive income	–	–	–	391	391
Loans and advances at amortised cost	–	–	–	19,061	19,061
Reverse repurchase agreements at amortised cost	77	–	–	–	77
Other assets	–	–	–	28	28
Total assets	32,936	9,585	2,369	22,215	67,105
Liabilities					
Derivative financial instruments	–	–	3,171	2,437	5,608
As at 31 December 2018					
Assets					
Trading portfolio assets	–	12,206	–	–	12,206
Financial assets at fair value through the income statement	32,359	–	–	2,598	34,957
Derivative financial instruments	–	–	5,236	–	5,236
Financial assets at fair value through other comprehensive income	–	–	–	–	–
Loans and advances at amortised cost	–	–	–	17,341	17,341
Other assets	–	–	–	33	33
Total assets	32,359	12,206	5,236	19,972	69,773
Liabilities					
Derivative financial instruments	–	–	6,438	2,586	9,024

Secured financing arrangements, short-term traded interests and traded derivatives are typically managed under market risk management policies described on page 141 which includes an indication of the change of risk measures compared to last year. For this reason, the total assets of these entities are not considered meaningful for the purposes of understanding the related risks and so have not been presented. Other interests include conduits and lending where the interest is driven by normal customer demand.

Secured financing

The Group routinely enters into reverse repurchase contracts, stock borrowing and similar arrangements on normal commercial terms where the counterparty to the arrangement is a structured entity. Due to the nature of these arrangements, especially the transfer of collateral and ongoing margining, the Group has minimal exposure to the performance of the structured entity counterparty. This includes margin lending which is presented under financial assets at fair value through the income statement to align to the balance sheet presentation.

Short-term traded interests

The Group buys and sells interests in structured entities as part of its trading activities, for example, retail mortgage-backed securities, collateralised debt obligations and similar interests. Such interests are typically held individually or as part of a larger portfolio for no more than 90 days. In such cases, the Group typically has no other involvement with the structured entity other than the securities it holds as part of trading activities and its maximum exposure to loss is restricted to the carrying value of the asset.

As at 31 December 2019, £8,903m (2018: £8,436m) of the Group's £9,585m (2018: £12,206m) short-term traded interests were comprised of debt securities issued by asset securitisation vehicles.

Traded derivatives

The Group enters into a variety of derivative contracts with structured entities which reference market risk variables such as interest rates, foreign exchange rates and credit indices among other things. The main derivative types which are considered interests in structured entities include index-based and entity specific credit default swaps, balance guaranteed swaps, total return swaps, commodities swaps, and equity swaps. A description of the types of derivatives and the risk management practices are detailed in Note 14. The risk of loss may be mitigated through ongoing margining requirements as well as a right to cash flows from the structured entity which are senior in the payment waterfall. Such margining requirements are consistent with market practice for many derivative arrangements and in line with the Group's normal credit policies.

Scope of consolidation

35 Structured entities continued

Derivative transactions require the counterparty to provide cash or other collateral under margining agreements to mitigate counterparty credit risk. The Group is mainly exposed to settlement risk on these derivatives which is mitigated through daily margining. Total notionals amounted to £314,170m (2018: £246,774m).

Except for credit default swaps where the maximum exposure to loss is the swap notional amount, it is not possible to estimate the maximum exposure to loss in respect of derivative positions as the fair value of derivatives is subject to changes in market rates of interest, exchange rates and credit indices which by their nature are uncertain. In addition, the Group's losses would be subject to mitigating action under its traded market risk and credit risk policies that require the counterparty to provide collateral in cash or other assets in most cases.

Other interests in unconsolidated structured entities

The Group's interests in structured entities not held for the purposes of short-term trading activities are set out below, summarised by the purpose of the entities and limited to significant categories, based on maximum exposure to loss.

Nature of interest	Multi-seller conduit programmes £m	Lending £m	Investment funds and trusts £m	Others £m	Total £m
As at 31 December 2019					
Trading portfolio assets	**–**	**–**	**–**	**76**	**76**
Financial assets at fair value through the income statement					
– Debt securities	**–**	**–**	**–**	**80**	**80**
– Loans and advances	**–**	**159**	**–**	**2,417**	**2,576**
– Equity securities	**–**	**–**	**–**	**3**	**3**
Financial assets at fair value through other comprehensive income	**–**	**–**	**–**	**391**	**391**
Loans and advances at amortised cost	**5,930**	**8,132**	**–**	**4,999**	**19,061**
Other assets	**17**	**4**	**7**	**–**	**28**
Total on-balance sheet exposures	**5,947**	**8,295**	**7**	**7,966**	**22,215**
Total off-balance sheet notional amounts	**8,649**	**3,751**	**–**	**1,621**	**14,021**
Maximum exposure to loss	**14,596**	**12,046**	**7**	**9,587**	**36,236**
Total assets of the entity	**78,716**	**145,181**	**9,180**	**24,919**	**257,996**
As at 31 December 2018					
Trading portfolio assets	–	–	–	–	–
Financial assets at fair value through the income statement					
– Debt securities	444	–	–	114	558
– Loans and advances	–	–	–	2,040	2,040
Financial assets at fair value through other comprehensive income	–	–	–	–	–
Loans and advances at amortised cost	6,100	9,140	–	2,101	17,341
Other assets	9	3	21	–	33
Total on-balance sheet exposures	6,553	9,143	21	4,255	19,972
Total off-balance sheet notional amounts	11,671	4,327	–	431	16,429
Maximum exposure to loss	18,224	13,470	21	4,686	36,401
Total assets of the entity	73,109	196,865	9,341	28,163	307,478

Maximum exposure to loss

Unless specified otherwise below, the Group's maximum exposure to loss is the total of its on-balance sheet positions and its off-balance sheet arrangements, being loan commitments and financial guarantees. Exposure to loss is mitigated through collateral, financial guarantees, the availability of netting and credit protection held.

Multi-seller conduit programme

The multi-seller conduit engages in providing financing to various clients and holds whole or partial interests in pools of receivables or similar obligations. These instruments are protected from loss through overcollateralisation, seller guarantees, or other credit enhancements provided to the conduit. The Group's off-balance sheet exposure included in the table above represents liquidity facilities that are provided to the conduit for the benefit of the holders of the commercial paper issued by the conduit and will only be drawn where the conduit is unable to access the commercial paper market. If these liquidity facilities are drawn, the Group is protected from loss through overcollateralisation, seller guarantees, or other credit enhancements provided to the conduit.

Lending

The portfolio includes lending provided by the Group to unconsolidated structured entities in the normal course of its lending business to earn income in the form of interest and lending fees and includes loans to structured entities that are generally collateralised by property, equipment or other assets. All loans are subject to the Group's credit sanctioning process. Collateral arrangements are specific to the circumstances of each loan with additional guarantees and collateral sought from the sponsor of the structured entity for certain arrangements. During the period the Group incurred an impairment of £7m (2018: £67m) against such facilities.

35 Structured entities continued

Investment funds and trusts

In the course of its fund management activities, the Group establishes pooled investment funds that comprise investments of various kinds, tailored to meet certain investors' requirements. The Group's interest in funds is generally restricted to a fund management fee, the value of which is typically based on the performance of the fund.

The Group acts as trustee to a number of trusts established by or on behalf of its clients. The purpose of the trusts, which meet the definition of structured entities, is to hold assets on behalf of beneficiaries. The Group's interest in trusts is generally restricted to unpaid fees which, depending on the trust, may be fixed or based on the value of the trust assets. The Group has no other risk exposure to the trusts.

Other

This includes fair value loans with structured entities where the market risk is materially hedged with corresponding derivative contracts, interests in debt securities issued by securitisation vehicles and drawn and undrawn loan facilities to these entities.

Assets transferred to sponsored unconsolidated structured entities

Assets transferred to sponsored unconsolidated structured entities were £471m (2018: £516m).

36 Investments in associates and joint ventures

Accounting for associates and joint ventures

The Group applies IAS 28 *Investments in Associates* and IFRS 11 *Joint Arrangements*. Associates are entities in which the Group has significant influence, but not control, over the operating and financial policies. Generally the Group holds more than 20%, but less than 50%, of their voting shares. Joint ventures are arrangements where the Group has joint control and rights to the net assets of the entity.

The Group's investments in associates and joint ventures are initially recorded at cost and increased (or decreased) each year by the Group's share of the post acquisition profit/(loss). The Group ceases to recognise its share of the losses of equity accounted associates when its share of the net assets and amounts due from the entity have been written off in full, unless it has a contractual or constructive obligation to make good its share of the losses. In some cases, investments in these entities may be held at fair value through profit or loss, for example, those held by private equity businesses.

There are no individually significant investments in joint ventures or associates held by the Group.

