BARCLAYS PLC
Form 6-K
March 20, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13A-16 OR 15D-16

UNDER THE SECURITIES EXCHANGE ACT OF 1934

March 20, 2015

Barclays PLC

(Names of Registrant)

1 Churchill Place

London E14 5HP

England

(Address of Principal Executive Offices)

Indicate by check mark whether the registrant files or will file annual reports

under cover of Form 20-F or Form 40-F.

Form 20-F x Form 40-F

Indicate by check mark whether the registrant is submitting the Form 6-K

in paper as permitted by Regulation S-T Rule 101(b)(1):____

Indicate by check mark whether the registrant is submitting the Form 6-K

in paper as permitted by Regulation S-T Rule 101(b)(7):____

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EXHIBIT INDEX

Exhibit No.	Description
1	Barclays PLC Annual Report 2014
2	Barclays PLC Strategic Report 2014
3	Barclays PLC Pillar 3 Report 2014
4	Barclays PLC Notice of Annual General Meeting 2015
5	Barclays PLC Proxy Cards

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, each of the registrants has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BARCLAYS PLC
(Registrant)

Date: March 20, 2015

By: /s/ Marie Smith

Marie Smith
Assistant Secretary

Helping people achieve their ambitions

in the right way

Barclays PLC

Annual Report 2014

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What is this report?

The 2014 Annual Report includes a Strategic Report that summarises the key elements of the full report. The Strategic Report is in line with the regulations and best practice as advised by the Financial Reporting Council, and the Department of Business, Innovation & Skills. The design changes this year with increased infographics are intended to facilitate more effective communication with all our stakeholders, and to provide more concise and relevant narrative reports. These objectives are entirely in line with our aim to become more clear and transparent on our journey to be the Go-To bank. We will continue to engage with stakeholders to identify ways in which we can further advance this agenda.

Notes

The term Barclays or Group refers to Barclays PLC together with its subsidiaries. Unless otherwise stated, the income statement analysis compares the year ended 31 December 2014 to the corresponding twelve months of 2013 and balance sheet analysis as at 31 December 2014 with comparatives relating to 31 December 2013. The abbreviations £m and £bn represent millions and thousands of millions of Pounds Sterling respectively; and the abbreviations $m and $bn represent millions and thousands of millions of US Dollars respectively.

The strategic report

An overview of our 2014 performance, a focus on our strategic direction, and a review of the businesses underpinning our strategy.

The comparatives have been restated to reflect the implementation of the Group structure changes and the reallocation of elements of the Head Office results under the revised business structure. These restatements were detailed in our announcement on 10 July 2014, accessible at barclays.com/barclays-investor-relations/results-and-reports. Balance sheet comparative figures have also been restated to adopt the offsetting amendments to IAS 32, *Financial Instruments: Presentation*.

References throughout this report to provision for ongoing investigations and litigation relating to Foreign Exchange means a provision of £1,250m held as at 31 December 2014 for certain aspects of ongoing investigations involving certain authorities and litigation relating to Foreign Exchange.

Adjusted profit before tax, adjusted attributable profit and adjusted performance metrics have been presented to provide a more consistent basis for comparing business performance between periods. Adjusting items are considered to be significant but not representative of the underlying business performance. Items excluded from the adjusted measures are: the impact of own credit; goodwill impairment; provisions for Payment Protection Insurance and claims management costs (PPI) and interest rate hedging redress; gain on US Lehman acquisition assets; provision for ongoing investigations and litigation relating to Foreign Exchange; loss on announced sale of the Spanish business; and Education, Social Housing, and Local Authority (ESHLA) loan valuation revision. As management reviews adjusting items at a Group level, results by business are presented excluding these items. The reconciliation of adjusted to statutory performance is done at a Group level only.

Shareholder information and contact details

Useful references to manage your Barclays shareholding

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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 barclays.com/results.

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 certain of the Group s plans and its current goals and expectations relating to its future financial condition and performance. Barclays cautions readers that no forward-looking statement is a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking statements. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements sometimes use words such as may , will , seek , continue , aim , anticipate , target , projected , expect , estimate , intend , plan , goal , believe , achieve or other words of similar meaning. Examples of forward-looking statements include, among others, statements regarding the Group s future financial position, income growth, assets, impairment charges and provisions, business strategy, capital, leverage and other regulatory ratios, payment of dividends (including dividend pay-out ratios), projected levels of growth in the banking and financial markets, projected costs or savings, original and revised commitments and targets in connection with the Transform Programme and Group Strategy Update, run-down of assets and businesses within Barclays Non-Core, estimates of capital expenditures and plans and objectives for future operations, projected employee numbers and other statements that are not historical fact. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. These may be affected by

changes in legislation, the development of standards and interpretations under International Financial Reporting Standards (IFRS), 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 (including with regard to the future structure of the Group) applicable to past, current and future periods; UK, US, Africa, Eurozone and global macroeconomic and business conditions; the effects of continued 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 the Group; the potential for one or more countries exiting the Eurozone; the impact of EU and US sanctions on Russia; the implementation of the Transform Programme; 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 future results, dividend payments, and capital and leverage ratios may differ materially from the plans, goals, and expectations set forth in the Group s forward-looking statements. Additional risks and factors are identified in our filings with the SEC including our Annual Report on Form 20-F for the fiscal year ended 31 December 2013, which are available on the SEC s website at sec.gov and in our Annual Report for the fiscal year ended 31 December 2014, which is available on the Barclays Investor Relations website at barclays.com/investorrelations.

Any forward-looking statements made herein speak only as of the date they are made and it

should not be assumed that they have been revised or updated in the light of new information or future events. Except as required by the Prudential Regulation Authority, the Financial Conduct Authority, the London Stock Exchange plc (the LSE) or applicable law, Barclays expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in Barclays expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. The reader should, however, consult any additional disclosures that Barclays has made or may make in documents it has published or may publish via the Regulatory News Service of the LSE and/or has filed or may file with the SEC, including the 2014 20-F.

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How do I read the Strategic Report?

The focus of this Strategic Report is on making information highly accessible. The list of contents below maps the structure and flow of the report.

Where can I find out more?

You can learn about Barclays strategy, our businesses and performance, approach to governance and risk online, where latest and archived annual and strategic reports are available to view or download.

The detailed report

These parts of the Annual Report disclose detailed information on Barclays and its 2014 performance. Contents meet, and where insightful, go beyond minimal regulatory reporting standards.

Corporate governance

Our corporate governance report details the governance processes of Barclays, the reports from each Board committee and

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Financial review

Our financial review details the performance of Barclays, including key performance

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presents how the Board support the delivery of our strategy

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Our financial statements gives detailed analysis of our statutory accounts, independently audited and providing in-depth disclosure and transparency on the financial performance of the business

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Chairman s statement

The Barclays of today is a very different bank to the one that I joined in 2012.

From substantially improving our capital and leverage position to changing how we measure and reward performance through the Balanced Scorecard, we have made significant progress towards our goal of becoming the partner of choice for all our stakeholders. Indeed, we have accelerated the speed of this journey over the past 12 months. Our Purpose and Values are becoming embedded in the fabric of Barclays, fundamentally changing how we do business for the better. You can read more about our values-driven culture in the following pages.

In May of 2014 your Board endorsed a strategy update which created a reshaped Barclays, one that is better balanced, more focused, and positioned to succeed over the long term and deliver for shareholders. While there is much still to do, I am encouraged by the progress that we have made so far in executing those plans.

This report provides detail on the performance of our four core businesses: Personal & Corporate Banking, Barclaycard, Africa, and the Investment Bank. You will

Barclays is 325 years old this year, 2015. By any standard of corporate longevity this is a remarkable achievement. The relentless focus of your Board and the Executive team has been, and will continue to be, on ensuring that the bank is primed for success for many more generations to come. We will continue to build on the solid foundations we have put in place to deliver on our commitments to customers, clients, colleagues, shareholders and broader society. Every year a new chapter is written into the history of this great institution and it has been a huge privilege to serve in the role of Chairman during what, I am sure, will be considered in the future to have been an important, positively transformational, period in Barclays history.

I wish this great bank, its shareholders, and John McFarlane, my successor as Chairman, every success for the future.

Sir David Walker

Chairman

see that these operations are delivering positive results which are encouraging for shareholders.

Importantly, we have made significant advances in resolving legacy issues in the course of 2014 through working more closely and constructively than ever with our regulators across the world. The Board and I consider the conduct and practices that led to these issues are entirely inconsistent with the values to which we hold ourselves today. Our proactive efforts in resolving these issues will continue throughout 2015 and stand testament to our commitment to do business in the right way, putting issues that have been so damaging to our reputation behind us and supporting greater resilience, transparency, and sustainability for the long-term.

The banking sector will continue to face serious challenges associated with global uncertainty which is not only economic but also increasingly political and regulatory, in particular in several of the key geographies in which Barclays operates. Specifically, there will be significant change in the UK as we work to implement the ring-fencing requirements of the Financial Services (Banking Reform) Act 2013, as well as in the US to implement the provisions of the Dodd-Frank Act and other measures to complete the banking reform agenda; all of which are intended to eradicate the prospect of *too big to fail*. Despite the difficulties that they entail I have every confidence in Barclays ability to deliver against these challenges.

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Chief Executive s strategic review

Today s Barclays is a stronger business with better prospects than at any time since the financial crisis.

The execution of our Transform Strategy, which I set out in February 2013 and updated in May 2014, has created a focused international bank, delivering on the right priorities for all of our stakeholders, and positioned for growth.

Group adjusted profit before tax has increased by 12% in 2014. Personal & Corporate Banking and Barclaycard continue to thrive and grow, Africa has done well despite currency headwinds, and we are starting to see the impact of the changes in strategy in our Investment Bank.

While there is still work to do, we have made sustained and consistent progress against our Transform 2016 targets during the year, providing strong evidence that our strategy is working.

In our Core business, which represents the future of Barclays, adjusted Return on Equity is at nearly 11% excluding Costs To Achieve Transform, tracking well towards the 12% plus we are targeting for 2016. Barclays measures performance today not just on the basis of what we deliver but now also on how we deliver. You can read more about the Balanced Scorecard and our progress on pages 11 to 16 of this Strategic Report. While we still have work to do against those targets, I have no doubt that this approach will support strong and sustainable performance for shareholders, aligned with our Purpose and Values.

We remain focused on addressing outstanding conduct issues, including those relating to Foreign Exchange trading. I regard the behaviour at the centre of these investigations as wholly incompatible with our values, and I share the frustration of colleagues and shareholders that matters like these continue to cast a shadow over our business. But resolving these issues is an important part of our plan for Barclays and although it may be difficult, I expect that we will make significant progress in this area in 2015.

This will be a year of continued delivery for our customers, clients, and shareholders as we look to accelerate execution of our plans. Our work is not complete, but we are on the right track, making steady progress against our strategic targets, and with every colleague committed to driving performance as they are we can have strong confidence in our ability to deliver.

Non-Core run down is ahead of target, with Risk Weighted Assets reducing by nearly £35bn in the year, and now standing at just over £75bn.

I have repeatedly said that cost is, and will continue to be, a strategic battleground for our industry, and working cost effectively is essential to our future success. To this end, we have taken out nearly £1.8bn of spend from our business in 2014. This remarkable achievement, with further reductions to come in 2015, will enable Barclays to boost returns and drive sustainable competitive advantages across the Group.

I am pleased that we have made substantial progress in strengthening our capital position in the past year. Our fully loaded Common Equity Tier 1 ratio has improved to 10.5%, taking into account the effect of the disposal of our Spanish business completed on 2 January 2015, as well as absorbing the impact of a further provision in the fourth quarter for ongoing investigations and litigation relating to Foreign Exchange, and compares to 9.1% a year ago. Equally important, our Leverage Ratio increased to 3.7%. This means we are now very well positioned to achieve the Transform 2016 targets of greater than 11% and 4% respectively. In terms of dividends, we have declared a cash dividend of 6.5p for 2014, despite the unwelcome impact of substantial conduct provisions. We have a growing confidence in the capital position of the Group and continue to target a 40%-50% dividend payout ratio over time.

We are also performing well against the targets in our Balanced Scorecard.

Thank you for your continued support.

Antony Jenkins

Group Chief Executive

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Becoming Go-To

Our approach

With a focus on our stakeholders

We will achieve our goal of becoming the Go-To bank

t By upholding clear values and leading by example

Stakeholders

Barclays strives to create value for all of our stakeholders, balanced across both the short and the long-term. By taking this more holistic and considered approach we believe that our activities can stimulate mutually supportive outcomes across our stakeholders, including a focus on sustainable long-term return on equity.

In order to measure progress and hold ourselves to account, we have designated five stakeholder groups and assigned targets and metrics of particular relevance to each of them in the 5Cs of our Balanced Scorecard:

- Customers and Clients **who purchase our products and services**
- Colleagues **who deliver and support the delivery of our products and services**

Taken together, our Balanced Scorecard targets define what we need to achieve over the next few years for Barclays to become the Go-To bank. These targets are supported by strategic initiatives and priorities, which cascade naturally into all business unit and function scorecards.

Individual performance objectives are aligned to the 5Cs and linked to our overall targets, thus showing colleagues how their own efforts contribute towards the achievement of our organisational goal and how they serve our stakeholders over the longer term.

- Communities (via Citizenship) **within which we operate**
- Regulators (via Conduct) **who grant us our licence to operate in their jurisdictions**
- Investors (via Company) **who commit capital to us, which underpins our products and services**

Further information on our stakeholders, and how we measure performance for each of the stakeholder needs can be found on pages 11 to 16

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Becoming Go-To

Our approach

In this operating environment

We continue to be proactive in adapting to the external environment

Our approach to value creation is consistent u

Operating environment and approach to risk

Barclays is a global financial services provider operating in 50 countries, with home markets in the UK, US and South Africa, governed by global and local regulatory standards.

Our environment continues to change. Central banks have launched unprecedented monetary policies such as Quantitative Easing and near-zero interest rates to stimulate growth. Further regulatory change, such as structural reform in the UK and US will require banks to segregate activities in order to create a safer banking environment and increase focus on capital, liquidity and funding. Conduct issues have hurt Barclays and the banking industry causing loss of trust amongst stakeholders.

Rebuilding trust is vital, enabling us to meet and exceed the growing needs of customers and clients. The power of technology has raised customer and client expectations, but also reduced the cost-to-serve through automation, process improvement and innovation while making customer experiences faster, more personalised and lower risk.

Without active risk management to address these external factors, our long-term goals could be adversely impacted. See page 09 to see how the strategy adapted in 2014.

The Barclays risk management framework, organised by our Principal Risks, sets out the activities, tools, techniques and arrangements we can employ to better identify, monitor and manage actual and potential risks facing the Bank. Risk appetite is set and verified at an appropriate level and procedures established to protect Barclays and prevent

detriment to its customers, colleagues and communities. Barclays also manages human rights risk via our environmental and social risk procedures and guidance and reputational risk framework, and integrates human rights issues into business decision-making.

Our Principal Risks

Credit Risk: Financial loss should customers not fulfil contractual obligations to the Group.

Market Risk: Earnings or capital impact due to volatility of trading book positions or inability to hedge the banking book balance sheet.

Funding Risk: Failure to maintain capital ratios and liquidity obligations leading to inability to support normal business activity and meet liquidity regulatory requirements.

Operational Risk: Losses or costs resulting from human factors, inadequate internal processes and systems or external events.

Conduct Risk: Detriment caused to our customers, clients, counterparties, or the Bank and its employees through inappropriate judgement in execution of business activities.

Reputation Risk: Damage to Barclays brand arising from any association, action or inaction perceived by stakeholders as inappropriate or unethical. From the 1st January 2015, Reputation Risk will be combined with Conduct Risk.

For further information on how we assess and monitor risks, please see the Risk review on page 113

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Our approach

Our approach to value creation is consistent

Delivering our obligations to shareholders whilst meeting society s needs in a responsible manner

t In this operating environment

Our business model

As a focused international bank, Barclays offers an integrated set of products and services across retail banking, wealth management, corporate banking and investment banking. We serve individuals, small and large businesses, corporations, institutions and governments.

Barclays seeks to satisfy the needs of our customers and clients by offering a well-rounded value proposition a wide range of products and services and thereby deliver a smoother income stream and sustainable returns. However, we do not seek to offer all things to all people.

In contrast, Barclaycard, the corporate division of PCB and the Investment Bank operate global models, using their international presence and capabilities to provide comprehensive cross-border solutions.

We also increasingly operate a shared service model for Central Functions to support our four core business clusters. Improving how we pool our resources has enabled us to take advantage of synergies through the sharing of ideas and collaboration from cross-functional working groups.

Barclays competitive advantage arises from the scale and diversity of our businesses and the quality, character and relationships of our people.

For example, our Africa Banking and Personal & Corporate Banking (PCB) businesses are integrated regionally, focusing on delivering targeted solutions to individuals and businesses. We also undertake activities in selected other markets across the world in order to support the needs of customers and clients abroad.

Our international reach and scale mean we have the responsibility indeed the obligation following our designation as a globally systemically important financial institution, to work together with our regulators to help reduce risk in the industry and provide a more sustainable banking landscape over the long term. We are actively engaging with a number of banking supervisors internationally to develop a new industry model and to ensure that our business is sustainable and flexible ready to move into the future.

Further information on our business model can be found on our website at barclays.com/about-barclays/strategy/business-model-value-creation.html

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Becoming Go-To

Our approach

Through our broad service offer

We maximise opportunities for value creation across our products and services

Our strategy remains on course u

The sum of the parts

Our business model enables us to provide continuing and relevant support to our customers and clients, whatever their stage of life. For example, for individuals, our structure can offer a safe place to store savings, help a first-time buyer take their first steps onto the property ladder, helping people from a variety of backgrounds to grow and manage their wealth, or provide cross-border advice for the affluent, for example helping family members abroad. For businesses it means being ready to help entrepreneurs launch a business, fund its growth, expand internationally, protect against currency risk, and issue bonds and listed equity shares.

We seek to add value to our clients through our end-to-end network. For example an individual retail customer in the UK is able to access current and savings account balances along with Barclaycard data all via the same mobile banking app, Pingit, our peer-to-peer payments service, is seamlessly integrated within our retail banking offering. Similarly, businesses big and small, and local authorities are able to make and receive Pingit payments to provide their customers more convenient ways to pay for goods and services. All these examples evidence the joined up approach to the way Barclays does banking for the benefit of our customers.

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Becoming Go-To

How we are doing

Our strategy remains on course

To build a stronger, fitter, better bank

t Through our broad service offer

Strategy

Our Transform programme was launched in 2013 to deliver our strategy of reshaping Barclays to generate sustainable returns and to meet the needs of all our stakeholders.

¡ We have completed the Turnaround phase that stabilised the business and maintained short-term momentum

¡ We have put in place structured plans to de-risk, de-leverage and make Barclays more sustainable for the long-term as part of the Return Acceptable Numbers phase. We are halfway through this journey, and already demonstrating strength in the fundamentals of capital build and leverage

Where we are now

2014 was a year of material change for Barclays. We still faced a challenging operating environment, but with greater clarity and on a stronger financial footing. As we continue to execute our Transform plan to make Barclays the Go-To bank for all our stakeholders, we have optimised and adjusted our strategy and the shape of our business. These steps are necessary to deliver the Transform objective of a sustainable return on equity above the cost of equity in a changed regulatory and economic environment.

Barclays has taken decisive action in order to reduce risk, strengthen our balance sheet and increase the

- The final part of the plan, running alongside the other two components, is FORward Momentum. On our journey to become Go-To we must continue to adapt Barclays for the future, ensuring that we do not return to short-term bias as we carry through our plans

We note that successful implementation of the Transform plan does carry significant execution risks; not least because progress is subject to unforeseen external developments and may therefore not be uniform or linear.

efficiency of our Core franchise operations. We will seek to deliver significantly improved and sustainable returns by focusing on areas of competitive advantage and exiting businesses where appropriate returns are no longer achievable.

Underpinning these actions is a continuing focus on cost. In a prolonged low-growth macroeconomic environment, cost will be the strategic battleground for banks. We remain committed to a material reduction in cost over time, enabled in part by technology, regardless of the income environment.

We monitor success of the Transform

programme through the Balance

Scorecard. See page 11

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How we are doing

Taking decisive action

Proactive steps to adapt our strategy

Reshaping the business u

Three strategic shifts

The combined effect of the external factors discussed on page 05 has led to decisive action in three areas announced on 8 May 2014:

Identify core activities: Building further on our strengths by concentrating resources on our Core activities. In our sector-leading retail and corporate businesses we will invest in technology and process enhancements to transform how we interact with customers and the experience we can deliver to them.

In our Investment Bank, focusing on US and UK, we are shifting from a business dependent on balance sheet

Aligned to Transform targets

With these actions in mind we have set 2016 Transform targets to demonstrate our commitment and our journey towards our ultimate goal of becoming the Go-To bank by 2018. While Group figures continue to include the impact of Non-Core, both Core and Non-Core have individual targets.

Our return on equity goal remains the same to achieve a return on equity above our cost of equity. We will also maintain our focus on capital, leverage and dividend performance. Our 2016 capital target is a fully loaded CET1 ratio above 11%, as we move towards end-state capital requirements.

commitment to one more driven by clients origination needs, bringing greater balance to Barclays.

Invest for growth: A focus on Core parts of the Group where we see major opportunities Barclaycard and Africa. We are committed to leading innovation in consumer payments; technology should enable us to achieve growth by reaching more customers. Having added 8.6m customers in the last 3 years at Barclaycard, we continue to have an appetite for selective expansion and portfolio acquisition where we can generate efficiencies and economies of scale.

Free up resources: Assets and activities no longer of strategic importance, given structural shifts in the operating environment or their sub-scale nature, have been brought together within Barclays Non-Core, to be managed separately for capital efficient, yet rapid exit.

We continue to target a dividend payout ratio of 40% to 50% over time.

In our Core business, we aim to achieve a sustainable adjusted ROE above 12% by 2016, underpinned by an adjusted cost base of less than £14.5bn, down from £16.2bn at end 2013.

In Non-Core, our focus is on reducing the drag on the Core business. We are targeting a drag on ROE from Non-Core of less than 3% in 2016.

For an update on how we performed against our 2016 targets see page 32

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How we are doing

Reshaping the business

With a focus on running down Non-Core operations to provide investment for the Core growth businesses

t Taking decisive action

Business shape

Barclays will seek to improve returns significantly through repositioning, simplifying and rebalancing. We intend to be a focused international bank with four Core businesses, operating only in areas where we have capability, scale and competitive advantage

¡ Personal & Corporate Banking: a combination of our leading UK retail, corporate and wealth businesses, taking advantage of infrastructure cost synergies

¡ Barclaycard: a high returning business with strong and diversified international growth potential

¡ Africa Banking: a longer term regional growth business with clear competitive advantages

¡ Investment Bank: an origination-led and returns-focused business, delivering Banking, Equities, Credit and certain Macro products to our clients in a more capital efficient way

In the future, as a result of these changes, Barclays will be leaner, stronger and much better balanced with an objective of delivering lower volatility, higher returns, and growth. This model, moving rapidly towards a better balance of activities and maintaining diversification, will help us to achieve our Transform targets within the emerging regulatory environment.

The Core Personal & Corporate Banking, Barclaycard and Africa Banking businesses accounted for 45% of 2013 RWAs, with the Core Investment Bank expected to represent no more than 30% of the Group total by 2016, compared with just over 50% pre-Strategy Update. Capital will be reallocated towards our growth businesses, particularly Barclaycard and Africa, and we will continue to reduce our cost base, with a core 2016 cost target of less than £14.5bn.

Barclays has also created Barclays Non-Core. This unit groups together those assets that are not strategically attractive to us in the emerging operating environment either because of structural shifts in the external environment or because they remain too small with limited opportunities for growth within our Group. Barclays will look to exit or run down these assets over time in a considered and responsible way that is respectful to those affected.

Overall, the rebalanced Group should deliver less volatile, and higher profitability over time, with a more equal split across our diversified portfolio of mature versus growth markets, investment banking versus retail and corporate banking, and within the Investment Bank, trading income versus advisory fees.

For more information on our

businesses and their performance in 2014, please see page 17

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How we are doing

Our Balanced Scorecard

Measures progress and performance against our goal

For our Customers and Clients u

Notes

a Revised due to creation of PCB as part of the May 2014 Strategy Update. Corporate clients now contribute to the NPS metric, and no longer contribute to the Client Franchise Rank.

b Revised from 4.5%, post the Q213 £259m gain relating to assets not yet received from the US Lehman acquisition being treated as an adjusting item.

c Revised from 9.3%, post full implementation for CRD IV reporting in 2014.

d Revised from >10.5% following the Strategy Update.

Net Promoter, Net Promoter Score, and NPS are trademarks of Satmetrix Systems, Inc., Bain & Company, Inc., and Fred Reichheld. Under the Companies Act 2006, we are also required to report on the gender breakdown of our employees and senior managers . Of our global workforce of 132,300 (65,200 male, 67,100 female), 732 were senior managers (596 male, 136 female), which include Officers of the Group, certain direct reports of the Chief Executive, heads of major business units, certain senior managing directors and directors on the boards of undertakings of the Group, but exclude individuals who sit as directors on the board of the Company.

Introduction

In 2014 the Balanced Scorecard was used throughout the organisation and now forms part of the framework by which all staff are assessed. Individual performance objectives were aligned with the 5Cs.

This year we have seen steady progress across the Scorecard towards our 2018 targets especially in our Fully Loaded CRD IV CET1 ratio metric where recent European Banking Authority and Bank of England stress tests highlighted Barclays capital strength and resilience to stress scenarios. There was however deterioration in the Colleague Sustained Engagement and due to a restatement, a change in the Customer & Client Relationship NPS metric. Work will be done through 2015 and beyond to improve these. The move in both metrics is

predominately due to changes Barclays has undergone through 2014 with the Strategy Update effecting structural change within the organisation, and a change to a broader channel offering to our retail customers with new technology. We will endeavour to improve both scores with further colleague engagement, and greater help within our retail network to adopt new technology as evidenced by our Digital Eagles programme.

There is still work to do and we remain focused on our 2018 targets. The following pages provide a review of each of the 5Cs.

Please see page 04 to see the stakeholders for whom we have designed the Balanced Scorecard

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Becoming Go-To

How we are doing

For our Customers and Clients

We aim to be the bank of choice

t Our Balanced Scorecard

Balanced Scorecard metric	Actual 2013	Actual 2014	Target 2018
PCB, Barclaycard and Africa Banking weighted average ranking of Relationship Net Promoter Score® vs. peer sets	3rd[a]	4th	1st
Client Franchise Rank: Weighted average ranking of wallet share or customer satisfaction with priority clients in the Investment Bank	N/A	5th	Top 3

Note
a Revised due to the creation of PCB as part of the May 2014 Strategy Update. Corporate clients now contribute to the NPS metric, and no longer contribute to the Client Franchise Rank

¡ Relationship NPS ranking provides a simple customer advocacy measure and indicates growth potential across our franchise

¡ A ranking widely used in banking and other industries, it facilitates comprehensive benchmarking, simplifies target setting and identifies best practice, bringing the customer s voice to the heart of Barclays. It is income-weighted using divisional customer satisfaction

¡

For the investment banking industry, NPS is not as widely measured. Therefore, a Client Franchise Rank is calculated as measuring use of our products and services by target clients. Improving our rank with these clients is a key indicator of effectiveness in meeting their needs, supporting delivery of improved returns for Barclays

- Client Franchise Rank is a revenue-weighted ranking of our global client share across the Investment Bank

Relationship NPS

We are working hard to strengthen our brand and in 2014 we made it a priority to listen to our customers to gain a better understanding of what they want. We have focused on developing, testing and investing in technology such as video banking, cheque imaging, smart call and finger scanning to improve our customers and clients experience and to be responsive to their needs as these change. These new technologies developed in 2014 are now in place in branches across the UK, and help to make our most important interactions with customers and clients simple putting power in their hands to transact when, where and how they want to.

We continue to simplify our products and services and improve what we offer to match customer needs with the right service model.

The deterioration of Relationship NPS performance at Group level in 2014 has been driven by scores awarded by UK retail customers. During 2014 legacy issues have continued to weigh heavily on the reputations of banking brands, Barclays among them. This year has also seen substantial investment in programmes designed to improve customer experience across our customer franchise in the long term. While these programmes can be disruptive to customer perception in the short-term, we are confident that this investment, together with a more positive outlook for our brand, will support our progress towards the perception of Barclays as the leading bank by 2018.

Through 2015, we need to ensure we deliver our investment programmes, with a focus on the UK retail customer environment in order to improve our largest customer footprint ranking. As we put in place an improved, efficient new banking experience in our branches, we will closely monitor customer reaction so that on-the-ground staff can help customers adapt to changes.

Client Franchise Rank

The metric is calculated on a new basis from 2014, with corporate clients that were surveyed as part of the 2013 metric now captured in the NPS score, reflecting organisational changes as a result of the Strategy Update. Although not directly comparable with the prior year score of 4th, our ranking of 5th for 2014 provides a strong platform from which to build as we aspire to our long-term goal of being top 3 with our target clients.

We will seek to achieve this goal by focusing on the following key areas:

- Innovating through technology: For example in 2014 we launched the Barclays Live iPad app for institutional clients the app has now been downloaded by over 4,000 clients and has received very positive feedback
- Realigning our structure: As part of the Strategic Review in 2014 we brought Equities and Credit teams together under the same management to provide a more integrated approach. Closer alignment across Banking and Markets teams will also provide a more complete service to clients encompassing primary issuance and secondary trading

- Improving client management information and targeting: We have invested technology and resources in our management information and analytics that enable us to provide more finely targeted solutions for our clients

- Investing in people and conduct: The quality of our people and the way they do business is fundamental to building and maintaining strong relationships with our clients. In 2014 over 6,800 employees in client-facing roles took part in our new Conduct College, helping to develop our employee value proposition

We provide further detail on our products and services, as well as our services to customers and clients, such as Digital Eagles, at barclays.co.uk/digitaleagles

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Becoming Go-To

How we are doing

For our Colleagues

We create an environment where they can fulfil their potential

For Citizenship u

Balanced Scorecard metric	Actual 2013	Actual 2014	Target 2018
Sustained Engagement of colleagues score	74%	72%	87-91%
% women in senior leadership	21%	22%	26%

- Barclays believes strong levels of sustainable engagement improve the colleague experience and enable superior business performance
- To continuously improve sustainable engagement, we aim to provide a working environment supporting productivity and performance, and promoting individual physical and emotional well-being
- Sustainable engagement is measured through the global Employee Opinion Survey conducted in October 2014
- The percentage of women in senior leadership supports a key part of Barclays diversity strategy, fostering different perspectives which lead to greater innovation

- We work with our regulators, governments, partners and peers to benefit collectively from the skills advantage that diversity provides

- The metric is defined as the number of female directors and MDs as a percentage of the total director and MD population

Sustained Engagement

Our colleagues are fundamental to our business. We are committed to investing in them and ensuring they are fully motivated and energised to deliver strong performance. To monitor our progress on sustainable engagement, a Group-wide approach to measuring employee feedback was defined in 2014, establishing a consistent baseline for tracking future progress. As part of this, in a first for Barclays, a global Employee Opinion Survey (EOS) was deployed across the Group in 2014, with over 90,000 colleagues participating.

Sustained Engagement at Barclays is currently 72%, representing a 2% decrease compared to 2013. This was disappointing, but the reduction in engagement was not as severe as we might have expected in a year of such challenges and change. We are working with senior leaders across the organisation to aim for improvement in 2015.

Collecting feedback from our colleagues enables us to understand what factors drive engagement, and helps shape our future people strategy. We remain firmly committed to creating the right environment for our colleagues to thrive as we progress on our journey to Go-To . In 2015, we will use the insight gained from the EOS to focus on three key areas (highlighted by our colleagues) to support and increase the Sustained Engagement of everyone at Barclays:

- Ensuring colleagues have access to the right tools and resources to fulfil their roles and deliver outstanding customer service

- Continuing to support our people s personal growth and career aspirations, ensuring access to the right technical and professional development

- Providing clear strategic direction and leadership in creating the right environment for colleagues to do their best work

Women in senior leadership

Over the last year, we have maintained progress towards our gender representation goal within the Balanced Scorecard, seeing the proportion of women in senior roles increase from 21% to 22%. Although overall headcount across the Group has fallen in 2014, the increase we have seen in each of the last two consecutive years in senior female representation is testament to the range of initiatives focused equally on providing development opportunities for our talented women and establishing an inclusive culture where all talent can thrive.

8,500 senior leaders globally have undertaken our Unconscious Bias Training programme, promoting greater awareness of the importance of inclusive leadership and of reducing unintended bias in all aspects of talent management and assessment. We have also continued to sponsor our Women s Initiatives Network (WIN) promoting a positive workplace environment for all colleagues.

More broadly, our innovative Women in Leadership Index lists publicly traded US companies with gender-diverse leadership (defined as companies with a female CEO or at least 25% female members on their board). In an industry first, Exchange Traded Notes track the return of the index so investors can support the move towards gender equality.

We continue to build a pipeline of next-generation leaders, highlighting female talent. For example our Barclays Women in Technology Group encourages able women to take up IT careers in banking and finance. At Executive level, our Women on Boards programme is developing board-readiness among selected senior women so they can take on non-executive director roles on the boards of publicly-listed companies.

To reach our 2018 goal of 26% women in senior leadership roles we must ensure strong forward momentum. Continuing emphasis on an inclusive workplace culture must go hand-in-hand with further development opportunities nurturing aspiration and enabling our diverse talent to fulfil their potential within our industry and beyond.

More information can be found at

barclays.co.uk/Accessibility

You can also read more at page 74 in our People section

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Becoming Go-To

How we are doing

For Citizenship

We have a positive impact on the communities in which we operate

t For our Colleagues

Balanced Scorecard metric	Actual 2013	Actual 2014	Target 2015
Citizenship Plan initiatives on track or ahead	10/11	11/11	Plan targets
The way we do business			
Barclays Way Code (Full Time Employees attested)	85%	98%	97%
Citizenship Reputation Tracker (YouGov survey)	4.9/10	5.1/10	6.5/10 (2018 Target)
Global carbon emissions (tonnes CO_2, reduction against a 2012 baseline)	-9.4%[b]	-21.7%	-10%
Percent of suppliers paid on time (45 days, by invoice value)	83%	85%	85%

Contributing to growth (cumulative)[a]			
New and renewed lending to households	£67.4bn	£107.7bn	£150bn
New and renewed lending to SMEs	£24.5bn	£38.5bn	£50bn
Assist in raising financing for businesses & governments	£1,670bn	£2,487bn	£2,000bn
Number of participants at SME support events	95,000	159,700	120,000
Number of apprenticeships at Barclays in the UK	1,233[b]	1,734	2,000

Balanced Scorecard metric	Actual 2013	Actual 2014	Target 2015
Supporting our communities (cumulative)[a]			
Investment in community	£136.5m	£198.9m	£250m
Number of 10-35 year olds supported in building skills	2.43m	4.19m	5m

- Citizenship is an essential part of becoming the Go-To bank for all stakeholders. This means we consider the impact of our day-to-day decisions on society and create positive long-term outcomes for our customers and clients, shareholders, employees and communities. It is one of the ways in which we live and strengthen our Purpose and Values

- The Barclays Citizenship Plan comprises global commitments organised around three areas where we believe we can have the most impact: The way we do business; Contributing to growth; and Supporting our communities

- The Balanced Scorecard tracks performance against eleven metrics based on our 2015 Plan commitments

- We are developing our Citizenship strategy for 2016 onwards and continue to work with stakeholders to inform our approach

- Further information is available in the Citizenship Data Supplement 2014

Notes

a Cumulative performance to date: 2012-2014.
b Adjusted from 2013: Carbon was 5.2%, Apprenticeships 1,153. Please see page 10 of Citizenship Data Supplement 2014.

The way we do business

We launched the Barclays Way code of conduct in 2013, which replaced a number of existing codes with one unifying document. The code was updated in 2014 and we met our target with 98% (2013: 85%) of our colleagues attesting to the Barclays Way.

The Citizenship Reputation Tracker is based on two surveys conducted for Barclays during 2014, among an audience of global stakeholders (from politics, the media, business, NGOs and other sectors). The average score was 5.1/10 (2013: 4.9/10), with increases across the underlying components.

We exceeded our 2015 target to reduce global carbon emissions by 10% against a 2012 baseline. Our 21.7% reduction was achieved through: the implementation of programmes and policies that improved our operational energy efficiency and streamlined our business travel; and through a significant reduction in our property portfolio.

We aim to ensure there is no delay in paying our suppliers and understand the importance of cash flow. In 2014, we achieved 85% on-time payment by value.

Contributing to growth

In line with our Citizenship Plan commitments we are on track to deliver £150bn of new and renewed lending to households and £50bn to SMEs by the end of 2015. As at the end of 2014, we have delivered £107.7bn for households and £38.5bn for SMEs on a cumulative basis.

In order to help small businesses gain confidence we have provided more than 159,700 people with business advice and support through seminars, tools, clinics and workshops to date, exceeding our target of 120,000 attendees by end 2015, driven by an increase in African programmes.

We exceeded our target to help raise £2,000bn of financing for businesses and governments by the end of 2015, raising a total of £2,487bn by the end of 2014.

Banks play a pivotal role in enabling the flow of capital towards environmentally or socially beneficial activity. In 2014, we helped direct £5.9bn (2013: £4bn) of financing in the clean energy and clean technology sectors globally. Green Bonds continued to grow as a way of financing environmental projects: we signed the Green Bond Principles; launched a Green Bond Index in partnership with MSCI Inc; and committed to investing a minimum of £1bn in Green Bonds by November 2015 to form part of our liquid asset buffer.