	2019			2018		
	Associates £m	Joint ventures £m	Total £m	Associates £m	Joint ventures £m	Total £m
Equity accounted	**457**	**264**	**721**	481	281	762
Held at fair value through profit or loss	**–**	**516**	**516**	–	509	509
Total	**457**	**780**	**1,237**	481	790	1,271

Summarised financial information for the Group's equity accounted associates and joint ventures is set out below. The amounts shown are the net income of the investees, not just the Group's share, for the year ended 31 December 2019, with the exception of certain undertakings for which the amounts are based on accounts made up to dates not earlier than three months before the balance sheet date.

	Associates		Joint ventures	
	2019 £m	2018 £m	2019 £m	2018 £m
Profit from continuing operations	**49**	173	**86**	54
Other comprehensive income/(expense)	**–**	28	**3**	32
Total comprehensive income from continuing operations	**49**	201	**89**	86

Unrecognised shares of the losses of individually immaterial associates and joint ventures were nil (2018: nil).

The Barclays commitments and contingencies to its associates and joint ventures comprised unutilised credit facilities provided to customers of £1,726m (2018: £1,715m). In addition, the Group has made commitments to finance or otherwise provide resources to its joint ventures and associates of £403m (2018: £318m).

Scope of consolidation

37 Securitisations

Accounting for securitisations

The Group uses securitisations as a source of finance and a means of risk transfer. Such transactions generally result in the transfer of contractual cash flows from portfolios of financial assets to holders of issued debt securities.

Securitisations may, depending on the individual arrangement, result in continued recognition of the securitised assets and the recognition of the debt securities issued in the transaction; lead to partial continued recognition of the assets to the extent of the Group's continuing involvement in those assets or to derecognition of the assets and the separate recognition, as assets or liabilities, of any rights and obligations created or retained in the transfer. Full derecognition only occurs when the Group transfers both its contractual right to receive cash flows from the financial assets, or retains the contractual rights to receive the cash flows, but assumes a contractual obligation to pay the cash flows to another party without material delay or reinvestment, and also transfers substantially all the risks and rewards of ownership, including credit risk, prepayment risk and interest rate risk.

In the course of its normal banking activities, the Group makes transfers of financial assets, either where legal rights to the cash flows from the asset are passed to the counterparty or beneficially, where the Group retains the rights to the cash flows but assumes a responsibility to transfer them to the counterparty. Depending on the nature of the transaction, this may result in derecognition of the assets in their entirety, partial derecognition or no derecognition of the assets subject to the transfer.

A summary of the main transactions, and the assets and liabilities and the financial risks arising from these transactions, is set out below:

Transfers of financial assets that do not result in derecognition

Securitisations

The Group was party to securitisation transactions involving its credit card balances.

In these transactions, the assets, interests in the assets, or beneficial interests in the cash flows arising from the assets, are transferred to a special purpose entity, which then issues interest bearing debt securities to third party investors.

Securitisations may, depending on the individual arrangement, result in continued recognition of the securitised assets and the recognition of the debt securities issued in the transaction. Partial continued recognition of the assets to the extent of the Group's continuing involvement in those assets can also occur or derecognition of the assets and the separate recognition, as assets or liabilities, of any rights and obligations created or retained in the transfer.

The following table shows the carrying amount of securitised assets that have not resulted in full derecognition, together with the associated liabilities, for each category of asset on the balance sheet:

	2019				2018			
	Assets		Liabilities		Assets		Liabilities	
	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Loans and advances at amortised cost								
Credit cards, unsecured and other retail lending	**3,516**	**3,678**	**(2,918)**	**(2,922)**	4,242	4,334	(4,234)	(4,218)

Balances included within loans and advances at amortised cost represent securitisations where substantially all the risks and rewards of the asset have been retained by the Group.

The relationship between the transferred assets and the associated liabilities is that holders of notes may only look to cash flows from the securitised assets for payments of principal and interest due to them under the terms of their notes, although the contractual terms of their notes may be different to the maturity and interest of the transferred assets.

For transfers of assets in relation to repurchase agreements, refer to Note 38.

37 Securitisations continued

Continuing involvement in financial assets that have been derecognised

In some cases, the Group may have transferred a financial asset in its entirety but may have continuing involvement in it. This arises in asset securitisations where loans and asset backed securities were derecognised as a result of the Group's involvement with commercial mortgage backed securities. Continuing involvement largely arises from providing financing into these structures in the form of retained notes, which do not bear first losses.

The table below shows the potential financial implications of such continuing involvement:

	Continuing involvement[a]			Gain/(loss) from continuing involvement	
Type of transfer	Carrying amount £m	Fair value £m	Maximum exposure to loss £m	For the year ended £m	Cumulative to 31 December £m
2019					
Commercial mortgage backed securities	**189**	**188**	**189**	**1**	**4**
2018					
Commercial mortgage backed securities	135	135	135	2	3

Note

a Assets which represent the Group's continuing involvement in derecognised assets are recorded in Loans and advances at amortised cost.

38 Assets pledged, collateral received and assets transferred

Assets are pledged or transferred as collateral to secure liabilities under repurchase agreements, securitisations and stock lending agreements or as security deposits relating to derivatives. Assets transferred are non-cash assets transferred to a third party that do not qualify for derecognition from the Group balance sheet, for example because Barclays retains substantially all the exposure to those assets under an agreement to repurchase them in the future for a fixed price.

Assets pledged or transferred as collateral include all assets categorised as encumbered in the disclosure on pages 221 to 222 of the Barclays PLC Pillar 3 Report 2019 (unaudited), other than those held in commercial paper conduits. In these transactions, the Group will be required to step in to provide financing itself under a liquidity facility if the vehicle cannot access the commercial paper market.

Where non-cash assets are pledged or transferred as collateral for cash received, the asset continues to be recognised in full, and a related liability is also recognised on the balance sheet. Liabilities are shown on a net basis in accordance with IAS 32. Where non-cash assets are pledged or transferred as collateral in an exchange for non-cash assets, the transferred asset continues to be recognised in full, and there is no associated liability as the non-cash collateral received is not recognised on the balance sheet. The Group is unable to use, sell or pledge the transferred assets for the duration of the transaction and remains exposed to interest rate risk and credit risk on these pledged assets. Unless stated, the counterparty's recourse is not limited to the transferred assets.

The following table summarises the nature and carrying amount of the assets pledged as security against these liabilities:

	2019 £m	2018 £m
Cash collateral and settlements	**64,400**	55,532
Loans and advances at amortised cost	**39,354**	42,683
Trading portfolio assets	**65,532**	63,143
Financial assets at fair value through the income statement	**10,104**	7,450
Financial assets at fair value through other comprehensive income	**9,278**	10,354
Assets pledged	**188,668**	179,162

38 Assets pledged, collateral received and assets transferred continued

The following table summarises the transferred financial assets and the associated liabilities:

	Transferred assets £m	Associated liabilities £m
At 31 December 2019		
Derivatives	**68,609**	**(68,609)**
Repurchase agreements	**52,840**	**(35,708)**
Securities lending arrangements	**49,106**	**–**
Other	**18,113**	**(12,005)**
	188,668	**(116,322)**
At 31 December 2018		
Derivatives	58,338	(58,338)
Repurchase agreements	57,606	(40,717)
Securities lending arrangements	42,092	–
Other	21,126	(14,094)
	179,162	(113,149)

Included within other are agreements where a counterparty's recourse is limited to the transferred assets. The relationship between the transferred assets and the associated liabilities is that holders of notes may only look to cash flows from the securitised assets for payments of principal and interest due to them under the terms of their notes.

	Carrying value		Fair value		
	Transferred assets £m	Associated liabilities £m	Transferred assets £m	Associated liabilities £m	Net position £m
2019					
Recourse to transferred assets only	**3,516**	**(2,918)**	**3,678**	**(2,922)**	**756**
2018					
Recourse to transferred assets only	4,242	(4,234)	4,334	(4,218)	116

The Group has an additional £12bn (2018: £10bn) of loans and advances within its asset backed funding programmes that can readily be used to raise additional secured funding and are available to support future issuances.

Total assets pledged includes a collateral pool put in place to provide security for the UKRF funding deficit. Refer to Note 33 for further details.

Collateral held as security for assets

Under certain transactions, including reverse repurchase agreements and stock borrowing transactions, the Group is allowed to resell or re-pledge the collateral held. The fair value at the balance sheet date of collateral accepted and re-pledged or transferred to others was as follows:

	2019 £m	2018 £m
Fair value of securities accepted as collateral	**656,598**	598,348
Of which fair value of securities re-pledged/transferred to others	**554,988**	528,957

Additional disclosure has been included in collateral and other credit enhancements (see page 149).

Assets pledged as collateral include all assets categorised as encumbered in the disclosure on pages 221 to 222 of the Barclays PLC Pillar 3 Report 2019 (unaudited).

Other disclosure matters

The notes included in this section focus on related party transactions, Auditors' remuneration and Directors' remuneration. Related parties include any subsidiaries, associates, joint ventures and Key Management Personnel.

39 Related party transactions and Directors' remuneration

Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, or one other party controls both.