We are on track to meet our goal of 2,000 apprentices by the end of 2015, with a cumulative total of 1,734 (2013: 1,233) apprentices at Barclays in the UK. We also support wider employability initiatives, particularly our LifeSkills programme, which supports young people in preparing for work.

Supporting our communities

As part of our 5 Million Young Futures ambition we are working with leading charity and NGO partners to help five million disadvantaged young people develop the skills they need to fulfil their potential and to invest £250m in the community by the end of 2015. As at the end of 2014, we have invested a total of nearly £200m and more than four million young people have benefited from our programmes.

We provide further detail on our programmes and a range of case studies on our website at barclays.com/citizenship. In addition, we also provide further disclosures aligned to the Global Reporting Initiative G4 guidelines, in the Citizenship Data Supplement 2014

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Becoming Go-To

How we are doing

For Conduct

We aim to act with integrity in everything we do

For our Company u

Balanced Scorecard metric	Actual 2013	Actual 2014	Target 2018	
Conduct Reputation (YouGov survey)	5.2/10	5.3/10	6.5/10	Focusing on conduct helps us ensure we provide suitable products and services for customers and clients.

¡ Doing the right thing, in the right way, is central to sustainable long-term business returns, building our reputation, enhancing trust in the financial system more widely and avoiding future redress activity

¡ The Conduct measure is developed through a Conduct reputation survey, undertaken by YouGov, across a range of respondents including business and political stakeholders, the media, NGOs, charities and other opinion formers

¡ The 2014 Conduct score, taken from two surveys, each of 2,000 respondents, comprises questions relating to transparency, employee welfare, quality and customer value as well as trust

During 2014 the Group continued to incur the significant costs of conduct matters and additional charges of £1,513m were recognised for customer redress including £1,270m for the cost of PPI remediation. Barclays also continues to be party to litigation and regulatory actions involving claimants who consider that inappropriate conduct by the Group has caused damage. Investigation in respect of various conduct issues related to Foreign Exchange remain ongoing and related class actions have been filed in US courts. As at 31 December 2014 a provision of £1,250m has been recognised for certain aspects of ongoing investigations involving certain authorities and litigation relating to Foreign Exchange. Resolution of these matters remains a necessary and important part of delivering the Group s strategy.

In response, our Conduct Programme continues to develop and design tools to help us improve our focus on customer outcomes and putting customers and market integrity at the heart of our business:

¡ Governance: Enhanced governance arrangements, training and communications on conduct risk including Board-level oversight (the Board Conduct, Operational and Reputation Risk Committee was created in 2013), demonstrate our expectation that business models, product design and customer servicing aim for good customer outcomes and protection of market integrity

¡ Strategy-setting and decision-making: Barclays is embedding conduct risk in our strategy-setting and decision-making processes

We have reviewed and improved how conduct risk is assessed and reported throughout our global business. Our senior leaders are committed to putting customers at the heart of the decisions they make and aiming to consistently deliver on the 10 conduct risk outcomes:

expectations and perform as represented. Our representations are accurate and comprehensible so our customers understand the products and services they are purchasing

¡ We address any customer detriment and dissatisfaction in a timely and fair manner

¡ We safeguard the privacy of personal data

¡ We do not conduct or facilitate market abuse

¡ We do not conduct or facilitate crime

Barclays mean score on the Conduct Index was stable at 5.3 (2013: 5.2), with minor improvement in all components of the Index. Progress towards the 2018 target of 6.5 is slower than desired as the impact of legacy issues act as a drag on the benefit of actions to improve management of conduct. We anticipate further challenges from legacy matters in 2015 however Barclays is clear about its responsibilities to all its stakeholders and is committed to resolving these matters in line with our Purpose and Values.

For further information on how we monitor and manage Conduct and reputation risk, and how the Board reviews it, please see page 211

¡ Our culture places customer interests at the heart of our strategy, planning, decision making and judgements

¡ Our strategy is to develop long term banking relationships with our customers by providing products and services that meet their needs and do not cause detriment

¡ We do not disadvantage or exploit customers, customer segments, or markets. We do not distort market competition

¡ We proactively identify conduct risks and intervene before they crystallise by managing, escalating and mitigating them promptly

¡ Our products, services and distribution channels are designed, monitored and managed to provide value, accessibility, transparency, and to meet the needs of our customers

¡ We provide banking products and services that meet our customers

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Becoming Go-To

How we are doing

For our Company

We seek to effectively manage risk and create sustainable returns

t For Conduct

Balanced Scorecard metric (Barclays PLC Group)	Actual 2013	Actual 2014	Target 2018
Return on Equity (Adjusted)	4.1%[a]	5.1%	>Cost of equity
Fully loaded CRD IV CET1 ratio	9.1%[b]	10.3%	>11%[c]

a Revised from 4.5%, post the Q213 £259m gain relating to assets not yet received from the US Lehman acquisition being treated as an adjusting item.

b Revised from 9.3%, post full implementation for CRD IV reporting in 2014.

c Revised from 10.5% following the May 2014 Strategy Update.

Adjusted Return on Equity (RoE)

¡ Adjusted Return on Equity demonstrates the organisation s ability to generate long-term sustainable returns for shareholders

¡ Adjusted RoE is calculated as adjusted profit for the year attributable to ordinary equity holders of the parent divided by average shareholders equity for the year excluding non-controlling and other equity interests. Shareholders equity is made up of share capital, retained earnings and other reserves

Fully Loaded CRD IV CET1 ratio

¡ Fully loaded CRD IV CET1 (Common Equity Tier 1) ratio demonstrates the capital strength and resilience of Barclays. By ensuring we are well capitalised relative to minimum capital requirements of regulatory authorities, we

create a safer bank for customers and clients, and all stakeholders through challenging economic conditions

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

- Achievement of the targets set out for the other four Cs (Customer & Client, Colleague, Citizenship and Conduct) will contribute to the successful delivery of the Company targets

The focus of the Company metrics is to deliver long-term acceptable returns to shareholders in a sustainable way, maintaining adequate levels of capital to enable the bank to operate safely through challenging economic conditions.

Our principal commitment remains unchanged to deliver an RoE above the cost of equity on a sustainable basis, consistent with the 2018 target.

The Group s capital commitment is a fully loaded CET1 ratio above 11% in 2016, as we move towards the end-state capital requirements.

Adjusted RoE

Adjusted RoE excludes items that are significant but not representative of the underlying business performance. For a list of these items, please see page 32.

In 2014, adjusted RoE for the Group increased to 5.1% (2013: 4.1%) as adjusted profit before tax increased by 12% to £5,502m driven by improvements in PCB, Barclaycard and Non-Core. These were partially offset by a reduction in the Investment Bank and adverse currency movements impacting Africa Banking reported results.

RoE for the Core business decreased to 9.2% (2013: 11.3%). The returns of the Group and Core business were below the cost of equity, however, Barclays managed to reduce the RoE drag on the Group s returns in the Non-Core business to 4.1% (2013: 7.2%), largely due to a £35bn reduction in RWAs.

The Group estimates its Cost of Equity for 2015 at 10.5%.

Fully Loaded CET1 ratio

Barclays capital management objective is to maximise shareholder value by prudently optimising the level, mix and distribution to businesses of its capital resources whilst maintaining sufficient capital resources to: ensure we are well capitalised relative to minimum capital requirements of regulatory authorities; to meet the Group s risk appetite; and to support the Group s credit rating.

In 2014 the Group s CET1 ratio increased by 120bps to 10.3%, demonstrating strong progress towards meeting our target and continuing to exceed regulatory requirements. This improvement was achieved despite further provision for conduct issues. The main improvement in 2014 was a reduction in Non-Core RWAs of £35bn.

We are making strong progress towards our 2018 CET1 capital target. We will continue underlying capital generation and reduction of RWAs within Non-Core, whilst looking to allocate capital to RoE enhancing growth opportunities in our Core business.

For further detail on our financial performance, and the condensed income statement and balance sheet, please see the Financial review on page 221

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Becoming Go-To

How we are doing

The activity in our business units

Reflects our progress in becoming Go-To

Personal & Corporate Banking u

Types of customer and client are highlighted in blue.

From 8 May 2014, we changed our business structure to make it simpler, more focused, more balanced and much stronger. This means that each of our businesses has different opportunities and different focuses, all adding to the overall Group strategy.

The following pages provide an insight into what each of the new businesses does, the products they provide and markets they serve, and how they look to add value to Barclays business model through their contributions to the Balanced Scorecard.

How each of our businesses are becoming Go-To will differ. For instance, the majority of our colleagues in Personal and Corporate Banking work in our distribution network whereas Africa Banking provides fundamental banking infrastructure to a developing continent. Hence the contribution of each of our businesses Balanced Scorecard will differ to the overall Balanced Scorecard for the Group, as seen on page 11. Therefore the metrics on the following pages demonstrate how each of our businesses contribute in their own individual way. Africa Banking replicates the Balanced Scorecard of the South African listed entity, Barclays Africa Group Limited.

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Becoming Go-To

How we are doing

Personal &
Corporate Banking

t The activity in our business units

How Personal & Corporate Banking contributes to our Balanced Scorecard

Customer and client

- Total complaints to the bank continue to decrease year-on-year. We publish complaint figures twice as frequently as the FCA requires, to be more open with our customers
- Corporate Client satisfaction rating ranked 1st[a]
- Innovation in digital: Over 3.7m downloads of Barclays Mobile Banking app and 2.2m Pingit users with over £1bn payments sent

Colleague

- Over 40,000 employees globally and 20% female senior leaders

Citizenship

- Helping customers and communities become digitally savvy through the Digital Eagles programme, with over 23k Digital Eagles appointed
- Supporting Diversity and Inclusion ensuring everyone has access to our products and services

Conduct

- Conduct Risk Framework is being embedded throughout PCB with focus on delivering positive customer and client outcomes
- Conduct risk training launched, aimed to enhance understanding within the business

Company

Contribution to the Group	**2014**	2013	2012
Income (£m)	**8,828**	8,723	8,579
Adjusted profit before tax (£m)	**2,885**	2,233	2,455
Adjusted ROE (%)	**11.9**	9.7	11.1
Loan loss rate (bps)	**21**	28	30

Loans and advances to customers (£bn)	**217**	212.2	203.8
Customer deposits (£bn)	**299.2**	295.9	256.4

Note

a Charterhouse customer satisfaction survey

Contribution to the Group s total income

£8,828m

Total income increased 1% on prior year driven by balance growth and improved savings margins in Personal Banking and Mortgages.

Personal & Corporate Banking is a powerhouse, with the potential to challenge the traditional UK banking landscape. It is well positioned and combines high quality, leading businesses across Personal, Mortgages, Corporate and Wealth.

What we do

Personal & Corporate Banking (PCB) provides banking services which fulfill the fundamental banking needs of individuals and businesses: storing, receiving and paying monies in a safe, reliable and regulated manner.

PCB is subdivided into four main units, bringing together our Personal, Mortgages, Corporate and Wealth businesses:

¡ Personal Banking: provision of simple banking products to 16m customers, with a focus on transforming customer interactions through automating routine transactions and humanising important moments

¡ Mortgages: a single highly automated industrial strength engine to provide mortgage services to over 1.5m individuals

¡ Corporate Banking: an end-to-end proposition and service continuum that supports nearly one million UK customers and global clients, from start-ups, through FTSE 100 companies, to partnering with the largest global corporations

¡ Wealth: a wealth and investment management business for 36k high net worth and ultra high net worth clients

We are able to join up seamlessly Personal, Mortgages, Corporate and Wealth services to continue helping our customers and clients achieve their ambitions. The structure of PCB gives us the unique ability to create connections for our customers; to connect sellers with buyers and to encourage clients and customers to transact and do more business with each other.

We are continuing to transform customer and client interactions, enabling automated experiences for routine transactions, and offering a choice of channel (physical, telephony, or digital). We are already at the forefront of digital change, transforming the nature of banking globally through innovations such as Barclays Mobile Banking, Pingit, Voice Biometrics and Video Anywhere.

The digital revolution has transformed the lives and businesses of our customers and clients, and whilst the programmes may create changes, we are closely monitoring the experience and delivering change through on-the-ground staffing to help customers and clients receive an improved, efficient new banking experience. We are working hard to ensure that no-one is left behind:

¡ There has been huge effort in helping people become more comfortable with the internet through the Digital Eagles programme allaying security fears and demonstrating functionality such as how to use an iPad, how to search for a web page and how to Skype with family and friends

¡ Our attention to innovation means we can ensure everyone has access to our products and services through capabilities such as talking ATMs and SignVideo

¡ We have supported over 1.1m young people with our LifeSkills programme, a free, curriculum-based programme designed to prepare young people for work

¡ PCB also supports society and the wider economy; in 2014 we advanced £13.8bn of lending to small businesses, £20.3bn of lending to households, and focused on a number of initiatives to contribute to the communities we operate in as part of our Citizenship agenda

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Becoming Go-To

How we are doing

Barclaycard

Market environment and risks

The external market and environment in which PCB operates is constantly changing with emerging regulation, ongoing economic uncertainty, an evolving competitive landscape, and increasing customer expectations. The changing economic climate could impact interest rates or property prices, therefore closely review our credit risk indicators and appetite. Given our advances in technological solutions, we actively test the resilience of our infrastructure. We continue to monitor and manage our risks to ensure any of these changes are mitigated and within our risk appetite, and focus closely on adapting and evolving with the market, for example:

- Embracing technological innovation to enable our existing customers to do more with us
- Reshaping the way we interact with our customers so that we increase customer satisfaction and deepen customer engagement

2014 performance review

Profit before tax increased 29% to £2,885m driving a 2.2% increase in return on average equity to 11.9%. Personal and Mortgages income grew £119m to £4,159m due to balance growth and improved savings margins, partially offset by lower fee income. Corporate income was broadly in line at £3,592m (2013: £3,620m) as balance growth in lending and deposits was offset by margin compression. Wealth income was also broadly in line at £1,077m (2013: £1,063m) as growth in UK business and higher savings margins were offset by the effects of a substantial reorganisation to reduce the number of target markets whilst simplifying operations.

Impairment improved 22% to £482m and loan loss rate reduced 7bps to 21bps due to the improving economic environment in the UK, particularly impacting Corporate which benefited from one-off releases and lower defaults from large UK Corporate clients.

Continued reduction in operating expenses down 7% to £5,475m due to savings realised from the net closure of 72 branches as part of ongoing branch network optimisation, as well as investment in the customer experience across multiple channels and technology improvements to increase automation. PCB has made significant progress not only in identifying growth opportunities, but also in achieving operational efficiency. There is a strong and continuing internal focus on realising synergies, rationalising and automating systems and processes to reduce cost and improve controls.

Loans and advances to customers increased 2% to £217.0bn due to mortgage growth and Corporate loan growth, also increasing RWAs 2% to £120.2bn. Customer deposits increased to £299.2bn (2013: £295.9bn).

Our future priorities for Personal & Corporate Banking

We seek to:

- Facilitate and create connections between our PCB customers and clients
- Automate manual processes to ensure a better control environment and reduce cost
- Develop instant and transparent customer journeys to improve customer experience and satisfaction
- Extend our existing capabilities, technology and knowledge across our business
- Continue to innovate for our customers and clients, with a focus on new technology and transforming customer interactions

How Barclaycard contributes to our Balanced Scorecard

Customer and client

- 3.6m new customers gained
- £257bn payments volume in 2014
- Continued to drive payments innovation, introducing wearable payment forms in the UK and supporting the launch of Apple Pay in the US

Colleague

- 94% high performers retained
- Recognised as a leader in Diversity and Inclusion with 34% of senior leaders female

Citizenship

- £18.5bn new and renewed lending to households
- Launched Penny for London, an innovative way of charitable giving, powered by Barclaycard in partnership with the Mayor s Fund for London
- Supporting 5 Million Young Futures through Yes2Chess and Apps for Good

Conduct

¡ Year on year complaints volume reduced by c.20% in 2014 in the context of an increasing customer base

Company

Contribution to the Group	**2014**	2013	2012
Income (£m)	**4,356**	4,103	3,816
Adjusted profit before tax (£m)	**1,339**	1,183	1,161
Adjusted ROE (%)	**16.0**	15.5	18.0
Loan loss rate (bps)	**308**	332	328
Loans and advances to customers (£bn)	**36.6**	31.5	28.8
Customer deposits (£bn)	**7.3**	5.1	2.7

Contribution to the Group s total income

£4,356m

Total income increased 6% on prior year driven by asset growth across all geographies.

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Becoming Go-To

How we are doing

Barclaycard is a leading consumer payments business offering a broad array of products and services to consumers and merchants.

What we do

Barclaycard provides solutions enabling consumers to buy and pay in the way they want, businesses to sell and accept payments in the way they want, and connects the two in a way which adds value to both. Operating across multiple geographies and distribution channels, we are one of the few consumer payments businesses that is able to serve both buyers and sellers. Our diversified business model allows us to deliver consistent returns across the economic cycle.

As consumers and businesses adopt more secure digital and online solutions, we continue to innovate an area where Barclaycard delivers upon its heritage of being a leader. Examples include:

- Our collaboration with Transport for London (TfL) which, in September 2014, enabled TfL to accept any contactless card or device for payment across the whole of London s transport network
- The launch of our wearable bPay band, an open market payment product that can be linked to any UK credit or debit card and used at over 300,000 contactless payment terminals across the UK
- Barclaycard Anywhere an app linked to a mobile card-acceptance terminal using smartphone technology to enable SMEs and larger Corporates with distributed workforces to take card payments remotely

In addition we have focused on delivering value to our cardholders by offering sector-leading products to our global customer and client base, including:

- Barclaycard Arrival, our award-winning US travel rewards product, with over 250k active customers and more than $825m in loans only 21 months after launching
- Leading the best-buy tables for balance transfers in the UK for the whole of 2014, giving consumers the best offer in the market daily

By providing simple solutions that offer clear value, work reliably and create emotional engagement we can become the Go-To bank for consumer payments.

Market environment and risks

Barclaycard operates in multiple geographies and is therefore exposed to the benefits and risks of each. Changes in the environment of these various markets can cause headwinds as a result of fluctuations in interest and foreign currency rates, or because of competitor activity in our different product and geographical offerings. These headwinds could increase impairment on our books or result in reduced income and impact our credit and market risk appetite. We ensure we maintain our risk appetite at an appropriate level across each of the risk categories while reflecting the current environment. For example we continue to lend responsibly and only to those for whom credit is suitable.

While our future growth plans may pose some execution risk, as we expand and deliver our strategy, our diversified business model limits the potential impact from the risks described above and can open up new lines of opportunity.

2014 performance review

Profit before tax increased 13% to £1,339m. Strong growth in 2014 was delivered through a diversified consumer and merchant business model, with customer numbers increasing to 30m (2013: 26m) and asset growth across all geographies. Growth has been managed on a well-controlled cost base, with the business focusing on scale through insourcing of services, consolidation of sites and digitalisation, resulting in an improvement in the cost to income ratio to 43%. The business focus on risk management is reflected in stable 30 day delinquency rates and falling loan loss rates. The diversified and scaled business model has allowed the business to deliver a strong return on average equity of 16.0% (2013: 15.5%).

Total income increased 6% to £4,356m reflecting growth in the UK consumer and merchant, Germany and US businesses, partially offset by depreciation of average USD against GBP.

¡ Net interest margin decreased to 8.75% (2013: 8.99%) due to a change in product mix and the impact of promotional offers, partially offset by lower funding costs

¡ Net fee and commission income increased 2% to £1,286m due to growth in payment volumes

Credit impairment charges increased 8% to £1,183m due to asset growth and enhanced coverage for forbearance.

Total operating expenses increased 1% to £1,874m driven by costs to achieve Transform, partially offset by depreciation of average USD against GBP, and savings from insourcing of services, consolidating of sites and digitalisation.

Loans and advances grew 16% to £36.6bn reflecting growth across all geographies. RWAs increased 12% to £39.9bn as a result. Customer deposits increased 43% to £7.3bn, reflecting the deposit funding strategy in the US.

Our future priorities for Barclaycard

Barclaycard s strategic intent is to go on delivering strong growth and contribute to Barclays becoming the Go-To bank. We seek to achieve this through:

¡ Selective expansion where we can generate efficiencies and economies of scale

- Investing to accelerate momentum in market sectors and geographies where we already have acknowledged strength
- Creating sustainable relationships and using our skills to support our communities
- Ensuring our products and services lead the industry in transparency
- Continuing to be pioneers in the payments industry, offering consumers and retailers innovative ways to buy and sell

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How Africa Banking contributes to

our Balanced Scorecard

Customer and client

- RBB & WIMI: Relationship NPS® 4th (Target 1st in 2018)
- CIB: Compound annual growth rate in client franchise contribution: 13% (Target 11% in 2018)

Colleague

- Sustained engagement of colleagues score: 73% (Target 84% in 2018)
- Women in senior leadership: 29.6% (Target 35% in 2018)
- Senior black management (EE) in S. Africa: 32.2% (Target 60% in 2018)

Citizenship

- 42,876 SMEs supported with seminars, tools and training
- 824 apprenticeships/learnerships
- £10m Community investment spend and over 14k colleagues mobilised to volunteer their time and expertise

Conduct

- Conduct reputation (YouGov survey): 7.4/10[a] (Target 7.7/10 in 2018)

Company

Contribution to the Group	2014	2013	2012
Income (£m)	**3,664**	4,039	4,314
Profit before tax (£m)	**984**	1,049	1,019
Adjusted ROE (%)	**9.3**	8.1	7.2
Loan loss rate (bps)	**93**	128	158

Loans and advances to customers (£bn)	**35.2**	34.9	41.2
Customer deposits (£bn)	**35**	34.6	39.7

Note

a Botswana, Ghana, Kenya, South Africa and Zambia.

Contribution to the Group s total income

£3,664m

Total income net of insurance claims decreased 9% on prior year. On a constant currency basis, it increased 7%.

Africa Banking is a diversified, full-service financial services provider.

What we do

We offer an integrated set of products and services across retail and business banking, corporate and investment banking, wealth management and insurance to almost 12 million customers in Africa. With our long-standing presence in 12 African markets and integration with Barclays Group globally, we offer deep local knowledge and presence, combined with the expertise and support of a global bank. By helping our customers and clients achieve their ambitions we play a key role in empowering and developing Africa.

Africa is the second fastest growing continent with clear potential for strong long-term economic growth. Our competitive advantage lies in our ability to combine global product knowledge with regional expertise and an extensive, well-established local presence. We translate this advantage into tangible benefits for customers and clients, and aim to become their bank of choice in Africa. In implementing this strategy, we are focused on turning around our retail and business banking operations, growing our corporate franchise across the continent, expanding our wealth, investment management and insurance offerings across Africa, as well as investing in and developing our talent.

This will enable us to become top 3 by revenue in our five largest African markets South Africa, Kenya, Ghana, Botswana and Zambia.

Market environment and risks

South Africa s economic growth contracted due to prolonged mining strikes, the engineering sector strike and persistent electricity shortages. African markets outside South Africa remained resilient but growth slowed in some markets because of country-specific shocks, tighter monetary policy and weaker commodity prices.

This changing environment presents us with both opportunities and risks. Intensified regulatory and government intervention, while leading to increased compliance costs and complexity of doing business, supports a sound operating environment. Other risks stem from macro-economic headwinds; in South Africa, high levels of consumer

indebtedness have resulted in banks tightened lending standards and economic growth is expected to remain sluggish. We have taken steps to manage our risk profile, monitoring execution risks carefully and closely tracking progress against our strategic initiatives. While South Africa remains the largest part of our business, operations in our other African geographies add diversity and the opportunity of higher growth to our portfolio. We are already seeing the benefits in our 2014 results.

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t Africa Banking

2014 performance review

During 2014, we made good progress against the financial commitments we set out to the markets for 2016. In our African operations we have inceased our share of revenues from outside South Africa to 22.5% within our targeted range and are top 3 by revenue in 2 of our 5 largest markets. Our ROE increased to 9.3% and is on course to exceed 10%. Our increased cost to income ratio reflects the investments we made into the businesses.

We have simplified our product range and processes, continue to add value through additional services, improving the customer experience and introducing many digital innovations, from the Homeowners app in South Africa, allowing applicants to track progress of mortgage applications, to the launch of Barclays Mobile Banking in markets outside of South Africa.

We have also successfully implemented systems and infrastructure for corporate and business clients, such as Front Arena an electronic trading platform in eleven countries; BARX our foreign exchange platform in nine countries; and Barclays.net a streamlined and full-feature online banking channel is now operational in South Africa, Kenya and Uganda, which are all key geographical markets for our African business. We continue to expand our insurance business across the continent.

On a reported basis, total income net of insurance claims decreased 9% to £3,664m and profit before tax decreased 6% to £984m. Based on average rates, the ZAR depreciated against GBP by 18% in 2014. The deterioration was a significant contributor to the movement in the reported results of Africa Banking.

The discussion of business performance in the paragraph below is based on results on a constant currency basis unless otherwise stated. Profit before tax increased 13% to £984m, reflecting good growth in Corporate and Investment Banking (CIB) and Retail and Business Banking (RBB). CIB experienced strong income growth, driven by the corporate banking business outside of South Africa, and improved investment banking trading performance across Africa. Continued progress was made on the RBB South Africa turnaround strategy, with increased net fee and commission income growth in the second half of the year, and Wealth, Investment Management and Insurance delivered strong growth outside of South Africa due to expansion initiatives.

Loans and advances to customers grew 5% driven by strong CIB growth. Customer deposits grew 5% driven by RBB growth. RWAs increased 1% as growth in loans and advances was partially offset by ZAR depreciation against GBP.

Our future priorities

For Barclays Africa Group Limited, we are targeting an RoE of 18-20% and bringing our cost-to-income ratio down to the low 50s. For Africa Banking we aim to become top 3 by revenue in our five biggest markets and increasing the revenue share from outside South Africa to 20-25%. To achieve these targets, growth outside South Africa will be a priority for us and we will continue to focus on four areas:

- Turnaround our RBB franchise
- Grow our Corporate business across the continent
- Expand Wealth, Investment Management and Insurance into Africa
- Develop and invest in diversity and talent

How Investment Banking contributes to

our Balanced Scorecard

Customer and client

- Voted best Investment Bank in the UK by Euromoney
- Ranked # 2 tied overall Fixed Income Market Share for third consecutive year by Greenwich Associates
- Advised on four of the top 10 global M&A deals in 2014, including the two largest

Colleague

- 400 full-time graduates and 590 interns hired in 2014
- 14% female senior leaders
- 22 Diversity Networks in place with over 8,800 members

Citizenship

- Launched three socially responsible products in 2014: Barclays Women in Leadership Index and ETNs; Barclays Return on Disability ETNs and Barclays/MSCI Green Bond Benchmark Indices
- £5.9bn of clean-technology financing in 2014, including £2.3bn of Green Bond financing

Conduct

- Conduct Risk Committee launched and embedded with sub-committees focusing on Conflicts, Suitability, Submissions and Colleagues
- 6,800 colleagues completed Conduct College training in 2014 representing over 99% of all front office employees

Company

Contribution to the Group	**2014**	2013[a]	2012
Income (£m)	**7,588**	8,596	9,104
Profit before tax (£m)	**1,377**	2,020	2,554
ROE (%)	**2.7**	8.2	9.6
Cost: income ratio (%)	**82**	77	71

Loans and advances to customers (£bn)	**106.3**	104.5	93.2
Total assets (£bn)	**455.7**	438.0	398.5

Note

a 2013 adjusted income and PBT have been restated to exclude the Q213 £259m gain relating to assets not yet received from the US Lehman acquisition to aid comparability.

Contribution to the Group s total income

£7,588m
Total income decreased 12% on prior year driven by difficult market-making conditions and continued low levels of activity.

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How we are doing

Barclays Non-Core u

The Investment Bank is a leading provider of advice, financing and risk management solutions to companies, governments and institutions worldwide.

What we do

We enable the movement of capital between those who need it, for example to grow their company or build new infrastructure, and those looking to generate a return on investment. In doing so we fund and facilitate global economic growth, helping millions of people to achieve their ambitions. Our business is split into three core areas:

- Markets: Provides execution, prime brokerage and risk management services across the full range of asset classes including equity and fixed income, currency and select commodity products
- Banking: Provides long-term strategic advice on mergers and acquisitions, corporate finance and strategic risk management solutions
- Research: Provides multi-asset class and macro-economic research delivering practical ideas to help our clients make informed investment decisions

Through this range of business activities we can provide Barclays with a diversity of income and risk, and deliver market execution services for customers and clients within other parts of the Group.

Market environment and risks

The changes made following the Strategy Update rebalance our business mix to improve returns, while ensuring that we continue to provide a holistic service to our target clients.

The portfolios in the Investment Bank now represent a lower market risk and we will continue to closely manage our market and credit risk appetite as the market environment evolves.

The environment is still challenging with low interest rates and reduced volatility impacting the Investment Bank. Alongside more structural regulatory change, including new capital and leverage requirements, this has put increasing pressure on the Investment Bank s ability to deliver returns.

Changes resulting from new and impending regulation will continue to impact our business model. In particular, adapting our business framework in response to structural reform will be a key focus over the coming years as we seek to comply with both UK ring-fence and US Intermediate Holding Company legislation.

In addition the business continues to face conduct and litigation risk and we are further strengthening our control environment, evolving our culture and simplifying our products in order to minimise associated risks.

2014 performance review

Profit before tax decreased 32% to £1,377m. The Investment Bank continues to make progress on its origination-led strategy, building on leading positions in its home markets of the UK and US, whilst driving cost savings and RWA efficiencies. The business is focused on a simpler product set in Markets, which will enable it to build on existing strengths and adapt to regulatory developments. The business continued to execute this strategy despite difficult market-making conditions and continued low levels of activity. This has particularly impacted credit and interest rate products, resulting in an income decline across the Markets businesses. This decline was partially offset by improved banking performance and significant cost reductions as a result of savings from Transform.

Total income decreased 12% to £7,588m, including the impact of depreciation of average USD against GBP.

¡ Banking income increased 2% to £2,528m as lower fair value losses on hedges and higher interest offset lower fee income

¡ Markets income decreased 18% to £5,040m as:

- Credit decreased 17% driven by reduced volatility and client activity
- Equities decreased 11% due to lower client volumes
- Macro decreased 24% reflecting subdued client activity and lower volatility in currency markets in the first half of the year

Total operating expenses decreased 6% to £6,225m reflecting a 9% reduction in compensation costs, business restructuring, continued rationalisation of the technology platform and real estate infrastructure, and depreciation of average USD against GBP. This was partially offset by increased cost to achieve Transform and litigation and conduct charges.

Total assets increased 4% to £455.7bn due to an increase in derivatives due to forward interest rates and a strengthening of USD against major currencies. RWAs reduced 2% to £122.4bn primarily driven by risk reductions in the trading book.

Our future priorities for Investment Banking

We seek to:

- Invest in key growth areas, with a particular focus on origination

- Simplify and standardise the macro business, while retaining the flexibility to create bespoke solutions for core clients

- Consolidate and optimise client balance sheet usage through the centralised Client Capital Management team

- Significantly simplify and reduce the cost of our infrastructure, standardising technology and processes across asset classes

- Continue to strengthen our control environment and approach to conduct risk

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How we are doing

Barclays Non-Core

t Investment Bank

Barclays Non-Core is responsible for the divestment of Barclays non-strategic assets and businesses.

Company

Contribution to the Group	2014	2013 as Restated	2012 as Restated
Income (£m)	**1,050**	2,293	3,207
Adjusted profit before tax (£m)	**(1,180)**	(1,562)	220
Adjusted ROE (%)	**(4.1)**	(7.2)	(1.1)
Loans and advances to customers (£bn)	**63.9**	81.9	99.1
Customer deposits (£bn)	**21.6**	29.3	31.9

Contribution to the Group s total income

£1,050m

Total income net of insurance claims decreased 54% reflecting exiting and

Market, environment and risks

To divest BNC successfully we are partly dependent on external market factors. The income from our businesses and assets, the quantum of associated RWAs and finally market appetite for BNC components are all influenced by market environment. In addition, regulatory changes in the treatment of RWAs can significantly impact our stock of RWAs. These factors, alongside continued regulatory change, mean the market environment in which BNC operates can have positive or negative consequences for our planned run-down profile.

BNC maintains a robust risk management framework to mitigate the risks inherent in our businesses and traded assets, however we may need to take further, currently unforeseen, actions to achieve our run-down objectives which may include incurring additional costs of exit, or a change in direction to our planned run-down trajectory.

running-down of certain businesses and securities in 2014

What we do

Barclays Non-Core (BNC) was formed to oversee the divestment of Barclays non-strategic assets and businesses, releasing capital to stimulate strategic growth in our Core business.

BNC brings together businesses and assets that do not fit our client strategy, remain sub-scale with limited growth opportunities, or are challenged by the regulatory capital environment. Non-Core assets have been grouped together in BNC, comprising three main elements: principal businesses, securities and loans, and derivatives.

Several of the businesses managed within BNC are profitable and will be attractive to other owners.

All of BNC will be exited over time, through sale or run-off. Reducing the capital and cost base will help improve Group returns and deliver shareholder value.

Although the emphasis is on bringing down RWAs, reducing costs in BNC is also critical. We will be disciplined in ensuring we reduce both, although this may not always happen simultaneously.

2014 performance review

Loss before tax reduced 24% to £1,180m as BNC made good progress in exiting and running-down certain businesses and securities during 2014. This drove a £34.6bn reduction in RWAs, making substantial progress towards the BNC target reductions as outlined in the Strategy Update on 8 May 2014.

Total income net of insurance claims reduced 54% to £1,050m:

- Businesses income reduced 27% to £1,101m due to the sale and run-down of legacy portfolio assets and the rationalisation of product offerings within the European retail business
- Securities and Loans income reduced 82% to £117m primarily driven by the active run-down of securities, fair value losses on wholesale loan portfolios
- Derivatives income reduced £321m to an expense of £168m reflecting the funding costs of the traded legacy derivatives portfolio and the non-recurrence of fair value gains in the prior year

Credit impairment charges improved 81% to £168m due to the non-recurrence of impairments on single name exposures, and improved performance in Europe, primarily due to improved recoveries and delinquencies in the mortgages portfolio.

Criteria for BNC

Two criteria were used to determine which businesses should be placed in BNC:

¡ Strategic fit: Businesses either not client-driven or operate in areas where we do not have competitive advantage

¡ Returns on both a CRD IV capital and leverage exposure: Capital and/or leverage-intensive businesses, unlikely to meet our target returns over the medium term

Almost 80% of BNC RWAs relate to the Non-Core Investment Bank at the creation of BNC. It includes the majority of our commodities and emerging markets businesses, elements of other trading businesses including legacy derivative transactions, and non-strategic businesses. The key Non-Core portfolios outside the Non-Core Investment Bank comprise the whole of our European retail business, some European corporate exposures and a small number of Barclaycard and Wealth portfolios.

BNC is run by a dedicated management team operating within a clear governance framework to optimise shareholder value and preserve maximum book value as businesses and assets are divested.

Total operating expenses improved 29% to £2,011m reflecting savings from lower headcount and the results of the previously announced European retail restructuring.

Total assets decreased 8% to £471.5bn due to the run-down of legacy portfolio assets, offset by an increase in derivative assets, with a respective reduction in RWAs of £34.6bn to £75.3bn.

Our future priorities for Barclays Non-Core (BNC)

Barclays Non-Core seek to:

¡ Manage BNC in accordance with Barclays Purpose and Values as we exit Non-Core business and assets, particularly in relation to our colleagues and clients

¡ Optimise shareholder value of BNC traded assets and businesses, and act decisively when exit opportunities arise

¡ Maintain a robust risk management framework at all times

¡ Partner with Barclays Core business to ensure strong coordination in relation to exit plans

¡ Be disciplined about costs while we run down Barclays Non-Core and ensure costs are eliminated from the Group

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Your Board has set a clear priority

Building a business that generates strong, sustainable returns

Chairman s governance overview

Our key priority as a Board is clear: build a sustainable business that generates good returns for our shareholders over the long-term. Our role is to set Barclays strategic aims; provide the right leadership to achieve those aims; ensure consistent execution by monitoring performance and, above all, ensure that risk is managed appropriately and the business is well-controlled.

Setting strategic aims

Our overriding performance objective, which we set in February 2013, is to deliver a return on equity above the cost of equity on a sustainable basis. Faced with significant changes in the external environment since then, an important area of focus for your Board has been how we achieve that objective. In early 2014, the Executive team, led by Antony Jenkins, brought proposals to the Board, identifying the significant issues and the choices available to us. The Board challenged and tested these proposals and perspectives before concluding on the strategy on which we are all agreed, to rebalance Barclays and reposition the business for consistent returns and growth, which was announced on 8 May 2014. As a Board, we are united in our commitment to this plan.

The Board sets direction and provides oversight and control, acting as an independent check and balance to the Executive team, whose responsibility it is to run the business. This relationship is only effective if it is built on mutual respect, with a common shared agenda and a shared perspective on what we are trying to achieve, and we saw that in evidence during 2014.

Creating the right culture

Of course, how we do these things is just as important as what we do. Our goal is to create a Barclays that is doing business in the right way, exhibiting the right values. The Board has a vital role to play in setting the tone and the values creating the culture that will ultimately deliver sustainable success. Effective governance is therefore not simply about having a framework or processes in place: it is about people and how they interact. Ensuring that we have the right people leading Barclays and that they are appropriately rewarded and incentivised is vital. The Board Corporate Governance & Nominations Committee and Board Remuneration Committee oversee these important areas on behalf of the Board.