Subsidiaries

Transactions between Barclays PLC and its subsidiaries meet the definition of related party transactions. Where these are eliminated on consolidation, they are not disclosed in the Group's financial statements. Transactions between Barclays PLC and its subsidiaries are fully disclosed in Barclays PLC's financial statements. A list of the Group's principal subsidiaries is shown in Note 34.

Associates, joint ventures and other entities

The Group provides banking services to its associates, joint ventures and the Group pension funds (principally the UK Retirement Fund), providing loans, overdrafts, interest and non-interest bearing deposits and current accounts to these entities as well as other services. Group companies also provide investment management and custodian services to the Group pension schemes. All of these transactions are conducted on the same terms as third party transactions. Summarised financial information for the Group's investments in associates and joint ventures is set out in Note 36.

Amounts included in the Group's financial statements, in aggregate, by category of related party entity are as follows:

	Associates £m	Joint ventures £m	Pension funds £m
For the year ended and as at 31 December 2019			
Total income	**–**	**12**	**5**
Credit impairment charges	**–**	**–**	**–**
Operating expenses	**(46)**	**–**	**–**
Total assets	**–**	**1,303**	**3**
Total liabilities	**–**	**–**	**75**
For the year ended and as at 31 December 2018			
Total income	–	7	4
Credit impairment charges	–	–	–
Operating expenses	(27)	(7)	–
Total assets	12	1,288	3
Total liabilities	85	2	139

An entity that is consolidated within the Group under IFRS 10 has issued Senior Notes to the UKRF with a nominal value of £500m. This is not included within the table above. Refer to Note 33 for further details. Total liabilities includes derivatives transacted on behalf of the pensions funds of £6m (2018: £3m).

Key Management Personnel

Key Management Personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of Barclays PLC (directly or indirectly) and comprise the Directors and Officers of Barclays PLC, certain direct reports of the Group Chief Executive and the heads of major business units and functions.

The Group provides banking services to Key Management Personnel and persons connected to them. Transactions during the year and the balances outstanding were as follows:

Loans outstanding

	2019 £m	2018 £m
As at 1 January	**7.2**	4.8
Loans issued during the year[a]	**4.8**	4.2
Loan repayments during the year[b]	**(4.8)**	(1.8)
As at 31 December	**7.2**	7.2

Notes
a Includes loans issued to existing Key Management Personnel and new or existing loans issued to newly appointed Key Management Personnel.
b Includes loan repayments by existing Key Management Personnel and loans to former Key Management Personnel.

Other disclosure matters

39 Related party transactions and Directors' remuneration continued

No allowances for impairment were recognised in respect of loans to Key Management Personnel (or any connected person).

Deposits outstanding

	2019 £m	2018 £m
As at 1 January	**6.9**	6.9
Deposits received during the year[a]	**36.0**	24.8
Deposits repaid during the year[b]	**(30.8)**	(24.8)
As at 31 December	**12.1**	6.9

Notes

a Includes deposits received from existing Key Management Personnel and new or existing deposits received from newly appointed Key Management Personnel.

b Includes deposits repaid by existing Key Management Personnel and deposits of former Key Management Personnel.

Total commitments outstanding

Total commitments outstanding refers to the total of any undrawn amounts on credit cards and/or overdraft facilities provided to Key Management Personnel. Total commitments outstanding as at 31 December 2019 were £0.8m (2018: £0.9m).

All loans to Key Management Personnel (and persons connected to them) were made in the ordinary course of business; were made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other persons; and did not involve more than a normal risk of collectability or present other unfavourable features.

Remuneration of Key Management Personnel

Total remuneration awarded to Key Management Personnel below represents the awards made to individuals that have been approved by the Board Remuneration Committee as part of the latest remuneration decisions, and is consistent with the approach adopted for disclosures set out on pages 85 to 123. Costs recognised in the income statement reflect the accounting charge for the year included within operating expenses. The difference between the values awarded and the recognised income statement charge principally relates to the recognition of deferred costs for prior year awards. Figures are provided for the period that individuals met the definition of Key Management Personnel.

	2019 £m	2018 £m
Salaries and other short-term benefits	**38.5**	33.0
Pension costs	**0.1**	–
Other long-term benefits	**8.7**	7.6
Share-based payments	**13.4**	16.2
Employer social security charges on emoluments	**7.4**	7.5
Costs recognised for accounting purposes	**68.1**	64.3
Employer social security charges on emoluments	**(7.4)**	(7.5)
Other long-term benefits – difference between awards granted and costs recognised	**(0.6)**	2.8
Share-based payments – difference between awards granted and costs recognised	**2.2**	0.7
Total remuneration awarded	**62.3**	60.3

Disclosure required by the Companies Act 2006

The following information regarding the Barclays PLC Board of Directors is presented in accordance with the Companies Act 2006:

	2019 £m	2018 £m
Aggregate emoluments[a]	**8.5**	9.0
Amounts paid under LTIPs[b]	**0.8**	0.9
	9.3	9.9

Notes

a The aggregate emoluments include amounts paid for the 2019 year. In addition, deferred share awards for 2019 with a total value at grant of £2m (2018: £1m) will be made to James E Staley and Tushar Morzaria which will only vest subject to meeting certain conditions.

b The figure above for 'Amounts paid under LTIPs' in 2019 relates to an LTIP award that was released to Tushar Morzaria in 2019. Dividend shares released on the award are excluded. The LTIP figure in the single total figure table for Executive Directors' 2019 remuneration in the Directors' Remuneration report relates to the award that is scheduled to be released in 2020 in respect of the 2017-2019 LTIP cycle.

There were no pension contributions paid to defined contribution schemes on behalf of Directors (2018: nil). There were no notional pension contributions to defined contribution schemes.

As at 31 December 2019, there were no Directors accruing benefits under a defined benefit scheme (2018: nil).

39 Related party transactions and Directors' remuneration continued

Directors' and Officers' shareholdings and options

The beneficial ownership of ordinary share capital of Barclays PLC by all Directors and Officers of Barclays PLC (involving 25 persons) at 31 December 2019 amounted to 22,789,126 (2018: 18,884,023) ordinary shares of 25p each (0.13% of the ordinary share capital outstanding).

As at 31 December 2019, Executive Directors and Officers of Barclays PLC (involving 15 persons) held options to purchase a total of 40,428 (2018: 6,000) Barclays PLC ordinary shares of 25p each at a price of 125p under Sharesave.

Advances and credit to Directors and guarantees on behalf of Directors

In accordance with Section 413 of the Companies Act 2006, the total amount of advances and credits made available in 2019 to persons who served as Directors during the year was £0.3m (2018: £0.4m). The total value of guarantees entered into on behalf of Directors during 2019 was nil (2018: nil).

40 Auditor's remuneration

Auditor's remuneration is included within consultancy, legal and professional fees in administration and general expenses and comprises:

	2019 £m	2018 £m	2017 £m
Audit of the Barclays Group's annual accounts	10	8	11
Other services:			
Audit of the Company's subsidiaries[a]	35	32	27
Other audit related fees[b]	9	9	8
Other services	2	2	2
Total Auditor's remuneration	56	51	48

Notes

a Comprises the fees for the statutory audit of subsidiaries both inside and outside the UK and fees for work performed by associates of KPMG in respect of the consolidated financial statements of the Company.

b Comprises services in relation to statutory and regulatory filings. These include audit services for the review of the interim financial information under the Listing Rules of the UK listing authority.

The figures shown in the above table relate to fees paid to KPMG as principal auditor, of which the fees paid in relation to discontinued operations were nil (2018: nil, 2017: £4m).

Other disclosure matters

41 Discontinued operations and assets included in disposal groups classified as held for sale and associated liabilities

Accounting for non-current assets held for sale and associated liabilities

The Group applies IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction rather than continuing use. In order to be classified as held for sale, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary and the sale must be highly probable. Non-current assets (or disposal groups) held for sale are measured at the lower of carrying amount and fair value less cost to sell.

A component of the Group that has either been disposed of or is classified as held for sale is presented as a discontinued operation if it represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of the separate major line or geographical area of operations, or if it is a subsidiary acquired exclusively with a view to resale.

Discontinued operation

Following the reduction of the Group's interest in BAGL in 2017, the Group's remaining holding of 14.9%, as at 31 December 2019, is reported as a financial asset at fair value through other comprehensive income in the Head Office segment, with the Group's share of Absa Group Limited's dividend recognised in the Head Office income statement.

Prior to the disposal of shares on 1 June 2017, BAGL met the requirements for presentation as a discontinued operation. As such, the results, which have been presented as the profit after tax and non-controlling interest in respect of the discontinued operation on the face of the Group's income statement, are analysed in the income statement below. The income statement, statement of other comprehensive income and cash flow statement below represent five months of results as a discontinued operation to 31 May 2017.