Monitoring performance

We continue to discuss and test each element of our strategy, not least because of further regulatory change, including Structural Reform, and the fundamental effect this will have on how we manage our capital, liquidity and risk. However, having refined our strategic aims, the Board s focus is now on execution and supporting the Executive team

Becoming Go-To

Running the company well

in delivering against our agreed targets. The Board s attention has been particularly focused on the progress being made against our financial targets, on the potential growth opportunities presented by our Core business and on continuing to reposition our Investment Banking business and reduce the size of our Non-Core business.

Management of risk and control

It is essential that we have a holistic view of all major risks facing Barclays, remaining vigilant with regard to both known and emerging risks and ensuring that we are strong enough to withstand any exogenous shocks. Our Board-level risk committees play a critical role in providing oversight of risk management and ensuring that our risk appetite and risk profile are consistent with and support our strategy to

Our Corporate Governance Framework

What the Board does, and how it does it, underpins the delivery of long-term sustainable success. This creates the framework within which the Executive team can lead the business and deliver the agreed strategy.

Leadership

The Board provides challenge, oversight and advice to ensure that we are doing the right things in the right way. The Board must also be attentive to the need to cultivate future leaders and ensure that robust succession plans are in place.

Effectiveness

The Board requires the right balance of expertise, skills, experience and perspectives to be effective. It also needs to have the right information, at the right time, so that it can engage deeply on how the business is operating, how the Executive team is performing and fully understand the risks and major challenges the business is facing. The performance of the Board, the Board Committees and the Directors is scrutinised each year in the Board Effectiveness Review.

Risk management and control

Understanding and managing our risks and continuously improving our controls are central to the delivery of our strategic aims. The Board s risk committees play an active role in ensuring that we undertake well-measured, profitable risk-taking activity that supports long-term sustainable growth.

Remuneration

Remuneration decisions are aligned with and support the achievement of long-term value creation.

Engagement

Our wider societal responsibilities mean we are attentive to a broad set of stakeholders. We undertake regular engagement to maintain strong relationships.

deliver long-term, sustainable success. In light of our commitment to our Values, one of the areas of focus for the Board Audit Committee this year has been encouraging the deployment of a new method of assessing management s approach and attitude to control issues. This new approach is helping set a higher standard for the internal control environment and less than satisfactory performance has direct implications in respect of performance assessment and remuneration.

Sir David Walker

Chairman

Your Board

Sir David Walker (75) Group Chairman

Antony Jenkins (53) Group Chief Executive; Executive Director

Mike Ashley (60) Non-executive Director

Tim Breedon (57) Non-executive Director

Crawford Gillies (58) Non-executive Director

Reuben Jeffery III (61) Non-executive Director

Wendy Lucas-Bull (61) Non-executive Director

John McFarlane (67) Non-executive Director (from 1.1.15)

Tushar Morzaria (46) Group Finance Director; Executive Director

Dambisa Moyo (46) Non-executive Director

Frits van Paasschen (53) Non-executive Director

Sir Michael Rake (67) Deputy Chairman and Senior Independent Director

Diane de Saint Victor (60) Non-executive Director

Sir John Sunderland (69) Non-executive Director

Steve Thieke (68) Non-executive Director

Board diversity

Our overriding duty is to maintain a strong, effective Board with strong, effective Directors. All appointments to the Board are therefore made on merit, taking into account the collective balance of skills, experience and diversity that the Board requires. Our Board Diversity Policy, which is available at barclays.com/corporategovernance sets out our policy and objectives for achieving diversity on the Board. At the end of 2014, there were 3 women on the Board (21%), compared to our target of 25% by the end of 2015.

Gender balance

31.12.14	3 Female Directors (21%)
	11 Male Directors (79%)
31.12.13	3 Female Directors (20%)
	12 Male Directors (80%)
31.12.12	1 Female Director (8%)

11 Male Directors (92%)

You can read more about the work of the Board and the Board s Committees in the Governance section on pages 26 to 111

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Running the company well

Implementing fair and appropriate financial reward

Balancing the financial contributions we seek to meet

The Committee remains focused on paying for sustainable performance, aligning remuneration with risk and delivering a greater proportion of the income we generate to our shareholders.

Consistent with this, between 2010 and 2014 the incentive pool has decreased by 47%.

Dear Shareholders

We recognise that remuneration is an area of particular importance and interest to shareholders and it is critical that we listen to and take into account your views. Accordingly, my meetings with major investors and shareholder representative groups have been helpful and meaningful, contributing directly to the decisions made by the Committee for 2014.

Performance and pay

In formulating our 2014 decisions on variable pay the Committee ensured that pay appropriately reflects financial performance delivered, both on an adjusted and statutory basis, but also rebalanced returns back towards shareholders. Performance against the commitments across the 5Cs of the Balanced Scorecard was also an important consideration.

While the 2013 decisions on incentives reflected the high global resignation rate for senior staff, the 2013 outcome helped to stabilise the position. There continue to be some areas of concern but these are more localised and had less bearing on 2014 pay decisions.

Consistent with that intent to rebalance returns, the incentive pool is significantly lower overall for 2014, down by more than £0.5bn or 22% in absolute terms at £1,860m compared to the incentive pool of £2,378m for 2013, against a backdrop of an increase in adjusted profit before tax year on year. The reduction in incentive pool is aligned to the reduction in statutory profit before tax which

An important principle which the Committee applies in its deliberations is that while Barclays will not pay staff more than we judge to be necessary, it is in shareholders interests that Barclays should pay for performance. Front of mind is that we determine the correct level of variable pay in a given year in order to maximise shareholder value over the medium term.

In May 2014 the update to the Group Strategy resulted in the creation of a Core business comprising four units: Personal and Corporate Banking, Barclaycard, Africa Banking, and the Investment Bank. This Core business represents the future of Barclays. Separately we established Barclays Non-Core, with the intention of disposing of the assets therein over time, assets which are no longer strategically attractive to Barclays.

This restructuring has enabled Barclays to strengthen performance across a range of metrics. The Group has delivered solid financial performance with adjusted profit before tax up 12% to £5,502m for 2014. In achieving this there have been particularly good results in Personal and Corporate Banking and Barclaycard. These results are partly offset by a reduction in Investment Bank adjusted profit before tax, as well as the impact of adverse currency movements in Africa Banking. Sustained progress is being made and the balance now present in the Group means that Barclays is a stronger business.

There has been considerable progress in strengthening the capital position of the Group with Common Equity Tier 1 (CET1) ratio of 10.3% and a leverage ratio of 3.7% at the end of the year. Adjusted operating expenses excluding costs to achieve Transform (ex CTA) are down by £1.8bn year on year, in line with target. Barclays Non-Core reduced Risk Weighted Assets by nearly a third, making substantial progress towards the target, and materially reduced its drag on returns.

incorporates all conduct adjustments.

Part of the reduction in the incentive pool year on year is due to the introduction of Role Based Pay (RBP) in 2014. Nevertheless, on a like for like basis the incentive pool is down 11% on 2013. The introduction of RBP in 2014 meant that an additional accounting charge of c£250m was taken in the year, which would otherwise have been borne in future years under our previous remuneration structures.

The Investment Bank incentive pool is down 24% in absolute terms. This reduction is greater than the change in adjusted profit before tax (ex CTA) which is down 21%. For the reasons set out above, the introduction of RBP impacted profitability in the Investment Bank in 2014. Excluding the impact of RBP, Investment Bank adjusted profit before tax (ex CTA) would have been down by 12%. On a like for like basis, the Investment Bank front office incentive pool is down 12%.

Total compensation costs are down 8%, and the compensation to adjusted net income ratio for Barclays Group is at 37.7%, down from 38.7% in 2013. In the Core business the ratio is at 35.7%, an improvement of 50 basis points, and therefore tracking at the target level of mid-thirties. The average value of incentive awards granted per Group employee in 2014 is down 17% at £14,100 (2013: £17,000).

Following these 2014 decisions, the incentive pool has reduced by £1.62bn from £3.48bn in 2010, an overall reduction of 47%, while adjusted profit before tax over the same period is up 18% if the costs to achieve Transform are excluded. Over this period the compensation to adjusted net income ratio has reduced from 42.4% in 2010 to 37.7% in 2014.

Remuneration and Risk

As a Committee, we are committed to linking pay with performance and to making adjustments to remuneration to reflect risk and conduct events. Risk and conduct events are considered as part of the performance management process and reflected in incentive decisions for individuals. All employees have their performance assessed against objectives (the what) as well as demonstration of Barclays Values and Behaviours (the how). We have a clear process for making adjustments for poor conduct at an individual level. This is underpinned by a robust governance process overseen by the Remuneration Review Panel and this Committee. We remain absolutely focused on making the required and appropriate adjustments both to individual remuneration decisions as well as the overall incentive pool where required.

Although no resolutions have yet been reached with the relevant investigating authorities, the Committee has adopted a prudent approach in relation to any potential settlements in respect to the ongoing Foreign Exchange trading investigations. The 2014 incentive pool has, as a result, been adjusted downwards by the Committee. The Committee will, however, keep this matter under review.

It is the Committee s intention that individuals who are accountable, responsible or directly culpable for risk and conduct matters are subject to remuneration reductions as appropriate. This will include reductions to bonus and unvested deferred awards (i.e. malus reductions). While investigations are ongoing, individuals who are under investigation will be subject to suspensions of variable remuneration, in line with our Values and the expectations of our stakeholders including regulators. For current employees who are directly culpable, disciplinary action up to and including dismissal may also result.

Regulatory developments

Our 2014 variable pay decisions were taken against a background of significant regulatory developments and market pressures. Being a UK headquartered global organisation, Barclays is subject to UK regulatory requirements on remuneration clawback, which exceed what is required under CRD IV. This is in addition to EU developments including the introduction of the 2:1 maximum ratio of variable to fixed pay, as well as the extension of the scope of Material Risk Taker (MRT) identification. As the requirements apply to Barclays expanded MRT population globally, this creates significant adverse competitive consequences. The Committee is concerned by the challenges in attracting and retaining key staff needed to run the bank safely in all regions.

Key remuneration changes and decisions for executive Directors in 2014

Remuneration for executive Directors continues to be tied closely to our strategy and performance.

In considering the executive Directors 2014 performance against the Financial, Balanced Scorecard and personal measures set at the beginning of the year, the Committee has decided to award an annual bonus to Antony Jenkins of £1,100,000 (57% of maximum bonus) and to Tushar Morzaria of £900,000 (64% of maximum bonus). Further details are set out on pages 87 and 88.

Based on the solid 2014 overall performance, and in particular the considerable progress made against the Group Strategy, we regard these bonuses as appropriate and deserved. In considering final bonus outcomes, executive accountability for significant Group-wide conduct issues including, for example, the ongoing Foreign Exchange investigations was taken into account. Our decisions also demonstrate that the principle of paying competitively and paying for performance applies equally to our most senior executives as it does to the rest of Barclays employees.

The Committee has agreed that the executive Directors fixed pay will remain unchanged for, and will not be reduced during, 2015. Antony Jenkins base salary will remain at £1,100,000 and he will also receive RBP unchanged at £950,000. Tushar Morzaria s base salary will remain at £800,000 and he will also receive RBP unchanged at £750,000.

During the year, we also undertook a review of Barclays Long Term Incentive Plan (LTIP). We reviewed the performance measures to ensure they support our updated Strategy and align the interests of executives and shareholders. Following engagement with our shareholders, we have changed the financial measures for the LTIP award to be granted in 2015 and given them an increased weighting of 60%. The weighting of the Balanced Scorecard will be unchanged at 30% and Loan Loss Rate will remain as a risk measure but with a reduced weighting of 10%. Further details are set out on page 88. The Committee decided to make awards under this LTIP cycle to both executive Directors with a face value at grant of 120% of their respective fixed pay at 31 December 2014.

We are not proposing any changes to the Directors Remuneration Policy which was approved at the 2014 AGM. Accordingly, our 2014 executive Director remuneration decisions are consistent with that

approved Policy, which limits the maximum value of annual bonus and LTIP awards in accordance with the CRD IV 2:1 maximum ratio of variable to fixed pay. Clawback has been introduced with effect from 1 January 2015. Following the European Banking Authority (EBA) Opinion on allowances, the terms of RBP may need to be revised once further guidelines are available from the EBA.

Agenda for 2015

The Committee remains focused on controlling remuneration costs and ensuring that pay incentivises all of our employees to deliver sustained performance in a manner which is consistent with Barclays Values and Behaviours and in the long term interests of shareholders. The alignment of remuneration and risk will remain a priority. We expect to continue to have to navigate through a changing regulatory landscape and will engage constructively with regulators and shareholders as we do so.

Our remuneration report

I encourage you to read our full Remuneration report on pages 77 to 110. The Remuneration report (other than the part containing the Directors Remuneration Policy) will be subject to an advisory vote by shareholders at the 2015 AGM.

On behalf of the Board

Sir John Sunderland

Chairman, Board Remuneration Committee

2 March 2015

What did we pay in 2014?

Adjusted profit before tax increased between 2013 and 2014 by 12%, while the absolute reduction in the Group incentive pool was 22%. After adjusting for the introduction of RBP, the reduction in the Group incentive pool would be 11%.

Group incentive pool

What earnings were distributed to shareholders in 2014?

Group compensation costs have reduced between 2013 and 2014 by 8% while dividends paid to shareholders have increased by 23%.

Shareholders

Executive Directors

Executive Directors: Single total figure for 2014 remuneration (audited)

The following table shows a single total figure for 2014 remuneration in respect of qualifying service for each executive Director together with comparative figures for 2013.

	Salary £000		Role Based Pay £000		Taxable benefits £000		Annual bonus £000		LTIP £000		Pension £000		Total £000	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Antony Jenkins	1,100	1,100	950		100	138	1,100		1,854		363	364	5,467	1,602
Tushar Morzaria	800	171	750		95	14	900	1,200			200	43	2,745	1,428

The single total figure for 2014 for the executive Directors is higher than for 2013 since Antony Jenkins voluntarily declined a 2013 bonus and the current executive Directors had no LTIP vesting in 2013. Antony Jenkins has an LTIP award scheduled for release for the performance period 2012-2014 which is shown in the table. Tushar Morzaria joined the Board with effect from 15 October 2013 so his 2013 salary, pension and benefits relate to his part year qualifying service.

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

Salary

Antony Jenkins is paid a salary of £1,100,000 per annum as Group Chief Executive. Tushar Morzaria has been paid a salary of £800,000 per annum since his appointment to the Group Finance Director role.

Role Based Pay (RBP)

With effect from 1 January 2014, both executive Directors received RBP. RBP is delivered quarterly in shares which are subject to a holding period with restrictions lifting over five years (20% each year). The value shown is of shares at the date awarded.

Taxable benefits

Taxable benefits include private medical cover, life and ill health income protection, tax advice, relocation, home leave related costs, car allowance and the use of a company vehicle and driver when required for business purposes.

Annual Bonus

Annual bonuses are discretionary and are typically awarded in Q1 following the financial year to which they relate. The 2014 bonus awards reflect the Committee s assessment of the extent to which each of the executive Directors achieved their Financial (50% weighting) and Balanced Scorecard (35% weighting) performance measures and their personal objectives (15% weighting), and an holistic assessment of all other relevant factors.

A summary of the considerations and rationale for the bonus outcomes are set out below. For more information see pages 87 and 88.

Financial (50% weighting)

The approach adopted for assessing financial performance is based on driving balanced performance outcomes across the financial measures Adjusted profit before tax, Adjusted Costs ex CTA, CET1 ratio (fully loaded basis) and the leverage ratio, weighted 20%, 10%, 10%, 10% respectively (total of 50% weighting). In line with this, performance is initially assessed against a target range for each financial measure with a binary outcome i.e. below range (zero) and within range (100%). After this the Committee is required to apply discretion, considering all relevant factors, to ensure that the final outcome is appropriate.

As each financial target has been met or exceeded, a formulaic assessment of the current outcomes against financial measures implies a full 50% weighting (prior to the application of Committee discretion). There has been sustained and consistent progress made towards our 2016 Transform targets and Barclays has met all 2014 Transform financial and capital targets. Higher Group and Core adjusted profit before tax were driven by focused cost saving initiatives. Significant Non-Core run down throughout the year contributed to strengthening

of Group capital and leverage ratios. Group adjusted profit before tax increased 12% to £5,502m. CET1 ratio increased to 10.3% (2013: 9.1%) demonstrating progress towards the 2016 Transform financial target in excess of 11%. The Leverage Ratio increased to 3.7% close to the 2016 Transform target to exceed 4%.

Balanced Scorecard (35% weighting)

Each of the five Cs of the Balanced Scorecard was assessed. Barclays has published its 2018 targets on page 11. There has been steady progress across the Balanced Scorecard towards our 2018 targets. There was however deterioration in the sustained engagement metric and the Relationship Net Promoter Score. The move in both metrics is predominately due to changes Barclays has undergone during 2014 with the Strategy Update affecting a structural change in the company. Based on an assessment of performance against 2014 Balanced Scorecard milestones, the Committee has agreed a 22% outcome out of a maximum of 35%.

Personal objectives (15% weighting)

In summary, Antony Jenkins has shown strong leadership throughout the year and has been fully committed to delivering on the Transform financial targets and on improving the control environment across the organisation during 2014. Tushar Morzaria had demonstrated a consistent strive for excellence and challenged the status quo where appropriate to drive results and achieve cost targets. For each of the Directors, the Committee judged that 11% of a maximum of 15% was appropriate.

Overall summary

The initial performance assessment outcome was 83% for each of the Directors. The Committee subsequently used its discretion to reduce the overall outcome. The adjustment was considered appropriate in the context of an holistic assessment which recognised that, amongst other factors, while there has been solid financial performance and steady progress has been made on strategic repositioning, statutory profit before tax continues to be impacted by material conduct issues and there remains significant further work to be done to improve overall returns. This adjustment therefore also incorporated consideration of executive accountability for the significant Group-wide conduct issues that impacted Barclays in 2014 which included, for example, the ongoing Foreign Exchange trading investigations. The resulting 2014 bonus is £1,100,000 (57% of maximum bonus) for Antony Jenkins and £900,000 (64% of maximum bonus) for Tushar Morzaria.

60% of each executive Director s 2014 bonus will be deferred in the form of an award under the Share Value Plan vesting over three years with one third vesting each year. 20% will be paid in cash and 20% delivered in shares. All shares (whether deferred or not deferred) are subject to a further six month holding period from the point of release. 2014 bonuses are subject to clawback provisions and, additionally, unvested deferred 2014 bonuses are subject to malus provisions which enable the Committee to reduce the vesting level of deferred bonuses (including to nil).

LTIP

Barclays LTIP amount included in Antony Jenkins 2014 single total figure is the value of the amount scheduled to be released in relation to the LTIP award granted in 2012 in respect of performance period 2012-2014. As Tushar Morzaria was not a participant in this cycle, the LTIP figure in the single figure table is shown as zero for him. Release is dependent on, amongst other things, performance over the period from 1 January 2012 to 31 December 2014. The performance achieved against the performance targets is as follows.

Performance measure	Weighting	Threshold	Maximum 100% vesting	Actual	% of maximum achieved
Return on Risk Weighted Assets (RoRWA)	60%	23% of award	Average annual RoRWA of 1.6%	0.5%	0%

		vests for average annual RoRWA of 1.1%			
Loan loss rate	30%	10% of award vests for average annual loan loss rate of 93 bps	Average annual loan loss rate of 70 bps or below	60 bps	30%
Citizenship metrics	10%	Performance against the Barclays Citizenship strategy is assessed by the Committee to determine the % of the award that may vest between 0% and 10%		N/A	0%

The LTIP award is also subject to a discretionary underpin in that the Committee must be satisfied with the underlying financial health of the Group. The Committee was satisfied that this underpin was met, and accordingly determined that the award should be considered for release to the extent of 30% of the maximum number of shares under the total award. The shares are scheduled to be released in May 2015. 50% of any shares that are released (after deductions for income tax and social security contributions) are subject to a 12 month holding period.

Pension

Executive directors are paid cash in lieu of pension contributions. This is market practice for senior executives in comparable roles.

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Chairman and non-executive Directors

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

Chairman and non-executive Directors: Single total figure for 2014 fees (audited)

	Fees		Benefits		Total	
	2014 £000	2013 £000	**2014 £000**	2013 £000	**2014 £000**	2013 £000
Chairman						
Sir David Walker	750	750	19	17	769	767
Non-executive Directors						
Mike Ashley[a]	213	39			213	39
Tim Breedon	240	183			240	183
Fulvio Conti[b]	37	110			37	110
Simon Fraser[c]	47	140			47	140
Crawford Gillies[d]	91				91	
Reuben Jeffery III	160	124			160	124
Wendy Lucas-Bull[e]	105	25			105	25
Dambisa Moyo	151	129			151	129
Frits van Paasschen[f]	80	33			80	33
Sir Michael Rake	250	220			250	220
Diane de Saint Victor[g]	135	90			135	90
Sir John Sunderland	190	189			190	189
Steve Thieke[h]	131				131	
David Booth[i]		185				185

Sir Andrew Likierman[j]		45				45
Total	**2,580**	**2,262**	**19**	**17**	**2,599**	**2,279**

Non-executive directors are reimbursed expenses that are incurred for business reasons. Any tax that arises on these reimbursed expenses is paid by Barclays.

The Chairman is provided with private medical cover and the use of a company vehicle and driver when required for business purposes.

Notes

a Mike Ashley joined the Board as a non-executive Director with effect from 18 September 2013.

b Fulvio Conti retired from the Board as a non-executive Director with effect from 24 April 2014.

c Simon Fraser retired from the Board as a non-executive Director with effect from 24 April 2014.

d Crawford Gillies joined the Board as a non-executive Director with effect from 1 May 2014.

e Wendy Lucas-Bull joined the Board as a non-executive Director with effect from 19 September 2013.

f Frits van Paasschen joined the Board as a non-executive Director with effect from 1 August 2013.

g Diane de Saint Victor joined the Board as a non-executive Director with effect from 1 March 2013.

h Steve Thieke joined the Board as a non-executive Director with effect from 7 January 2014.

i David Booth retired from the Board as a non-executive Director with effect from 31 December 2013.

j Sir Andrew Likierman retired from the Board as a non-executive Director with effect from 25 April 2013.

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To make sure our capital, liquidity and funding remain strong

t Implementing fair and appropriate financial reward

This page details a number of metrics the Group used to monitor financial performance.

2014 income statement review

In order to provide a more consistent basis for comparing business performance between periods, management assess performance on both an adjusted and statutory basis. Adjusted measures exclude items considered to be significant but not representative of the underlying business performance.

	2014 £m	2013 £m
Core profit before tax	**6,682**	6,470
Non-Core loss before tax	**(1,180)**	(1,562)
Group Adjusted profit before tax	**5,502**	4,908
Own credit	**34**	(220)
Goodwill impairment		(79)
Provisions for PPI and interest rate hedging redress	**(1,110)**	(2,000)
Gains on US Lehman acquisition assets	**461**	259
Provision for ongoing investigations and litigation relating to Foreign Exchange	**(1,250)**	
Loss on announced sale of the Spanish business	**(446)**	

ESHLA valuation revision	**(935)**	
Statutory profit before tax	**2,256**	2,868

Adjusted profit before tax increased 12% to £5,502m:

¡ Core income decreased 4% to £24,678m, reflecting a reduction in the Investment Bank and adverse currency movements in Africa Banking, partially offset by growth in Barclaycard and PCB. Non-Core income reduced to £1,050m (2013: £2,293m) following run-down and business disposals

¡ Core impairment charges decreased 8% to £2,000m, reflecting the improved economic environment in the UK and reduced impairment in South African mortgages. Non-Core impairment charges reduced £732m to £168m

¡ Total adjusted operating expenses were down 9% to £18,069m, driven by savings from Transform programmes, including a 5% net reduction in headcount, and currency movements

Statutory profit before tax decreased to £2,256m (2013: £2,868m) including the following material adjusting items:

¡ A valuation revision of £935m (2013: nil) has been recognised against the Education, Social Housing, and Local Authority (ESHLA) loan portfolio held at fair value in Barclays Non-Core. This is due to changes in discount rates applied in the valuation methodology

¡ An additional PPI redress provision of £1,270m based on an updated best estimate of future redress and associated costs, resulting in a full year net charge of £1,110m (2013: £2,000m) in relation to PPI and interest rate hedging redress

¡ A £1,250m (2013: nil) provision for ongoing investigations and litigation relating to Foreign Exchange

¡ A £461m gain (2013: £259m) on US Lehman acquisition asset

¡ A loss on the announced sale of the Spanish business of £446m, (2013: nil) which completed on 2 January 2015. Additional accumulated currency translation reserve losses of approximately £100m will be recognised on completion in the first quarter of 2015

Transform financial targets

	2014	2013
	£m	£m
Barclays Group		
CRD IV FL CET1 ratio >11.0% in 2016	**10.3%**	9.1%
Leverage ratio > 4.0% by 2016	**3.7%**	n/a
Dividend payout ratio of 40-50% of adjusted earnings over time	**38%**	42%
Barclays Core		
Adjusted RoE >12% in Barclays Core by 2016	**9.2%**	11.3%
Adjusted operating expenses excluding costs to achieve Transform of less than £14.5bn in 2016	**£15,105m**	£ 16,377m
Barclays Non-Core		
Drag on adjusted RoE <(3%) in the Non-Core division by 2016	**4.1%**	7.2%

BCBS 270 fully loaded leverage ratio

In line with regulatory requirements, from 30 June 2014 Barclays adopted the January 2014 BCBS 270 rules for leverage exposure to derive the related leverage ratio for the Group. The ratio is calculated as fully loaded Tier 1 Capital divided by BCBS 270 fully loaded leverage exposure.

The ratio increased to 3.7% (30 June 2014: 3.4%), reflecting a reduction in the leverage exposure of £120bn to £1,233bn and an increase in Tier 1 Capital to £46.0bn (30 June 2014: £45.4bn).

Dividend payout ratio

The dividend payout ratio is the percentage of earnings paid to shareholders in dividends and is calculated as a proportion of dividends paid relative to adjusted earnings per share as determined by the Board. The ability to pay dividends to shareholders demonstrates the financial strength of the Group. The 2014 dividend per share of 6.5p (2013: 6.5p) resulted in a dividend payout ratio of 38% (2013: 42%).

Operating expenses excluding costs to achieve Transform

Defined as adjusted total operating expenses excluding costs to achieve Transform. Adjusted operating expenses exclude provisions for PPI and interest rate hedging redress, provision for ongoing investigations and litigation relating to Foreign Exchange and goodwill impairment.

Barclays views operating expenses as a key strategic battleground for banks. Adjusted operating expenses excluding costs to achieve Transform decreased 10% to £16,904m for the Group, and decreased 8% to £15,105m for the Core.

The Barclays Core and Non-Core adjusted RoE and CRD IV fully loaded CET1 ratio financial commitments are included as the Group Company Balanced Scorecard measures. Refer to page 16 for further details.

These financial highlights provide an overview of 2014 performance. For further information on the results of the Group, please see our Financial review on page 221

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Governance

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The governance process of Barclays, and reports from each of the Board Committees presenting how the Board support the delivery of the Strategy.

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Governance: Directors report

Who we are

Board of Directors

Board of Directors

Barclays understands the importance of having a Board containing the right balance of skills, experience and diversity and the composition of the Board is regularly reviewed by the Board Corporate Governance and Nominations Committee. The skills and experience of the current Directors and the value they bring to the Barclays Board is described below. Full biographies can be accessed online via barclays.com/investorrelations.

Sir David Walker

Chairman

Age: 75

Appointed:

1 September 2012

Relevant skills and experience

Sir David has extensive knowledge of the financial services industry developed throughout his long career during which he held roles with Her Majesty s Treasury, the Bank of England and, most recently, as chairman of Morgan Stanley International (formerly chairman and CEO). He has also held senior non-executive board roles at a number of companies, which have provided him with an excellent understanding and experience of boardroom dynamics and corporate governance.

Sir David will retire from the Barclays Board at the conclusion of the 2015 AGM.

Other current appointments

Trustee, Cicely Saunders Foundation

Committees

E*, N*, R

Antony Jenkins

Group Chief Executive

Age: 53

Appointed:

30 August 2012

Relevant skills and experience

Antony began his career at Barclays, going on to take up various roles within the retail and corporate banking businesses. Antony then spent time working at Citigroup in both London and New York before returning to Barclays. Since rejoining Barclays, Antony has held roles including CEO of Barclaycard and the Group s representative on the board of Barclays Africa Group Limited, before becoming the Group s Chief Executive in 2012.

Other current appointments:

Institute of International Finance; International Advisory Panel of the Monetary Authority of Singapore; Business in the Community

Mike Ashley

Non-executive

Age: 60

Appointed:

18 September 2013

Relevant skills and experience

Mike has deep knowledge of auditing and associated regulatory issues, having worked at KPMG for over 20 years, where he was a partner. Mike was the lead engagement partner on the audits of large financial services groups including HSBC, Standard Chartered and the Bank of England. Whilst at KPMG, Mike was Head of Quality and Risk Management for KPMG Europe LLP, responsible for the management of professional risks and quality control. He also held the role of KPMG UK s Ethics Partner.

Other current appointments

ICAEW Ethics Standards Committee; HM Treasury s Audit Committee; European Financial Reporting Advisory Group s Technical Expert Group; Chairman, Government Internal Audit Agency; Charity Commission

Committees

A*, C, E, F, N

Tim Breedon

Non-executive

Age: 57

Appointed:

1 November 2012

Relevant skills and experience

Tim joined Barclays after a distinguished career with Legal & General, where, among other roles, he was the group chief executive until June 2012. Tim s experience as a CEO enables him to provide challenge, advice and support to the Executive on performance and decision-making.

Tim brings to the Board extensive financial services experience, knowledge of risk management and UK and EU regulation, as well as an understanding of the key issues for investors.

Other current appointments

Ministry of Justice; Marie Curie Cancer Care

Committees

A, C, E, F*, N, R

Crawford Gillies

Non-executive

Age: 58

Appointed:

1 May 2014

Relevant skills and experience

Crawford has extensive business and management experience, gained with Bain & Company and Standard Life plc. These roles have provided him with experience in strategic decision-making and knowledge of company strategy across various sectors and geographical locations.

Crawford has also held Board and committee chairman positions during his career, notably as chairman of the remuneration committees of Standard Life plc and MITIE Group PLC.

Crawford will become Chairman of the Board Remuneration Committee with effect from the conclusion of the 2015 AGM.

Other current appointments

Chairman, Scottish Enterprise; Standard Life plc; MITIE Group plc

Committees

A, R

Reuben Jeffery III

Non-executive

Age: 61

Appointed:

16 July 2009

Relevant skills and experience

Reuben has extensive financial services experience, particularly within investment banking and wealth management, through his role as CEO and president of Rockefeller & Co. Inc. and his former senior roles with Goldman Sachs, including as the managing partner of the Paris office.

His various government roles in the US, including as chairman of the Commodity Futures Trading Commission, provides Barclays Board with insight into the US political and regulatory environment.

Other current appointments

International Advisory Council of the China Securities Regulatory Commission; Advisory Board of Towerbrook Capital Partners LP; J Rothschild Capital Management Limited; Financial Services Volunteer Corps

Committees

C*, E, F, N

Wendy Lucas-Bull

Non-executive

Relevant skills and experience

Wendy has significant financial services and African banking experience gained through CEO and senior executive roles on the boards of large South African banks, including Barclays Africa Group Limited. As a CEO she has a track record of successful financial turnaround and cultural transformation of a major South African bank. Her expertise in asset management, investment, commercial and retail banking on the continent is invaluable to Barclays Board given its operations in the region.

Age: 61

Appointed:

19 September 2013

Wendy s previous experience of leading on a number of conduct-related consultations also provides Barclays with valuable insight into conduct risk issues.

Other current appointments

Chairman, Barclays Africa Group Limited; Chairman, Absa Bank Limited, Chairman, Absa Financial Services; Afrika Tikkun NPC (non-profit); Peotona Group Holdings

Committees

C

John McFarlane

Non-executive

Age: 67

Appointed:

1 January 2015

Relevant skills and experience

John is a former CEO of ANZ Bank with extensive financial services experience across retail, commercial and investment banking, gained both globally and in the UK. John has a proven track record of implementing cost reduction, cultural transformation and driving through strategic change. He is also an experienced non-executive director and chairman. John will become Barclays Chairman at the conclusion of the 2015 AGM, and he will step down from his roles at Aviva plc and FirstGroup plc in April and July 2015 respectively.

Other current appointments:

Chairman, Aviva plc; Chairman, FirstGroup plc; Old Oak Holdings Limited; Westfield Group

Committees

E, N

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Tushar Morzaria

Group Finance

Director

Age: 46

Appointed:

15 October 2013

Relevant skills and experience

Tushar joined Barclays in 2013 having spent the previous four years in senior management roles with JP Morgan Chase, most recently as the CFO of its Corporate & Investment Bank.

Throughout his time with JP Morgan he gained strategic financial management and regulatory relations experience. Since joining the Barclays Board he has been a driving influence on the Group s cost reduction programme and managing the Group s capital plan, particularly in response to structural reform.

Other current appointments

None

Dambisa Moyo

Non-executive

Age: 46

Appointed:

Relevant skills and experience

Dambisa is an international economist and commentator on the global economy, having completed a PhD in economics. Dambisa has a background in financial services and a wide knowledge and understanding of African economic, political and social issues, in addition to her experience as a director of companies with complex, global operations.

Other current appointments

SABMiller plc; Barrick Gold Corporation

1 May 2010

Committees

A, C, F

Frits van Paasschen

Non-executive

Age: 53

Appointed:

1 August 2013

Relevant skills and experience

Frits is an experienced director, having held the position of CEO and non-executive director in a number of leading global organisations, most recently as CEO of Starwood Hotels and Resorts Worldwide, Inc. These roles have provided him with both a global business perspective and a clear understanding of key management issues, as well as experience of enhancing customer experience in a retail environment.

Other current appointments

None

Committees

None

Sir Michael Rake

Deputy Chairman and Senior Independent Director

Age: 67

Appointed:

1 January 2008

Relevant skills and experience

Sir Michael joined Barclays after a long career with KPMG, during which he served as chairman from 2002 until 2007. He brings to the Board extensive financial and commercial experience gained in the UK, Continental Europe and the Middle East.

Sir Michael s previous government roles, which include membership of the Prime Minister s Business Advisory Group, and current role as president of the Confederation of British Industry, provide useful political and regulatory insight for the Board.

Other current appointments:

Chairman, BT Group PLC; McGraw Hill Financial Inc.

Committees

E, N

Diane de Saint Victor

Non-executive

Age: 60

Appointed:

1 March 2013

Relevant skills and experience

Diane holds the role of General Counsel and Company Secretary of ABB Limited, a listed international power and automation technologies company. Diane s legal background, combined with her knowledge of regulatory and compliance requirements bring a unique perspective to discussions of the Board and its committees.

Other current appointments:

Advisory Board of The World Economic Forum s Davos Open Forum

Committees

A, C

Sir John Sunderland

Non-executive

Age: 69

Appointed:

1 June 2005

Relevant skills and experience

Sir John has been a Barclays Director since 2005, during which time he has provided invaluable support and leadership, most recently assisting in the identification and appointment of a successor to Sir David Walker as Chairman.

He has significant board level experience, including roles as former CEO and chairman of Cadbury Schweppes PLC and his current role as chairman of Merlin Entertainments Group PLC, bringing extensive knowledge of retailing and brand marketing to the Board.

Sir John will retire from the Barclays Board at the conclusion of the 2015 AGM.

Other current appointments

AFC Energy PLC; Aston University; Reading University Council; Cambridge Education Group Limited

Committees

C, E, R*, N

Steve Thieke

Non-executive

Age: 68

Appointed:

7 January 2014

Relevant skills and experience

Steve has significant experience in financial services, in both investment banking with JP Morgan, where amongst other roles he served as the chairman of the risk management committee, and in regulation, through roles with the Federal Reserve Bank of New York and the Financial Services Authority. Steve also has significant board experience, having served in both executive and non-executive director roles in his career.

Other current appointments

None

Committees

F, R

Company Secretary

Relevant skills and experience

Lawrence Dickinson

Age: 57

Appointed:

19 September 2002

Since joining Barclays as a graduate in 1979, Lawrence has worked in a number of roles, including as Chief of Staff to the CEO and as the Private Bank s Chief Operating Officer. Lawrence is a member and Treasurer of the GC100, the Association of General Counsels and Company Secretaries of the FTSE100.

Committee Membership Key

A Board Audit Committee

C Board Conduct, Operational and Reputational Risk Committee

N Board Corporate Governance and Nominations Committee

F Board Financial Risk Committee

E Board Enterprise Wide Risk Committee

R Board Remuneration Committee

* Committee Chairman

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Group Executive Committee

Biographies for Antony Jenkins, Group Chief Executive, and Tushar Morzaria, Group Finance Director, who are members of the Group Executive Committee, which is chaired by Antony Jenkins, can be found on pages 34 and 35.

Michael Harte

Chief Operations and Technology Officer

Bob Hoyt

Group General Counsel

Valerie Soranno Keating

Chief Executive, Barclaycard

Thomas King

Chief Executive, Investment Bank

Robert Le Blanc

Chief Risk Officer

Irene McDermott Brown

Group Human Resources Director

Jonathan Moulds

Group Chief Operating Officer

Maria Ramos

Chief Executive, Barclays Africa Group

Mike Roemer

Group Head of Compliance

Ashok Vaswani

Chief Executive, Personal and
Corporate Banking
Board diversity

The Board has a balanced and diverse range of skills and experience. All Board appointments are made on merit, in the context of the diversity of skills, experience, background and gender required to be effective.