Barclays Africa disposal group income statement

For the year ended 31 December	2019 £m	2018 £m	2017 £m
Net interest income	–	–	1,024
Net fee and commission income	–	–	522
Net trading income	–	–	149
Net investment income	–	–	30
Other income	–	–	61
Total income	–	–	1,786
Credit impairment charges	–	–	(177)
Net operating income	–	–	1,609
Staff costs	–	–	(586)
Administration and general expenses[a]	–	–	(1,634)
Operating expenses	–	–	(2,220)
Share of post-tax results of associates and joint ventures	–	–	5
Loss before tax	–	–	(606)
Taxation	–	–	(154)
Loss after tax[b]	–	–	(760)
Attributable to:			
Equity holders of the parent	–	–	(900)
Non-controlling interests	–	–	140
Loss after tax[b]	–	–	(760)

Notes
a Includes impairment of £1,090m in 2017.
b Total loss in respect of the discontinued operation in 2017 was £2,195m, which included the £60m loss on sale and £1,375m loss on recycling of other comprehensive loss on reserves.

42 Barclays PLC (the Parent company)

Total income

Dividends received from subsidiaries

Dividends received from subsidiaries of £1,560m (2018: £15,360m, 2017: £674m) largely relates to dividends received from Barclays Bank UK PLC £1,050m, Barclays Execution Services Limited £250m and Barclays Bank PLC £233m. The dividends received in 2018 included both a dividend in specie, representing the transfer of the holding in Barclays Bank UK PLC from Barclays Bank PLC to Barclays PLC, and ordinary dividends from subsidiaries.

Other income

Other income of £1,760m (2018: £923m, 2017: £690m) includes £813m (2018: £752m, 2017: £639m) of income received from gross coupon payments on Barclays Bank PLC and Barclays Bank UK PLC issued AT1 securities and £947m of fair value and foreign exchange gains on other positions with subsidiaries. This includes a fair value net loss of £81m for own credit movements on financial liabilities designated at fair value.

Total assets and liabilities

Investment in subsidiaries

The investment in subsidiaries of £59,546m (2018: £57,374m) predominantly relates to investments in Barclays Bank PLC and Barclays Bank UK PLC, as well as holdings of their AT1 securities of £10,843m (2018: £9,666m). The increase of £2,172m during the year was predominantly driven by capital contributions into Barclays Bank PLC totalling £995m and additional AT1 holdings of $2,000m, £1,000m and £1,000m, partially offset by the redemption of AT1 holdings with principal amounts totalling $1,211m, €1,077m and £698m.

At the end of each reporting period an impairment review is undertaken in respect of investment in subsidiaries. Impairment is required where the investment exceeds the recoverable amount. The recoverable amount is calculated using a value in use (VIU) methodology to arrive at the present value of future cash flows expected to be derived from the investment. The VIU calculation uses forecast attributable profit, based on financial budgets approved by management, covering a five-year period, as an approximation of future cash flows. A terminal growth rate of 1.5% has been applied to arrive at cash flows thereafter, which is based on long-term expected growth rates published by the International Monetary Fund. The forecasted cash flows have been discounted at a pre-tax rate of 13.7%. The calculation showed a VIU higher than the carrying value of investments in ordinary shares and no impairment was recognised as a result of the impairment review.

Financial assets and liabilities designated at fair value

Financial liabilities designated at fair value of £3,498m (2018: nil) comprises $2,750m Fixed-to-Floating Rate Senior Notes, £600m Fixed Rate Senior Notes, AUD940m Fixed and Floating Rate Senior Notes and ¥20,000m Fixed-to-Floating Rate Bonds. The proceeds raised through these transactions were used to invest in subsidiaries of Barclays PLC and are included within the financial assets designated at fair value through the income statement balance of £10,348m (2018: £6,945m). The effect of changes in the liabilities' fair value, including those due to credit risk, is expected to offset the changes in the fair value of the related financial asset in the income statement. The cumulative own credit net loss on financial liabilities designated at fair value is £81m (2018: nil). The difference between the financial liabilities' carrying amount and the contractual amount on maturity is £174m (2018: nil).

Subordinated liabilities and Debt Securities in issue

During the year, Barclays PLC issued $1,500m of Fixed-to-Floating Rate Subordinated Notes, which are included within the subordinated liabilities balance of £7,656m (2018: £6,775m). Debt Securities in issue of £30,564m (2018: £32,373m) have reduced in the year due to the maturity of positions with subsidiaries partially offset by an issuance of a new Senior Fixed Rate Note of €750m.

Management of internal investments, loans and advances

Barclays PLC retains the discretion to manage the nature of its internal investments in subsidiaries according to their regulatory and business needs. Barclays PLC may invest capital and funding into Barclays Bank PLC, Barclays Bank UK PLC and other Group subsidiaries such as the Barclays Execution Services Limited and the US Intermediate Holding Company (IHC).

Total equity

Called up share capital and share premium

Called up share capital and share premium of Barclays PLC is £4,594m (2018: £4,311m). The increase in the year is primarily due to shares issued under employee share schemes and the Scrip Dividend Programme.

Other equity instruments

Other equity instruments of £10,865m (2018: £9,633m) comprises AT1 securities issued by Barclays PLC. AT1 securities are perpetual subordinated contingent convertible securities structured to qualify as AT1 instruments under prevailing capital rules applicable as at the relevant issue date. There have been three issuances during the year with principal amounts totalling $2,000m, £1,000m and £1,000m, and redemptions with principal amounts $1,211m, €1,077m and £698m. For further details, please refer to Note 28.

Other disclosure matters

43 Related undertakings

The Barclays Group's corporate structure consists of a number of related undertakings, comprising subsidiaries, joint ventures, associates and significant other interests. A full list of these undertakings, the country of incorporation and the ownership of each share class is set out below. The information is provided as at 31 December 2019.

The entities are grouped by the countries in which they are incorporated. The profits earned by the activities of these entities are in some cases taxed in countries other than the country of incorporation. Barclays' 2019 Country Snapshot provides details of where the Group carries on its business, where its profits are subject to tax and the taxes it pays in each country it operates in.

Wholly owned subsidiaries

Unless otherwise stated the undertakings below are wholly owned and consolidated by Barclays and the share capital disclosed comprises ordinary and/or common shares, 100% of the nominal value of which is held by Barclays Group subsidiaries.

Notes	
A	Directly held by Barclays PLC
B	Partnership Interest
C	Membership Interest
D	Trust Interest
E	Guarantor
F	Preference Shares
G	A Preference Shares
H	B Preference Shares
I	Ordinary/Common Shares in addition to other shares
J	A Ordinary Shares
K	B Ordinary Shares
L	C Ordinary Shares
M	F Ordinary Shares
N	W Ordinary Shares
O	First Preference Shares, Second Preference Shares
P	Registered Address not in country of incorporation
Q	Core Shares, Insurance (Classified) Shares
R	B, C, D, E (94.36%), F (94.36%), G (94.36%), H (94.36%), I (94.36%), J (95.23%) and K Class Shares
S	A Unit Shares, B Unit Shares
T	Non-Redeemable Ordinary Shares
U	C Preference Shares, D Preference Shares
V	Class A Ordinary Shares, Class A Preference Shares, Class B Ordinary Shares, Class C Ordinary Shares, Class C Preference Shares, Class D Ordinary Shares, Class D Preference Shares, Class E Ordinary Shares, Class E Preference Shares, Class F Ordinary Shares, Class F Preference Shares, Class H 2012 Ordinary Shares, Class H 2012 Preference Shares, Class H Ordinary Shares, Class H Preference Shares, Class I Preference Shares, Class J Ordinary Shares, Class J Preference Shares
W	First Class Common Shares, Second Class Common Shares
X	PEF Carry Shares
Y	EUR Tracker 1 Shares, GBP Tracker 1 Shares, USD Tracker 1 Shares, USD Tracker 2 Shares, USD Tracker 3 Shares
Z	Not Consolidated (see Note 35 Structured entities)
AA	USD Linked Ordinary Shares
BB	Redeemable Class B Shares
CC	Capital Contribution Shares
DD	Nominal Shares
EE	Class A Redeemable Preference Shares
FF	Class B Redeemable Preference Shares
GG	A Shares – Tranche I, Premium – Tranche I, C Shares – Tranche II, Premium – Tranche II
HH	Class A Unit Shares