Balance of non-executive Directors: Executive Directors

1	Chairman	1 2
2		12
3	Executive Directors	
	Non-executive Directors	

Male: Female
12:3

Length of tenure (Chairman and non-executive Directors)
0-3 years
9
3-6 years
2
>6 years
2

Geographical mix (Chairman and non-executive Directors)
United Kingdom
7
Continental Europe
1
United States
4
Other
1

Industry/background experience

(Chairman and non-executive Directors)[a]

Financial Services	10
Political/regulatory contacts	10
Current/recent Chair/CEO	10
Accountancy/Financial	3

International (US)	4
International (Europe)	5
International (RoW)	3
Retail/Marketing	2

Note

a Individual Directors may fall into one or more categories

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What we did in 2014

Chairman s Introduction

It is my responsibility to draw the best out of my fellow Directors, both individually and collectively, so that the Board works as a team that, together, is stronger than the sum of its parts.

Dear Shareholders

My role, as Chairman, is to lead the Board and ensure that it works effectively and collaboratively in pursuit of the creation of sustainable long-term shareholder value. It is my responsibility to draw the best out of my fellow Directors, both individually and collectively, so that the Board works as a team that, together, is stronger than the sum of its parts. The pre-conditions for success are clear: an agreed perspective on what we are trying to achieve; a culture of mutual trust and respect, with shared values; and transparent and honest relationships between the non-executive and executive Directors, including a willingness to be open to different views and ways of thinking.

As Chairman, I have encouraged frankness and openness in Board debate and also sought to allow sufficient time for focus on critical strategic issues. Details of how we allocated our time and our main areas of focus in 2014 can be found on page 39. My goal has been to ensure that the Board is collaborative, yet challenging when it needs to be and that discussions at Board and Board Committee meetings are candid and open, yet constructive. The aim throughout has been to create and maintain an environment where the Board is cohesive and committed in support of our strategic aims, yet remains open to different viewpoints and ideas. Overall, we have been united behind our common purpose and respectful of the responsibilities of the Executive team in running the business day-to-day, giving them our full support in executing against our agreed strategy.

Board appointments and succession planning

This atmosphere of constructive challenge and debate depends on having the right people in place. Board composition is subject to an on-going process of review and refreshment. The priority is to ensure that the Board collectively has the right balance and diversity of expertise, skills, experience and perspectives needed to provide effective oversight of the business and I am fortunate to be supported by a Board that has a broad and diverse range of skills. As a bank we naturally seek out those with financial services experience, but other backgrounds, such as specific knowledge of a geographic area or customer segment, bring valued perspectives to the Board and provide credible challenge in these areas. Equally important is that Directors demonstrate independence of mind, judgement and maturity. Independence is an indispensible trait that underpins the Board s ability to exercise appropriate oversight of the Executive team.

There were a number of changes to the Board in 2014. Fulvio Conti and Simon Fraser left the Board at the conclusion of the 2014 AGM. Steve Thieke and Crawford Gillies joined the Board, in January and May 2014 respectively, and in September 2014 we announced that John McFarlane would join the Board with effect from 1 January 2015 and succeed me as Chairman at the conclusion of the 2015 AGM. Details of the skills and experience each of these new Directors brings to the Board can be found in their biographies on pages 34 and 35. The Board Corporate Governance and Nominations Committee oversaw each of these appointments and reports on pages 57 and 58 on the process it followed and its deliberations.

Succession planning is not, however, confined to the Board itself. A clear parallel responsibility is for the Board to be able to identify and cultivate the leaders of the future. Talent is a prerequisite for the success of any company and providing the Directors with a deeper insight into the character and capabilities of the senior executive team is essential for our long-term success. During 2014, the Board Corporate Governance and Nominations Committee increased its focus on talent management and succession planning and you can read more about this, including the initiatives we have in place to ensure that the Board has line of sight to potential future leaders, on page 56. Importantly, these interactions also allow the Board to see how members of the senior executive team act as role models for our Values and promote sustainable success.

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Governance: Directors report

What we did in 2014

Chairman s Introduction

Board commitment

The role of a Barclays Director is a demanding one and we require and expect a significant time commitment from our Directors. This means not only preparing for and attending Board and Board Committee meetings, but committing time to initial induction, ongoing training and engagement with both the Executive team and with external constituents, including shareholders and regulators. I aim to ensure that Directors are kept fully informed about key businesses, performance and risks and any external changes to policy or regulation that may impact us. You can read more about this on pages 66 and 67.

Information flows

A common refrain from many directors, regardless of industry or sector, is that the extent and volume of the material and data presented to boards can be overwhelming. Of course, as a Board we are reliant on the Executive team, which is operationally responsible for managing the business, for information, but we can, and do, make our expectations and requirements in this regard quite clear. It is critical that the right information flows to the Board at the right time and for that information to be at the appropriate level of detail and to be balanced and measured. As Chairman I have sought to ensure that information presented to the Board is balanced, thematic and clear so that it provides the best support for open discussion. The Board has also sought outside thinking and perspectives to stimulate debate, for example, in 2014 external third parties have provided perspectives on emerging risks and on growth opportunities in Africa.

Board performance

The effective performance of the Board is my responsibility as Chairman. To assess our effectiveness, we formally evaluate the performance of the Board, the Board Committees and the Directors annually. We have engaged the services of an external facilitator each year since 2004, as we feel this brings a valuable, objective perspective to our assessment. Last year I reported to you that we intended to agree a set of Board priorities and report on progress against these. You can find our progress report and details of 2014 s Board effectiveness review, including a high-level statement of the outcomes, on pages 60 and 61.

Board Committees

To ensure that the Board can devote as much time as possible to strategic matters, oversight of risk management and control, financial reporting, reward and succession and talent is delegated to specific Board Committees. This ensures that each of these important areas is subject to an appropriate level of scrutiny. The Board Committee Chairmen report on the following pages how each Board Committee discharged its responsibilities in 2014 and the material matters they considered.

Looking ahead

This is my final report to you as Chairman, as I will retire from the Board at the conclusion of the AGM on 23 April 2015. I would like to take this opportunity to thank my Board colleagues both present and former for the unstinting support and assistance they have given me, through their contribution on the Board and Board Committees and more widely, during my period as Chairman. In particular, I would like to thank Sir John Sunderland, who also retires from the Board at the conclusion of the AGM, for his dedicated service to Barclays over the past 10 years through what has been one of the most eventful periods in our long history. As I hand over to my successor, John McFarlane, Barclays is on the way to becoming leaner, stronger and better-balanced, with a clear strategy in place to deliver higher profits, returns and growth, with lower costs and lower earnings volatility. I wish my Board colleagues every success for the future.

Sir David Walker

Chairman

2 March 2015

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The Board s focus in 2014

Strategy and Performance	¡ Debated and challenged strategic options and alternatives, agreeing the refined strategy and the outcomes of the Group Strategy Update announced on 8 May 2014 ¡ Considered and assessed the strategic and operational performance of each business ¡ Discussed and approved the operations and technology strategy ¡ Evaluated, on a regular basis, performance against the Balanced Scorecard ¡ Approved the disposal of Barclays Spanish businesses
Finance, Capital and Liquidity	¡ Assessed and monitored, on a regular basis, performance against agreed financial targets, including return on equity, the CET1 ratio, the leverage ratio and costs target ¡ Challenged, discussed and approved the Short Term Plan and debated the Medium Term Plan
Governance and Risk	¡ Assessed the potential impact of structural reform in the UK and US and evaluated risks, challenges and plans for implementation ¡ Met with representatives of UK and US regulators ¡ Debated specific conduct and litigation matters and potential outcomes and impacts ¡ Evaluated and approved proposed risk appetite for 2015 ¡ Monitored on a regular basis, with the support of the Board s risk committees, performance against agreed risk appetite for 2014 and the risk profile ¡ Evaluated and approved recovery and resolution plans
Culture and Values	¡ Tracked, with the support of the Board Conduct, Operational and Reputational Risk Committee, the progress being made on cultural change ¡ Undertook training on Barclays culture and values

Other

- Debated and endorsed recommendations of the Board Remuneration Committee with regard to compensation decisions for the 2013 financial year
- Evaluated the outcomes of the Board Effectiveness Review and agreed, with the support of the Board Corporate Governance and Nominations Committee, the Board s priorities and an action plan for 2014
- Assessed, with the support of the Board Corporate Governance and Nominations Committee, talent management and succession plans for senior executive positions
- Approved, on the recommendation of the Board Corporate Governance and Nominations Committee, the appointment of John McFarlane to succeed Sir David Walker as Chairman

Board Allocation of Time (%)

		2014	2013
1	Strategy Formulation and Implementation Monitoring	**47**	41
2	Finance (incl. capital and liquidity)	**17**	22
3	Governance & Risk (incl. regulatory issues)	**32**	35
4	Other (incl. compensation)	**4**	3

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Governance: Directors report

What we did in 2014

Board Audit Committee Report

I see our activity as directly supporting the embedding of Barclays Values and playing an important part in changing the culture .

Dear Shareholders

In my report last year I spoke about the level of change Barclays is undergoing, driven by both internal and external factors, and the need to ensure that the effectiveness of Barclays control environment is maintained and reflects the increasing expectations of our shareholders. The pace of change has continued unabated and the Committee placed significant focus during 2014 on the control environment, in particular, on encouraging and supporting measures to ensure that there is senior level accountability and ownership of control issues and their remediation. I see our activity as directly supporting the embedding of Barclays Values and playing an important part in changing the culture and driving accountability.

of Barclays longer-term viability. The current intention is that the required viability statement will cover the three year period of Barclays Medium Term Plan and the Committee will be working with management to ensure that there is a robust process in place to support the statement to be made by the Board. Likewise, we will work with management to ensure that the current processes underpinning our oversight of internal controls provide appropriate support for the required Board statement on the effectiveness of risk management and internal controls.

Mike Ashley

Chairman, Board Audit Committee

2 March 2015

Committee composition and meetings

The Committee is composed solely of independent non-executive Directors. There were a number of changes to Committee composition in 2014. Fulvio Conti and Simon Fraser retired from the Committee on 24 April 2014, when they retired from the Board. Dambisa Moyo joined the Committee with effect from 17 April 2014 and Crawford Gillies joined the Committee with effect from 1 June 2014. Mike Ashley is the designated financial expert on the Committee for the purposes of the US Sarbanes-Oxley Act, although each member of the Committee has financial and/or financial services experience. You can find more details of the experience of Committee members in their biographies on pages 34 and 35.

This emphasis on internal control does not mean we have focused any less on the other important matters within our remit in a year when the role of audit committees in ensuring the integrity of financial reporting continued to be scrutinised. The Committee continued to debate and challenge the assumptions and estimates made by management, particularly in respect of valuations and provisions, the key judgements applied to Barclays financial statements and how Barclays performance is presented to ensure that it is reported in a fair, balanced, understandable and transparent way. We also placed appropriate weight on ensuring that both the internal and external audit processes were effective, with particular support for the internal audit function in embedding its Management Control Approach (MCA) assessments. You can read more below about the significant matters we addressed during the year.

On a more personal level, during 2014 I had significant interaction with our regulators in the UK and the US and also took opportunities to visit Barclays business operations, including those in the US, Africa, Hong Kong and Singapore.

Committee performance

As part of the annual Board Effectiveness Review, a separate exercise was conducted to assess the Committee s performance. The assessment found that the Committee is performing effectively. Please see the Board evaluation report on pages 60 and 61 for more details. I have been well-supported by my colleagues on the Committee and thank them for their contribution during 2014.

Looking ahead

The Committee met 13 times in 2014 and the chart on page 47 shows how the Committee allocated its time. Committee meetings were attended by management, including the Group Chief Executive, Group Finance Director, Chief Internal Auditor, Chief Risk Officer and General Counsel, as well as representatives from the businesses and other functions. The lead audit partner of the external auditor attended each meeting and the Committee held regular private sessions with each of the Chief Internal Auditor or the lead auditor partner, which were not attended by management.

Member	Meetings attended/eligible to attend
Mike Ashley	13/13
Tim Breedon*	12/13
Fulvio Conti (to 24 April 2014)*	3/4
Simon Fraser (to 24 April 2014)	4/4
Crawford Gillies (from 1 June 2014)*	7/8
Dambisa Moyo (from 17 April 2014)	10/10
Diane de Saint Victor*	12/13

*Unable to attend certain meetings owing to prior business commitments

Committee role 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; and

2015 will see the Committee occupied with the significant task of overseeing the tender of the external audit. My recent connection with KPMG means that I will not be involved in the assessment and selection. More detail about the audit tender process and its governance can be found on page 47. We will also continue our focus on embedding the Enterprise Risk Management Framework, the first and second lines of defence and developing a holistic assurance framework for controls. The Committee will also have a role in supporting Barclays compliance with the revised UK Corporate Governance Code, which applies to Barclays for the 2015 financial year. Amongst other things, the Board will be required to make a statement

¡ Scrutinising the activities and performance of the internal and external auditors, including monitoring their independence and objectivity.

The Committee s terms of reference are available at barclays.com/corporategovernance

The Committee s work

The significant matters addressed by the Committee during 2014 and in evaluating Barclays 2014 Annual Report and Financial Statements, are described on the following pages.

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Significant financial statement reporting issues

Assumptions and estimates or judgements are an unavoidable and significant part of the financial reporting process and are studied carefully by the Committee ahead of the publication of Barclays full and half-year results announcements and interim management statements. With appropriate input, guidance and challenge from the external auditor, the Committee examined in detail the main judgements and assumptions made by management, any sensitivity analysis performed and the conclusions drawn from the available information and evidence, with the main areas of focus during the year set out below.

Area of focus	Reporting issue	Role of the Committee	Conclusion/action taken
Conduct provisions (see Note 27 to the financial statements)	Barclays makes certain assumptions and estimates, analysis of which underpins provisions made for the costs of customer redress, such as for Payment Protection Insurance (PPI) and Interest Rate Hedging Products (IRHP)	¡ Scrutinised reports from management setting out statistical analysis of the current level of provisioning against prevailing trends, claims experience against existing provisions, the projections underlying estimates, including any uncertainties regarding future claims volumes and the potential expected range of future claims, and an analysis of associated costs, including referrals to the Financial Ombudsman	¡ The Committee kept PPI claims experience and future claims profile under close scrutiny ahead of the announcements of Barclays financial results. Having assessed the information available, including discussing current projections as appropriate with the Group Finance Director and the external auditor, the Committee supported taking additional provisions for PPI redress at the half-year (£900m), third quarter (£170m) and full year (£200m), bringing the

			total additional provision for 2014 to £1,270m ¡ The Committee also concluded that no additional provision was required for IRHP redress at the half-year and that the provision could be reduced at the third quarter, based on the level of settled claims. It concluded that the provision remaining at the full year continued to be appropriate
Legal, competition and regulatory provisions (see Notes 27 and 29 to the financial statements)	Barclays makes judgements in respect of provisions for legal, competition and regulatory matters	¡ Evaluated advice received on the status of current legal, competition and regulatory matters, including any potential for settlement, management s estimate of the level of provisions required and the adequacy of the provisions on the basis of available information and evidence	¡ The Committee agreed that a provision of £500m should be taken in the third quarter of the year in connection with investigations into foreign exchange by certain regulatory authorities, having concluded that this represented the current best estimate given the status of discussions with regulatory authorities at that time. Having reviewed the information available to determine what could be reliably estimated, the Committee agreed that the provision at the full year should be set at £1,250m for certain aspects of ongoing investigations involving certain authorities and litigation relating to Foreign Exchange. The Committee also considered and concurred with the disclosure to be published in respect of the status of the ongoing investigations and litigation. Further information may be found on pages 307 and 308.

Governance: Directors report

What we did in 2014

Board Audit Committee Report

Area of focus	Reporting issue	Role of the Committee	Conclusion/action taken
Valuations (see Notes 13-18 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	¡ Examined reports from the Valuations Committee, with particular focus on mark to market valuations and the ESHLA portfolio, any valuation uncertainties and the proposed disclosure around them ¡ Assessed the funding fair value adjustment applied ¡ Debated prudential valuation adjustments agreed with Barclays regulators and regulatory feedback on Barclays valuation processes and controls ¡ Assessed the impact of the Group Strategy Update and any additional provisions to be made in trading businesses to reflect changes in activity	¡ The Committee concluded that the valuations methodology and process, including the assumptions made, were appropriate and that proper governance was in place to support the internal price verification processes for assets where there is a lack of an active secondary market and limited trade activity ¡ In particular the Committee carefully considered the rationale and evidence for the proposed revision to the valuation methodology for the ESHLA portfolio (see page 281). It agreed with the proposal and noted the consequential reduction in fair value of £935m compared to applying the previous methodology as at 31 December 2014. The Committee determined to keep the basis of valuation under close review as market practice and understanding

			thereof could develop in the light of market conditions and as Barclays continues to dispose of Non-Core assets
Impairment (see Note 7 to the financial statements)	Where appropriate, Barclays models potential impairment performance, allowing for certain assumptions and sensitivities, to agree allowances for credit impairment, including agreeing the timing of the recognition of any impairment and estimating the size, particularly where forbearance has been granted	¡ Scrutinised the methodologies applied by management and assessed any regulatory feedback on Barclays calculations ¡ Examined performance and the level of exposures, particularly in Russia, Western Europe and Africa ¡ Examined any judgements applied with regard to any post model adjustments and collateral valuations	¡ The Committee concluded that the allowances for credit impairment on loans and advances were appropriate and supported by model outputs
Tax (see Note 10 to the financial statements)	Calculation of the Group s tax charge necessarily involves a degree of judgement with regard to the assessment of liabilities which are not yet agreed with tax authorities and the recognition of deferred tax assets (DTAs)	¡ Evaluated the adequacy of provisions for open tax returns having regard to both the drivers of the underlying tax risks and ongoing discussions with key tax authorities ¡ Reviewed the basis of recognition and measurement of material DTAs	¡ The Committee agreed that that the level of provision for open years was appropriate given the range of possible outcomes and that the recovery and measurement of recognised DTAs was supported by management s business forecasts
Adjusting items (see page 230 for further information)	Barclays exercises judgement in presenting adjusted measures	¡ Assessed proposals from management to treat certain items as adjusting items ¡ Established whether these items were significant and one-off in nature	¡ The Committee endorsed the proposed adjusting items and the form of disclosures for Barclays published financial statements

		¡ Evaluated the impact on Barclays reported financial statements	
Allocations between Core and Non-Core businesses (see pages 24 and 241 for further information)	Barclays has allocated certain assets to the Non-Core business following the Group Strategy Update	¡ Examined the restatement of Barclays results following the resegmentation of the business as a result of the Group Strategy Update ¡ Assessed the proposed accounting treatment and write-down of Barclays retail, wealth and certain corporate banking activities in Spain following agreement to dispose of them	¡ The Committee approved the restatement document and recommended it for publication ¡ It also confirmed that Barclays retail, wealth and certain corporate banking assets in Spain should be fully written down to fair value less costs to sell, agreeing that a net loss of £364m should be recognised in the third quarter. The full year net loss recognised was £446m