Wholly owned subsidiaries	Note
United Kingdom	
– 1 Churchill Place, London, E14 5HP	
Aequor Investments Limited	
Ardencroft Investments Limited	
B D & B Investments Limited	
B.P.B. (Holdings) Limited	
Barafor Limited	
Barclay Leasing Limited	
Barclays (Barley) Limited	J, K
Barclays Aldersgate Investments Limited	
Barclays Asset Management Limited	
Barclays Bank PLC	A, F, I
Barclays Bank UK PLC	A
Barclays Capital Asia Holdings Limited	
Barclays Capital Finance Limited	
Barclays Capital Japan Securities Holdings Limited	
Barclays Capital Nominees (No.2) Limited	
Barclays Capital Nominees (No.3) Limited	
Barclays Capital Nominees Limited	
Barclays Capital Principal Investments Limited	
Barclays Capital Securities Client Nominee Limited	
Barclays Capital Securities Limited	F, I
Barclays CCP Funding LLP	B
Barclays Converted Investments (No.2) Limited	
Barclays Direct Investing Nominees Limited	
Barclays Directors Limited	
Barclays Equity Holdings Limited	
Barclays Execution Services Limited	A
Barclays Executive Schemes Trustees Limited	
Barclays Financial Planning Nominee Company Limited	
Barclays Funds Investments Limited	
Barclays Global Shareplans Nominee Limited	
Barclays Group Holdings Limited	
Barclays Group Operations Limited	
Barclays Industrial Development Limited	
Barclays Industrial Investments Limited	
Barclays Insurance Services Company Limited	
Barclays Investment Management Limited	
Barclays Investment Solutions Limited	
Barclays Leasing (No.9) Limited	
Barclays Long Island Limited	
Barclays Marlist Limited	
Barclays Mercantile Business Finance Limited	
Barclays Nominees (George Yard) Limited	
Barclays Pension Funds Trustees Limited	
Barclays Principal Investments Limited	A, J, K
Barclays Private Bank	
Barclays SAMS Limited	
Barclays Security Trustee Limited	A
Barclays Services (Japan) Limited	
Barclays Shea Limited	
Barclays Singapore Global Shareplans Nominee Limited	
Barclays Term Funding Limited Liability Partnership	B
Barclays UK Investments Limited	
Barclays Unquoted Investments Limited	
Barclays Unquoted Property Investments Limited	
Barclays Wealth Nominees Limited	
Barclayshare Nominees Limited	
Barcosec Limited	
Barsec Nominees Limited	
BB Client Nominees Limited	
BMBF (No.24) Limited	
BMI (No.9) Limited	
BNRI ENG 2013 Limited Partnership	B
BNRI ENG 2014 Limited Partnership	B
BNRI ENG GP LLP	B
BNRI England 2010 Limited Partnership	B
BNRI England 2011 Limited Partnership	B
BNRI England 2012 Limited Partnership	B
Carnegie Holdings Limited	I, J, K
Chapelcrest Investments Limited	
Clydesdale Financial Services Limited	
Cobalt Investments Limited	
Cornwall Homes Loans Limited	
CP Flower Guaranteeco (UK) Limited	E
CPIA England 2009 Limited Partnership	B
CPIA England No.2 Limited Partnership	B
DMW Realty Limited	
Dorset Home Loans Limited	
Durlacher Nominees Limited	
Eagle Financial and Leasing Services (UK) Limited	
Equity Value Investments No.1 Limited	
Equity Value Investments No.2 Limited	
Finpart Nominees Limited	
FIRSTPLUS Financial Group Limited	
Foltus Investments Limited	
Global Dynasty Natural Resource Private Equity Limited Partnership	B
Globe Nominees Limited	
Hawkins Funding Limited	
Heraldglen Limited	I, O
J.V. Estates Limited	
Isle of Wight Home Loans Limited	
Kirsche Investments Limited	
Long Island Assets Limited	
Maloney Investments Limited	
Menlo Investments Limited	
Mercantile Credit Company Limited	
Mercantile Leasing Company (No.132) Limited	
MK Opportunities LP	B
Murray House Investment Management Limited	
Naxos Investments Limited	
North Colonnade Investments Limited	
Northwharf Investments Limited	I, X
Northwharf Nominees Limited	
PIA England No.2 Limited Partnership	B
Real Estate Participation Management Limited	
Real Estate Participation Services Limited	

43 Related undertakings continued

Wholly owned subsidiaries	Note
Relative Value Investments UK Limited Liability Partnership	B
Relative Value Trading Limited	
Roder Investments No. 1 Limited	I, Y
Roder Investments No. 2 Limited	I, Y
RVT CLO Investments LLP	B
Solution Personal Finance Limited	
Surety Trust Limited	
Sustainable Impact Capital Limited	
Swan Lane Investments Limited	
US Real Estate Holdings No.1 Limited	
US Real Estate Holdings No.2 Limited	
US Real Estate Holdings No.3 Limited	
Wedd Jefferson (Nominees) Limited	
Westferry Investments Limited	
Woolwich Homes Limited	
Woolwich Qualifying Employee Share Ownership Trustee Limited	
Zeban Nominees Limited	
– Hill House, 1 Little New Street, London, EC4A 3TR	
Barclays Nominees (Branches) Limited (In Liquidation)	
Barclays Nominees (K.W.S.) Limited (In Liquidation) (Dissolved on 22 January 2020)	
Gerrard Management Services Limited (In Liquidation)	
Lombard Street Nominees Limited (In Liquidation)	
Ruthenium Investments Limited (In Liquidation)	
Woolwich Plan Managers Limited (In Liquidation)	
Woolwich Surveying Services Limited (In Liquidation)	
– 1 More London Place, London SE1 2AF	
CP Propco 1 Limited (In Liquidation)	
CP Propco 2 Limited (In Liquidation)	
CP Topco Limited (In Liquidation)	J, K
– 5 The North Colonnade, London E14 4BB	
Leonis Investments LLP	B
– Aurora Building, 120 Bothwell Street, Glasgow, G2 7JS	
R.C. Grieg Nominees Limited	
– 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ	
BNRI PIA Scot GP Limited	
BNRI Scots GP, LLP	B
Pecan Aggregator LP	B
– Logic House, Waterfront Business Park, Fleet Road, Fleet, GU51 3SB	
The Logic Group Enterprises Limited	
The Logic Group Holdings Limited	J
– 9, allée Scheffer, L-2520, Luxembourg	
Barclays Claudas Investments Partnership	B, P
Barclays Pelleas Investments Limited Partnership	B, P
Blossom Finance General Partnership	B, P

Argentina

Wholly owned subsidiaries	Note
– 855 Leandro N.Alem Avenue, 8th Floor, Buenos Aires	
Compañía Sudamerica S.A.	
– Marval, O'Farrell & Mairal, Av. Leandro N. Alem 882, Buenos Aires, C1001AAQ	
Compañia Regional del Sur S.A.	

Brazil

Wholly owned subsidiaries	Note
– Av. Brigadeiro Faria Lima, No. 4.440, 12th Floor, Bairro Itaim Bibi, Sao Paulo, CEP, 04538-132	
Barclays Brasil Assessoria Financeira Ltda.	
BNC Brazil Consultoria Empresarial Ltda	

Canada

Wholly owned subsidiaries	Note
– 333 Bay Street, Suite 4910, Toronto ON M5H 2R2	
Barclays Capital Canada Inc.	
– Stikeman Elliot LLP, 199 Bay Street, 5300 Commerce Court West, Toronto ON M5L 1B9	
Barclays Corporation Limited	
– 5 The North Colonnade London, E14 4BB	
CPIA Canada Holdings	B, P

Cayman Islands

Wholly owned subsidiaries	Note
– Maples Corporate Services Limited, PO Box 309, Ugland House, George Town, Grand Cayman, KY1-1104	
Alymere Investments Limited	G, H, I
Analytical Trade UK Limited	
Barclays Capital (Cayman) Limited	
Barclays Securities Financing Limited	F, I
Braven Investments No.1 Limited	
Calthorpe Investments Limited	
Capton Investments Limited	
Claudas Investments Limited	I,EE,FF
Claudas Investments Two Limited	
CPIA Investments No.1 Limited	V
CPIA Investments No.2 Limited	F, I
Gallen Investments Limited	
Hurley Investments No.1 Limited	
JV Assets Limited	L
Mintaka Investments No. 4 Limited	
OGP Leasing Limited	
Palomino Limited	Z
Pelleas Investments Limited	
Pippin Island Investments Limited	
Razzoli Investments Limited	F, I
RVH Limited	F, I
Wessex Investments Limited	
– Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, KY1- 9008	
Long Island Holding B Limited	

China

Wholly owned subsidiaries	Note
– Room 213, Building 1, No. 1000 Chenhui Road, Zhangjiang Hi-Tech Park, Shanghai	
Barclays Technology Centre (Shanghai) Company Limited (In Liquidation)	

Germany

Wholly owned subsidiaries	Note
– TaunusTurm, Taunustor 1, 60310, Frankfurt	
Barclays Capital Effekten GmbH	
– Stuttgarter Straße 55-57, 73033 Göppingen	
Holding Stuttgarter Straße GmbH	

Guernsey

Wholly owned subsidiaries	Note
– P.O. Box 33, Dorey Court, Admiral Park, St. Peter Port, GY1 4AT	
Barclays Insurance Guernsey PCC Limited	Q
– PO BOX 41, Floor 2, Le Marchant House, Le Truchot, St Peter Port, GY1 3BE	
Barclays Nominees (Guernsey) Limited	

Hong Kong

Wholly owned subsidiaries	Note
– 42nd floor Citibank Tower, Citibank Plaza, 3 Garden Road	
Barclays Bank (Hong Kong Nominees) Limited (In Liquidation)	
Barclays Capital Asia Nominees Limited (In Liquidation)	
– Level 41, Cheung Kong Center, 2 Queen's Road, Central	
Barclays Asia Limited (In Liquidation)	
Barclays Capital Asia Limited	

India

Wholly owned subsidiaries	Note
– 208 Ceejay House, Shivsagar Estate, Dr A Beasant Road, Worli, Mumbai, 400 018	
Barclays Securities (India) Private Limited	
Barclays Wealth Trustees (India) Private Limited	
– 5th to 12th Floor, Building G2, Gera Commerzone SEZ, Survey No.65, Kharadi, Pune, 411014	
Barclays Global Service Centre Private Limited	
– Level 10, Block B6, Nirlon Knowledge Park, Off Western Express Highway, Goregaon (East), Mumbai, 40063	
Barclays Investments & Loans (India) Private Limited	F, I

Ireland

Wholly owned subsidiaries	Note
– One Molesworth Street, Dublin 2, D02RF29	
Barclaycard International Payments Limited	
Barclays Bank Ireland Public Limited Company	
Barclays Europe Client Nominees Designated Activity Company	
Barclays Europe Firm Nominees Designated Activity Company	
Barclays Europe Nominees Designated Activity Company	
– 25-28 North Wall Quay, Dublin 1, D01H104	
Erimon Home Loans Ireland Limited	

Isle of Man

Wholly owned subsidiaries	Note
– P O Box 9, Victoria Street, Douglas, IM99 1AJ	
Barclays Nominees (Manx) Limited	
Barclays Private Clients International Limited	J, K

Japan

Wholly owned subsidiaries	Note
– 10-1, Roppongi 6-chome, Minato-ku, Tokyo	
Barclays Funds and Advisory Japan Limited	
Barclays Securities Japan Limited	
Barclays Wealth Services Limited	

43 Related undertakings continued

Wholly owned subsidiaries	Note
Jersey	
– 2nd Floor, Gaspé House, 66-72 Esplanade, St. Helier, JE1 1GH	
CP Newco 1 Limited (In Liquidation)	
CP Newco2 Limited (In Liquidation)	J, K
CP Newco3 Limited (In Liquidation)	
Barclays Services Jersey Limited	
– 39-41 Broad Street, St Helier, JE2 3RR	
Barclays Wealth Management Jersey Limited	
BIFML PTC Limited	
– 13 Castle Street, St. Helier, JE4 5UT	
Barclays Index Finance Trust	S
– Lime Grove House, Green Street, St Helier, JE1 2ST	
Barbridge Limited (In Liquidation)	I, DD
– 13 Library Place, St Helier, JE4 8NE	
Barclays Nominees (Jersey) Limited	
Barclaytrust Channel Islands Limited	
– Estera Trust (Jersey) Limited, 13-14 Esplanade, St Helier, JE1 1EE	
MK Opportunities GP Ltd	
Korea, Republic of	
– A-1705 Yeouido Park Center, 28-3 Yeouido-dong, Yeongdeungpo-gu, Seoul	
Barclays Korea GP Limited	
Luxembourg	
– 9, allée Scheffer, L-2520	
Barclays Alzin Investments S.à r.l.	
Barclays Bayard Investments S.à r.l.	J, K
Barclays Bedivere Investments S.à r.l.	
Barclays Bordang Investments S.à r.l.	
Barclays BR Investments S.à r.l.	
Barclays Cantal Investments S.à r.l.	
Barclays Capital Luxembourg S.à r.l.	
Barclays Capital Trading Luxembourg S.à r.l.	J, K
Barclays Claudas Investments S.à r.l.	
Barclays Equity Index Investments S.à r.l.	
Barclays International Luxembourg Dollar Holdings S.à r.l.	
Barclays Lamorak Investments S.à r.l.	T
Barclays Leto Investments S.à r.l.	
Barclays Luxembourg EUR Holdings S.à r.l	T
Barclays Luxembourg Finance S.à r.l.	
Barclays Luxembourg GBP Holdings S.à r.l.	T
Barclays Luxembourg Global Funding S.à r.l.	
Barclays Luxembourg Holdings S.à r.l.	I, AA
Barclays Luxembourg Holdings SSC	B
Barclays Pelleas Investments S.à r.l.	
– 68-70 Boulevard de la Petrusse, L-2320	
Adler Toy Holding Sarl	
Mauritius	
– C/O Rogers Capital Corporate Services Limited, 3rd Floor, Rogers House, No.5 President John Kennedy Street, Port Louis	
Barclays Capital Mauritius Limited	
Barclays Capital Securities Mauritius Limited	
– Fifth Floor, Ebene Esplanade, 24 Cybercity, Ebene	
Barclays Mauritius Overseas Holdings Limited	

Wholly owned subsidiaries	Note
Mexico	
– Paseo de la Reforma 505, 41 Floor, Torre Mayor, Col. Cuauhtemoc, CP 06500	
Barclays Bank Mexico, S.A.	K, M
Barclays Capital Casa de Bolsa, S.A. de C.V.	K, M
Grupo Financiero Barclays Mexico, S.A. de C.V.	K, M
Servicios Barclays, S.A. de C.V.	
Monaco	
– 31 Avenue de la Costa, Monte Carlo BP 339	
Barclays Private Asset Management (Monaco) S.A.M	
Netherlands	
– Prins Bernhardplein 200, 1097 JB Amsterdam	
Chewdef BidCo BV. (In Liquidation)	
Philippines	
– 21/F, Philamlife Tower, 8767 Paseo de Roxas, Makati City, 1226	
Meridian (SPV-AMC) Corporation	
Saudi Arabia	
– 3rd Floor Al Dahna Center, 114 Al-Ahsa Street, PO Box 1454, Riyadh 11431	
Barclays Saudi Arabia (In Liquidation)	
Singapore	
– 10 Marina Boulevard, #24-01 Marina Bay Financial Centre, Tower 2, 018983	
Barclays Capital Futures (Singapore) Private Limited	
Barclays Capital Holdings (Singapore) Private Limited	
Barclays Merchant Bank (Singapore) Ltd.	
Spain	
– Calle Jose, Abascal 51, 28003, Madrid	
Barclays Tenedora De Inmuebles SL.	
BVP Galvani Global, S.A.U.	
Switzerland	
– Chemin de Grange Canal 18-20, PO Box 3941, 1211, Geneva	
Barclays Bank (Suisse) SA	
Barclays Switzerland Services SA	
BPB Holdings SA	
United States	
– Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801	
Archstone Equity Holdings Inc	
Barclays Capital Derivatives Funding LLC	C
Barclays Capital Energy Inc.	
Barclays Capital Holdings Inc.	G, H, I
Barclays Capital Real Estate Finance Inc.	
Barclays Capital Real Estate Holdings Inc.	
Barclays Capital Real Estate Inc.	
Barclays Commercial Mortgage Securities LLC	C
Barclays Electronic Commerce Holdings Inc.	
Barclays Financial LLC	C
Barclays Group US Inc.	G, I
Barclays Oversight Management Inc.	
Barclays Receivables LLC	C
Barclays Services Corporation	
Barclays US CCP Funding LLC	C
Barclays US Funding LLC	C

Wholly owned subsidiaries	Note
Barclays US Investments Inc.	J, K
Barclays US LLC	G, H, I, U
BCAP LLC	C
Crescent Real Estate Member LLC	C
Gracechurch Services Corporation	
Long Island Holding A LLC	C
LTDL Holdings LLC	C
Marbury Holdings LLC	
Protium Finance I LLC	C
Protium Master Mortgage LP	B
Protium REO I LP	B
Sutton Funding LLC	C
TPProperty LLC	C
US Secured Investments LLC	CC
– 1201 North Market Street, P.O. Box 1347 Wilmington, DE19801	
Barclays Bank Delaware	F, I
Procella Investments No.2 LLC	C
Procella Investments No.3 LLC	C
Verain Investments LLC	
– 2711 Centerville Road, Suite 400, Wilmington, DE 19808	
Protium Master Grantor Trust	D
– 251 Little Falls Drive, New Castle County, Wilmington DE 19808	
Barclays Capital Equities Trading GP	B
Lagalla Investments LLC	
Relative Value Holdings, LLC	
Surrey Funding Corporation	
Sussex Purchasing Corporation	
– 745 Seventh Avenue, New York NY 10019	
Alynore Investments Limited Partnership	
Barclays Payment Solutions Inc.	
Curve Investments GP	B
Preferred Liquidity, LLC	J
– CT Corporation System, One Corporate Center, Floor 11, Hartford CT 06103-3220	
Barclays Capital Inc.	
– c/o RL&F Service Corp, One Rodney Square, 10th Floor, Tenth and King Streets, Wilmington, DE 19801	
Analytical Trade Holdings LLC	
Analytical Trade Investments LLC	BB
– 100 South West Street, Wilmington DE 19801	
Barclays Dryrock Funding LLC	C
Wilmington Riverfront Receivables LLC	J, K
– 15 East North Street, Dover DE 19801	
Barclays Services LLC	C
– CT Corporation System, 225 Hillsborough Street, Raleigh, NC 27603	
Barclays US GPF Inc.	
– 500 Forest Point Circle, Charlotte, North Carolina 28273	
Equifirst Corporation (In Liquidation)	
– Aon Insurance Managers, Paul Street Suite 500, Burlington, VT05401	
Barclays Insurance U.S. Inc.	
Zimbabwe	
– 2 Premium Close, Mount Pleasant Business Park, Mount Pleasant, Harare	
Branchcall Computers (Pvt) Limited	

Other Related Undertakings

Unless otherwise stated, the undertakings below are consolidated and the share capital disclosed comprises ordinary and/or common shares which are held by subsidiaries of the Group. The Group's overall ownership percentage is provided for each undertaking.

Other Related Undertakings	%	Note
United Kingdom		
– 1 Churchill Place, London, E14 5HP		
Barclaycard Funding PLC	75.00	J
PSA Credit Company Limited (In Liquidation)	50.00	J, L
Barclays Covered Bond Funding LLP	50.00	B
Barclays Covered Bonds Limited Liability Partnership	50.00	B
– St Helen's, 1 Undershaft, London, EC3P 3DQ		
Igloo Regeneration (General Partner) Limited	25.00	L, Z
– 3-5 London Road, Rainham, Kent, ME8 7RG		
Trade Ideas Limited	20.00	Z
– 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ		
Equistone Founder Partner II L.P.	20.00	B, Z
Equistone Founder Partner III L.P.	35.00	B, Z
– Enigma, Wavendon Business Park Milton Keynes, MK17 8LX		
Intelligent Processing Solutions Limited	19.50	Z
– 65A Basinghall Street, London, EC2V 5DZ		
Cyber Defence Alliance Limited	25.00	E, Z
– Gate House, Turnpike Road, High Wycombe, Buckinghamshire HP12 3NR		
GW City Ventures Limited	50.00	K, Z
GN Tower Limited	50.00	Z
– 2nd Floor, 110 Cannon Street, London, EC4N 6EU		
Vectorcommand Limited (In Liquidation) (Dissolved on 1 February 2020)	30.39	J, K, Z
– 55 Baker Street, London, W1U 7EU		
Formerly H Limited (In Liquidation)	70.32	J, Z
– 15 Canada Square, London, E14 5GL		
Woolwich Countryside Limited (In Liquidation)	50.00	N, Z
– Haberfield Old Moor Road, Wennington, Lancaster, LA2 8PD		
Full House Holdings Limited	67.43	J, Z
– 6th Floor 60 Gracechurch Street, London, EC3V 0HR		
BMC (UK) Limited	40.18	F, J
– 13-15 York Buildings, London, WC2N 6JU		
BGF Group PLC	24.54	Z
– Aurora Building, 120 Bothwell Street, Glasgow, G2 7JS		
Buchanan Wharf (Glasgow) Management Limited	78.00	E
Cayman Islands		
– PO Box 309GT, Ugland House, South Church Street, Grand Cayman, KY1-1104		
Cupric Canyon Capital LP	41.09	HH, Z
Cupric Canyon Capital GP Limited	50.00	Z
Southern Peaks Mining LP	55.69	HH, Z
SPM GP Limited	90.10	Z
Third Energy Holdings Limited	78.94	F, J, K, Z
Germany		
– Schopenhauerstraße 10, D-90409, Nurnberg		
Eschenbach Holding GmbH	21.70	Z
Eschenbach Optik GmbH	21.70	Z
Korea, Republic of		
– 18th Floor, Daishin Finance Centre, 343, Samil-daero, Jung-go, Seoul		
Woori BC Pegasus Securitization Specialty Co., Limited	70.00	W
Luxembourg		
– 9, allée Scheffer, L-2520		
BNRI Limehouse No.1 Sarl	96.30	R
Preferred Funding S.à r.l.	33.33	FF
Preferred Investments S.à r.l.	33.33	FF, I
Malta		
– RS2 Buildings, Fort Road, Mosta MST 1859		
RS2 Software PLC	18.25	Z
Monaco		
– 31 Avenue de la Costa, Monte Carlo		
Societe Civile Immobiliere 31 Avenue de la Costa	75.00	
Netherlands		
– Alexanderstraat 18, 2514 JM, The Hague		
Tulip Oil Holding BV	30.26	GG, Z
Portugal		
Av. Manuel Júlio Carvalho e Costa, no. 15-A, 2750-423 Cascais		
Projepolska, S.A.	24.50	Z
South Africa		
– 9 Elektron Road, Techno Park, Stellenbosch 7600		
Imalivest Mineral Resources LP	66.63	J, K, Z
Sweden		
– c/o ForeningsSparbanken AB, 105 34 Stockholm		
EnterCard Group AB	40.00	K, Z
United States of America		
– Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801		
DG Solar Lessee II, LLC	75.00	C, Z
DG Solar Lessee, LLC	75.00	C, Z
VS BC Solar Lessee I LLC	50.00	C, Z
– 1415 Louisiana Street, Suite 1600, Houston, Texas, 77002		
Sabine Oil & Gas Holdings, Inc.	23.25	Z

Subsidiaries by virtue of control

The related undertakings below are Subsidiaries in accordance with s.1162 Companies Act 2006 as Barclays can exercise dominant influence or control over them.

Subsidiaries by virtue of control	%	Note
United Kingdom		
– 1 Churchill Place, London, E14 5HP		
Oak Pension Asset Management Limited	00.00	Z
Water Street Investments Limited	00.00	Z
Cayman Islands		
– PO Box 309GT, Ugland House, South Church Street, Grand Cayman, KY1-1104		
Hornbeam Limited	00.00	Z
Barclays US Holdings Limited	10.00	J

Joint Ventures

The related undertakings below are Joint Ventures in accordance with s. 18, Schedule 4, The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and are proportionally consolidated.

Joint Ventures	%	Note
United Kingdom		
– All Saints Triangle, Caledonian Road, London, N1 9UT		
Vaultex UK Limited	50.00	Z

Joint management factors

The Joint Venture Board comprises two Barclays representative Directors, two JV partner Directors and three non-JV partner Directors. The Board are responsible for setting the Company strategy and budgets.

Shareholder information

Annual General Meeting (AGM)

Location

This year's AGM will be held at the Scottish Events Campus (SEC), Glasgow, Scotland, G3 8YW

Date

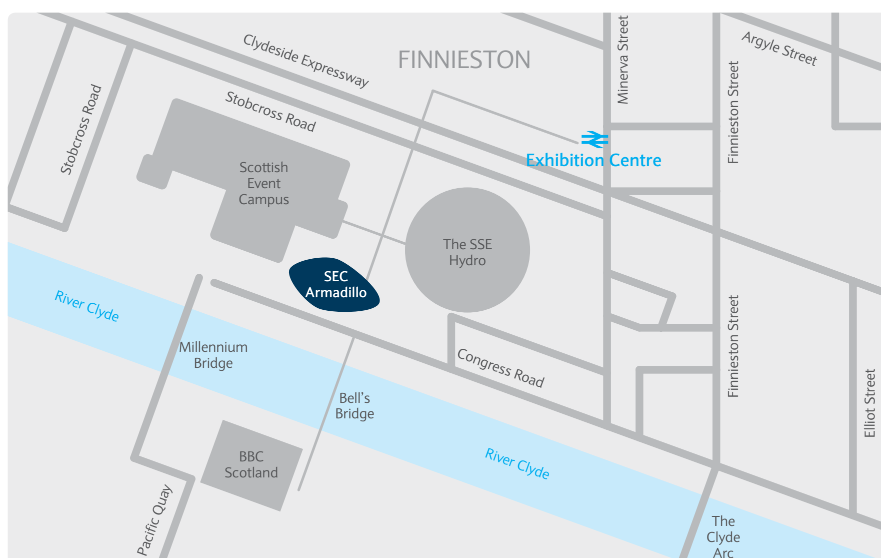
Thursday 7 May 2020

Time

11.00am

The Chairman and Group Chief Executive will update shareholders on our performance in 2019 and our goals for 2020. Shareholders will also have the opportunity to ask the Board questions at the meeting.

You can find out more at:
home.barclays/agm



SEC Armadillo, Glasgow, Scotland, G3 8YW

Keep your personal details up to date

Please remember to tell Equiniti if:

- you move
- you need to update your bank or building society details.

If you are a Shareview member, you can update your bank or building society account or address details online. If you hold 2,500 shares or less, you can update details quickly and easily over the telephone using the Equiniti contact details overleaf. If you hold more than 2,500 shares you will need to write to Equiniti.

Dividends

The Barclays PLC 2019 full year dividend for the year-ended 31 December 2019 will be 6.0p per share, making the 2019 total dividend 9.0p.

The Company understands the importance of delivering attractive cash returns to shareholders. The Company is therefore committed to maintaining an appropriate balance between total cash returns to shareholders, investment in the business, and maintaining a strong capital position.

Going forward, the Company intends to pay a progressive dividend taking into account these objectives, and the earnings outlook of the Group. It is also the Board's intention to supplement the ordinary dividends with additional returns to shareholders as and when appropriate.

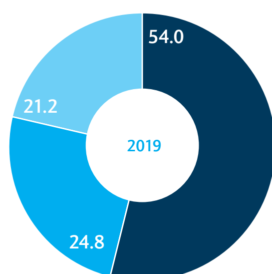
The Board notes that in determining any proposed distributions to shareholders, the Board will consider the expectation of servicing more senior securities.

Save time and receive your dividends faster by choosing to have them paid directly into your bank or building society account

It is easy to set up and your money will be in your bank account on the dividend payment date. If you hold 2,500 shares or less, you can provide your bank or building society details quickly and easily over the telephone using the Equiniti contact details overleaf. If you hold more than 2,500 shares, please contact Equiniti for details of how to change your payment instruction.

How do Barclays shareholders receive their dividends?

%



Direct to bank account | Cheque | Scrip Dividend Programme (new shares)

Scrip Dividend Programme

Shareholders can choose to have their dividends reinvested in new ordinary Barclays shares through the Scrip Dividend Programme.

More information, including the Terms and Conditions and application form, are available on our website.

To find out more, contact Equiniti or visit: **home.barclays/dividends**

Key dates

3 April 2020

Full year dividend payment date

29 April 2020

Q1 Results Announcement

7 May 2020

Annual General Meeting at 11.00am

21 September 2020

Half year dividend payment date

Managing your shares online

Shareview

Barclays shareholders can go online to manage their shareholding and find out about Barclays performance by joining Shareview.

Through Shareview, you:

- will receive the latest updates from Barclays direct to your email;
- can update your address and bank details online;
- can vote in advance of general meetings.

To join Shareview, please follow these three easy steps:

Step 1 Go to **portfolio.shareview.co.uk**
Step 2 Register for electronic communications by following the instructions on screen
Step 3 You will be sent an activation code in the post the next working day

Returning funds to shareholders

Over 60,000 shareholders did not cash their Shares Not Taken Up (SNTU) cheque following the Rights Issue in September 2013. In 2019, 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 £23,288 to our shareholders, in addition to the approximately £65,000 returned in 2018, £212,000 returned in 2017, £1.65m returned in 2016 and £2.2m in 2015.

Donations to charity

We launched a Share Dealing Service in October 2017 aimed at shareholders with relatively small shareholdings for whom it might otherwise be uneconomical to deal. One option open to shareholders was to donate their sale proceeds to ShareGift. As a result of this initiative, £58,267 was donated in 2019, taking the total donated since 2015 to over £403,000.

Shareholder security

Shareholders should be wary of any cold calls with an offer to buy or sell shares. Fraudsters use persuasive and high-pressure techniques to lure shareholders into high-risk investments or scams. You should treat any unsolicited calls with caution.

Please keep in mind that firms authorised by the Financial Conduct Authority (FCA) are unlikely to contact you out of the blue. You should consider getting independent financial or professional advice from someone unconnected to the respective firm before you hand over any money.

Report a scam

If you suspect that you have been approached by fraudsters please tell the FCA using the share fraud reporting form at fca.org.uk/scams. You can also call the FCA Helpline on 0800 111 6768 or through Action Fraud on 0300 123 2040.

Useful contact details

Equiniti

The Barclays share register is maintained by Equiniti. If you have any questions about your Barclays shares, please contact Equiniti by visiting **shareview.co.uk**

Equiniti
0371 384 2055[a]
(in the UK)

+44 121 415 7004
(from overseas)

0371 384 2255[a]
(for the hearing impaired in the UK)

+44 121 415 7028
(for the hearing impaired from overseas)

Aspect House, Spencer Road,
Lancing, West Sussex BN99 6DA

American Depositary Receipts (ADRs)

ADRs represent the ownership of Barclays PLC shares which are traded on the New York Stock Exchange. ADRs carry prices, and pay dividends, in US dollars.

If you have any questions about ADRs, please contact J.P. Morgan:
StockTransfer@equiniti.com
or visit **adr.com**

J.P. Morgan Shareholder Services
+1 800 990 1135
(toll free in US and Canada)

+1 651 453 2128
(outside the US and Canada)

+1 866 700 1652
(hearing impaired)

JPMorgan Chase Bank N.A.
PO Box 64504
St Paul
MN 55164-0504
USA

Shareholder Relations

To give us your feedback or if you have any questions, please contact:
privateshareholderrelations@barclays.com

Shareholder Relations
Barclays PLC
1 Churchill Place
London E14 5HP

Share price

Information on the Barclays share price and other share price tools are available at:
home.barclays/investorrelations

Alternative formats

Shareholder documents can be provided in large print, audio CD or Braille free of charge by calling Equiniti.

0371 384 2055[a]
(in the UK)

+44 121 415 7004
(from overseas)

Audio versions of the Strategic Report will also be available at the AGM.

Note
a Lines open 8.30am to 5.30pm (UK time) Monday to Friday, excluding public holidays.

The Barclays PLC Strategic Report 2019 was approved by the Board of Directors on 12 February 2020 and signed on its behalf by the Chairman.

Report of the Auditor
The Auditor's report on the financial statements of Barclays PLC for the year ended 31 December 2019 was unqualified, and their statement under section 496 of the Companies Act 2006 was also unqualified (see page 232).

Notes
The terms Barclays or Group refer to Barclays PLC together with its subsidiaries. Unless otherwise stated, the income statement analysis compares the year ended 31 December 2019 to the corresponding twelve months of 2018 and balance sheet analysis as at 31 December 2019 with comparatives relating to 31 December 2018. 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; and 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/investor-relations/reports-and-events/latest-financial-results.

The information in this announcement, which was approved by the Board of Directors on 12 February 2020, does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2019, which contain an unmodified audit report under Section 495 of the Companies Act 2006 (which does not make any statements under Section 498 of the Companies Act 2006) will be delivered to the Registrar of Companies in accordance with Section 441 of the Companies Act 2006.

These results will be furnished as a Form 20-F to the US Securities and Exchange Commission (SEC) as soon as practicable following their publication. Once furnished with the SEC, a copy of the Form 20-F will be available from the Barclays Investor Relations website at home.barclays/annualreport and from the SEC's website at www.sec.gov.

Barclays is a frequent issuer in the debt capital markets and regularly meets with investors via formal roadshows 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 Group.

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 Group. Barclays cautions readers that no forward-looking statement is a guarantee of future performance and that actual results or other financial condition or performance measures could differ materially from those contained in the forward-looking statements. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements sometimes use words such as 'may', 'will', 'seek', 'continue', 'aim', 'anticipate', 'target', 'projected', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', 'achieve' or other words of similar meaning. Forward-looking statements can be made in writing but also may be made verbally by members of the management of the Group (including, without limitation, during management presentations to financial analysts) in connection with this document. Examples of forward-looking statements include, among others, statements or guidance regarding or relating to the 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 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. The forward-looking statements speak only as at the date on which they are made and such statements may be affected by changes in legislation, the development of standards and interpretations under IFRS, including 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 entity within the 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 UK 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 Group's control. As a result, the Group's actual financial position, future results, dividend payments, capital, leverage or other regulatory ratios or other financial and non-financial metrics or performance measures may differ materially from the statements or guidance set forth in the Group's forward-looking statements. Additional risks and factors which may impact the Group's future financial condition and performance are identified in our filings with the SEC (including, without limitation, our Annual Report on Form 20-F for the fiscal year ended 31 December 2019), which are available on the SEC's website at www.sec.gov.

Subject to our obligations under the applicable laws and regulations of any relevant jurisdiction, (including, without limitation, the UK and the US), in relation to disclosure and ongoing information, we undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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Barclays is a company of opportunity makers, working together to help people rise – customers, clients, colleagues and society.

For further information and a fuller understanding of the results and the state of affairs of the Group, please refer to the full Barclays PLC Annual Report 2019 suite of documents available at **home.barclays/annualreport**

Barclays PLC Strategic Report 2019
An overview of our 2019 performance, a focus on our strategic direction, and a review of the businesses underpinning our strategy.

Barclays PLC Annual Report 2019
A detailed review of Barclays 2019 performance with disclosures that provide useful insight and go beyond reporting requirements.

Barclays PLC Country Snapshot 2019
An overview of our tax contribution country by country as well as our broader approach to tax, including our UK tax strategy.

Barclays PLC Pillar 3 Report 2019
A summary of our risk profile, its interaction with the Group's risk appetite, and risk management.

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