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Area of focus	Reporting issue	Role of the Committee	Conclusion/action taken
Going concern (see page 73 for further information)	Barclays is required to confirm that the going concern basis of accounting is appropriate	¡ Examined whether the going concern basis of accounting was appropriate by assessing the Working Capital Report prepared by management. This report covered forecast and stress tested forecasts for liquidity and capital compared to regulatory requirements, taking into account levels of provisioning for PPI and possible further conduct and litigation provisions that may be required	¡ After examining the forecast, along with Barclays ability to generate capital and raise funding in current market conditions, the Committee concluded that the liquidity and capital position of the Group remained appropriate and that there were no material uncertainties
Fair, balanced and understandable reporting (including country-by-country reporting and Pillar 3 reporting)	Barclays is required to ensure that its external reporting is fair, balanced and understandable	¡ At the request of the Board, established, via debate with and challenge of management, whether disclosures in Barclays published financial reports were fair, balanced and understandable ¡ Evaluated the review and challenge process that is in	¡ The Committee requested work to be done to further enhance the presentation of Barclays disclosures on legal, competition and regulatory matters in Barclays external financial reports to ensure they remain accessible for a non-expert user

place to ensure balance and consistency, including the reports from the Disclosure Committee on its assessment of the content, accuracy and tone of the disclosures

- Obtained confirmation from the Group Chief Executive and Group Finance Director that they considered the disclosures to be fair, balanced and understandable

- Examined the control environment underpinning the integrity of Barclays financial reports, including the outputs of Barclays Turnbull assessments and Sarbanes-Oxley s404 internal control process

- Confirmed the absence of any indications of fraud relating to financial reporting matters

- Assessed disclosure controls and procedures

- Asked management to describe and evidence the basis on which representations to the external auditors were made

- It supported the proposal from management to make changes in the presentation of Barclays half-year results so that they were easier to understand

- It also concluded that additional information on country-by-country tax reporting should be disclosed publicly in the interests of openness and transparency

- The Committee satisfied itself that the processes underlying the preparation of Barclays published financial reports supported the aim of ensuring that those reports were fair, balanced and understandable. In relation to the 2014 Annual Report and Financial Statements, the Committee concluded that the disclosures and process underlying their production were appropriate and recommended to the Board that the 2014 Annual Report and Financial Statements are fair, balanced and understandable

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Governance: Directors report

What we did in 2014

Board Audit Committee Report

Other significant matters

Other matters addressed by the Committee focused on the effectiveness of Barclays internal controls, the performance and effectiveness of the internal audit function and the performance, objectivity and independence of the external auditor, PricewaterhouseCoopers LLP (PwC). The most significant matters are described below:

Area of focus	Matter addressed	Role of the Committee	Conclusion/action taken
Internal control Read more about the Barclays internal control and risk management processes on pages 67 and 68	Impact on governance and controls of the Group Strategy Update and the creation of the Non-Core business	¡ Assessed the scope and governance of the Non-Core business and how it intends to mitigate business and strategic risks as assets are sold ¡ Evaluated the control environment in Barclays Spain in light of the Group Strategy Update and the potential disposal of part of the Spanish business	¡ The Committee concluded that good progress had been made in establishing governance and control over the Non-Core business and that the control environment in Spain had been maintained, despite the period of change ¡ It asked management to review the creation of the Non-Core and planned disposals and how they might impact the valuation of assets in the Non-Core business and more widely across Barclays ¡ It also emphasised the need to continue to maintain an appropriate and

		well-governed process around disposals
The business and functional control environment, including significant control issues and specific remediation plans	¡ Assessed the status of the most material control issues identified by management ¡ Evaluated reports on the control environment in UK Retail and Business Banking, Africa, Operations & Technology and Group Finance, questioning directly the heads of those businesses and functions ¡ Scrutinised regularly the progress of remediation plans to improve the control environment in Barclays US businesses, hearing directly from the CEO, Americas ¡ Assessed any regulatory reports on control issues and the progress being made to address key regulatory compliance control issues including unauthorised trading, client assets and financial crime, challenging the scope and pace of delivery of remediation plans and the resources available ¡ Examined the outputs of Barclays Turnbull assessments and Sarbanes-Oxley s404 internal control process	¡ The Committee asked for the scoping of remediation work to be accelerated to address control issues and requested that management continued to ensure that senior leaders took ownership and were accountable for the delivery of any remediation plans ¡ The Committee decided that accountable executives would be asked to attend Committee meetings to report directly on progress being made in order to emphasise where accountability lies. It also asked to see the specific objectives for business leaders in respect of the successful delivery of certain remediation plans ¡ It asked for a report on the prioritisation of projects to enhance the control environment in the US businesses to ensure that progress continued to be made ¡ The Committee requested several progress reports from Operations & Technology to ensure that focus on long-standing remediation programmes and enhancing governance and control was maintained. It noted the demonstrable progress made in the second half of 2014 which, provided momentum is maintained, it regarded as

acceptable

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Area of focus	Matter addressed	Role of the Committee	Conclusion/action taken
	The roll-out of the MCA, which assesses management s attitude to the control environment	¡ Encouraged the deployment of the MCA and pressed for improvements in MCA in order to accelerate the timetable for all businesses and functions to achieve better internal ratings for their control environment ¡ Assessed the status of plans to achieve improvements in the control environment for each business and function ¡ Evaluated the control objectives given to each member of the Group Executive Committee	¡ The Committee asked for plans to improve the control environment to be more granular and for quantitative, outturn indicators to be developed so that progress could be tracked by the Committee ¡ It also suggested ways in which the control objectives for members of the Group Executive Committee could be further strengthened
	The proposed revised approach to managing the control environment and to capturing and managing material control issues and their remediation	¡ Evaluated and endorsed a proposal from management for the principles and characteristics for management of a sound control environment	¡ The Committee approved the proposed new methodology ¡ It also requested confirmation that the revised

		¡ Assessed the proposed new methodology for the identification and management of control issues and their remediation	approach would meet all Barclays internal control requirements, including requirements associated with internal control over financial reporting. The revised approach was implemented with effect from 1 January 2015
	The adequacy and effectiveness of Barclays whistleblowing processes	¡ Asked for an update on Barclays whistleblowing processes ¡ Assessed plans for a change in approach to ensure they are more consistent with best practice adopted by bodies such as Public Concern at Work and encourage colleagues to raise issues	¡ The Committee requested further improvements in the information presented to it, including asking for additional detail of any specific whistleblowing incidents relating to accounting processes, fraud or theft to be provided
Internal audit	The performance of internal audit and delivery of the internal audit plan, including scope of work performed and level of resources	¡ Assessed and approved the internal audit plan (including budget and resource levels) on a quarterly basis ¡ Evaluated internal audit s assessment of the performance of each business and function, including trends in audit issues and any overdue audit issues ¡ Examined the processes and methodology used by internal audit to plan its work and the scope and depth of that work	¡ The Committee decided to create a sub-committee specifically to assess the level of internal audit assurance risk and resourcing it was willing to accept. This sub-committee is working with internal audit on these matters and is expected to provide recommendations to the Committee by July 2015 ¡ The Committee asked internal audit to continue to emphasise to the Group Executive Committee the discipline needed to remediate issues and agree appropriate target timescales

		¡ Debated whether internal audit should set targets for the flow of new control issues and the time taken to remediate any audit recommendations	¡ It also asked internal audit to look at the root causes for delay in remediating audit findings and asked the Group Chief Executive and Group Finance Director to put additional focus on timely remediation of audit findings in their monthly review meetings with each business. Each of these actions is underway and ongoing
External audit Read more about the Committee s role in assessing the performance and effectiveness of the external auditor below	The work and performance of PwC on key areas	¡ Assessed regular status reports from PwC on the scope and progress of the external audit plan ¡ Debated and agreed the key areas of focus including valuations, impairment, conduct and legal provisions, tax and the methodology and assumptions used in the allocations between the Core and Non-Core business	¡ The Committee confirmed the scope of the audit and the areas of focus, including agreeing adjustments to the audit plan following the strategy update announcement

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Governance: Directors report

What we did in 2014

Board Audit Committee Report

The Committee also covered the following matters:

¡ Considered the proposed level of dividends to be paid, ahead of their approval by the Board;

¡ Assessed plans to build a global Compliance function: progress is now being tracked by the Board Conduct, Operational and Reputational Risk Committee;

¡ Approved Barclays Pillar 3 policy, as required by CRD IV, and asked for any exceptions or dispensations to be reported to the Committee;

¡ Discussed and recommended to the Board revisions to its terms of reference to reflect changes in best practice and other requirements for audit committees; and

¡ Evaluated the outcomes of the annual Office of Foreign Assets Control compliance review.

In addition, a briefing session on client assets was given to the Committee.

Assessing external auditor effectiveness, auditor objectivity and independence, non-audit services
The Committee is responsible for monitoring the performance, objectivity and independence of the external auditor, PwC. In 2014 the main activities of the Committee in discharging that responsibility were as

The Committee also evaluated the performance, independence and objectivity of the auditor in the delivery of the external audit. Key stakeholders across the Group were surveyed, including members of the Committee and certain audit committees of Barclays subsidiaries. The questionnaire incorporated recommendations from a number of professional and governance bodies regarding the assessment of the quality of the external audit and also took into account the key findings from the 2013 evaluation. Questions were designed to obtain empirical evidence of how PwC met certain expected behaviours and also how individual audit team members had performed whilst also capturing data to assess qualitative attributes such as efficiency, forward-thinking, teamwork, integrity, quality of knowledge and judgement, including PwC s performance on specific areas of judgement. PwC also made available the outputs from its client review interviews, conducted at the end of the current audit partner s term as lead audit partner, to further inform the auditor effectiveness assessment.

The results of the assessment confirmed that both PwC and the audit process were considered effective and that a good working relationship was accompanied by an appropriate level of challenge and scepticism. Following all the above, and in particular the process of evaluation, the Committee recommended to the Board and to shareholders that PwC should be reappointed as the Group s auditors at the AGM on 23 April 2015.

follows:

¡ Assessed and agreed the scope of PwC s Group Audit Plan, including debating and approving a revised plan following the announcement of the Group Strategy Update in May 2014. The Committee examined how PwC had refined its risk assessment in light of the resegmentation of the business and the creation of the Non-Core business and looked at the key areas of IT, valuations, impairment, conduct and litigation;

¡ Settled the terms of the audit engagement letter and approved, on behalf of the Board, the audit fees payable;

¡ Assessed the competence with which PwC handled the key accounting and audit judgements and how they were communicated to management and the Committee;

¡ Discussed with PwC the appointment of a new lead audit partner given that the current audit partner s five year tenure ends at the conclusion of the 2014 audit. The Committee considered potential candidates and recommended to the Board the new audit partner to be appointed with effect from the audit for the 2015 financial year onwards;

¡ Deliberated and decided upon the timeline, governance arrangements and the process to be followed in submitting the external audit for tender and to rotate the audit firm. Read more about the audit tender below;

¡ Reviewed and updated the policy relating to the provision of non-audit services and regularly evaluated reports summarising the types of non-audit services for which PwC had been engaged and the level of fees payable, including assessments from PwC on how its independence and objectivity had been safeguarded. Read more about non-audit services below;

¡ Ensured, by assessing regular reports of any appointments made, that management confirmed compliance with the Group s policy on the employment of former employees of PwC; and

To help assure the objectivity and independence of the external auditor, the Committee has in place a policy that sets out the circumstances in which the external auditor may be permitted to undertake non-audit services. Details of the non-audit services that are prohibited and allowed under the policy can be found in the corporate governance section of Barclays website, barclays.com/corporategovernance.

Allowable services are pre-approved up to £100,000, or £25,000 in the case of certain taxation services. Any proposed non-audit service that exceeds these thresholds up to £250,000 requires specific approval from the Chairman of the Committee and non-audit services of £250,000 and above require the approval of the Committee before the external auditor can be engaged. When calculating the expected engagement fees, the policy also requires that expected expenses and disbursements are taken into account.

The overriding principle of the policy is that the Group should only engage the external auditor to supply non-audit services (other than those services that are legally required to be performed by the external auditor) in specific, carefully controlled circumstances. Prior to considering the engagement of the external auditor to carry out any non-audit service, alternative providers must be considered. Where it is proposed that the external auditor should be engaged, the request must be supported by a detailed explanation of the clear commercial benefit, why an alternate service provider was not selected and why the external auditor is best placed to carry out the service. In each case, the request to use the external auditor for these services must be sponsored by a senior executive, and the relevant audit partner is required to attest that provision of the services has been approved in accordance with the external auditors own internal ethical standards and that its objectivity and independence would not be compromised.

- Evaluated reports issued following inspections of PwC by the FRC s Audit Quality Review Team and the US Public Company Accounting Oversight Board. The Committee scrutinised the findings of each report, including actions taken to address prior findings and any areas of further focus that had been identified. It agreed that the audit was acceptable overall and that any identified areas for further improvement had been addressed or had appropriate action plans in place.

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During 2014, the Chairman of the Committee or the Committee as a whole, as appropriate, scrutinised all requests referred for approval to engage PwC for non-audit services, particularly those that concerned taxation-related services. Two requests for approval were declined (2013: two). A breakdown of the fees paid to the external auditor for non-audit work during 2014 may be found in Note 42 on page 338, with non-audit fees representing 25.7% (2013: 28.5%) of the audit fee. Significant categories of engagement undertaken in 2014 included:

¡ Attest and assurance services required by regulators in connection with reviews of internal controls including an audit of benchmark interest rate submissions;

¡ Tax compliance services in respect of assignments initiated pre-January 2011 in connection with Barclays international and expatriate employees, involving co-ordination and filing of statutory tax returns, social security applications and additional compliance filings;

¡ Transaction support on secured funding transactions, including the provision of audits required by the Bank of England and the issue of comfort letters; and

The Committee will direct the tender process and, following engagement with key shareholders, it has agreed a governance framework, the main features of which are:

¡ Given his former, recent position at KPMG and the fact that KPMG has indicated its intention to tender, Mike Ashley will take no part in the audit tender process other than providing comments on the initial design of the tender process;

¡ An Audit Tender Oversight Sub-committee has been established, comprising Tim Breedon (Chairman), Crawford Gillies and Colin Beggs (the Chairman of the audit committee of Barclays Africa Group Limited), to:

Agree the objectives and desired outcomes for the audit tender process;

Approve the design of the process;

Construct and agree a shortlist of firms to be asked to participate; and

Oversee the implementation of the process.

¡ The Board Audit Committee as a whole (other than Mike Ashley), with Colin Beggs as a co-opted member, will participate in the implementation phase, assess the prospective candidates and recommend to the Board two potential candidates and the preferred

- Other services covering the (i) provision of remuneration-related regulatory advice and support to the Board Remuneration Committee and Reward teams; and (ii) provision of a feasibility study and assistance in the design of a prototype for a mobile technology-based product offering.

The Committee assessed each request to ensure the objectivity and independence of the external auditor would not be impaired by providing the services. Each assessment of the request to engage the external auditor was supported by the information required by the policy to be provided, as described above. Where appropriate, the requests also included a risk assessment addressing the degree to which Barclays anticipated relying on the auditor, details of any investigation of any possible conflicts of interests and how these had been addressed and an explanation of why the work required could not be undertaken by management.

External audit tender

In its 2013 report, the Committee stated it was awaiting the final rules from the European Union and the Competition Commission (now the Competition and Markets Authority) before confirming the timetable for the external audit tender. Since then, new rules published by the European Union have been reflected in the final order published by the Competition and Markets Authority, which came into force on 1 January 2015. It is now clear that FTSE 350 companies such as Barclays must retender the external audit at least every 10 years and that the audit firm must be rotated at least every 20 years. As PwC, and its predecessor firms, has been Barclays external auditor since 1896, and it is more than 10 years since the external audit was last tendered, following further discussion with investors the Committee agreed that a tender will be conducted in 2015 with a view to rotating the external audit firm for the 2017 audit onwards. PwC will consequently not be asked to tender.

firm to be appointed.

The expected timeline for the external tender process during 2015 is:

January-March Design and issue of the tender document to audit firms

April-June Interviews with shortlisted candidates and agreement on choice to be presented to the Board and the preferred firm

July New external auditor to be agreed, to be appointed with effect from the audit of the 2017 financial year onwards

This timeline allows for a transition period to deal with any non-audit services provided to Barclays by the incoming auditor and any other potential independence conflicts.

A copy of the audit tender document will be made available at barclays.com/corporategovernance

Board Audit Committee Allocation of Time (%)

		2014	2013
1	Control Issues	**24**	16
2	Financial Results	**42**	40
3	Internal Audit matters	**8**	8
4	External Audit matters	**11**	11
5	Business Control Environment	**10**	16
6		**5**	8

Other (including Governance and Compliance)

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Governance: Directors report

What we did in 2015

Board Enterprise Wide Risk Committee Report

A useful opportunity for a more wide-ranging and free-thinking debate about possible risks that might emerge.

Dear Shareholders

2014 was the second year of operation of the Committee. It continues to provide a useful opportunity for a more wide-ranging and free-thinking debate about possible risks that might emerge and which may not have been captured by the remit of the Board Financial Risk Committee or the Board Conduct, Operational and Reputational Risk Committee.

Demands on the Board s time meant that the Committee was only able to meet once as a Committee in 2014, with a planned second meeting to consider in particular risk appetite for 2015 held concurrently with a Board meeting. At our meeting, our debate focused on the emerging risk themes that are being monitored internally, which include political instability outside the UK, in particular Eastern Europe and the Middle East; UK political risk, in particular, the Scottish and potential EU referenda; cyber risk; the UK housing market; and legal and conduct risk. Specific risks arising from each of these themes are being tracked and monitored by the Board Financial Risk Committee or the Board Conduct, Operational and Reputational Risk Committee. We did, however, spend some time deliberating the potential impact of a yes vote in the Scottish referendum, given how uncertain the likely

Committee composition and meetings

The Committee comprises the Chairman, Deputy Chairman and the Chairmen of each of the principal Board Committees. Reuben Jeffery (Chairman, Board Conduct, Operational and Reputational Risk Committee) joined the Committee with effect from 1 April 2014.

The Committee met once as a Committee in 2014, with a further meeting to discuss and approve Risk Appetite for 2015 held concurrently with a Board meeting. The meeting held was attended by management, including the Group Chief Executive, Group Finance Director, Chief Internal Auditor, Chief Risk Officer, General Counsel and Head of Compliance. The meeting was also attended by an external third party, who presented to the Committee an external perspective on potential future risks.

The chart below shows how the Committee allocated its time in 2014:

outcome appeared to be at the time. Although such an eventuality did not transpire, the main risk for us would have arisen from a disorderly transition, which may have given rise to redenomination risk. We also debated the possible indirect impacts, such as the greater likelihood of a referendum on the UK s continuing membership of the EU.

We also heard from a third party, who provided an external perspective on potential over the horizon risks. These are risks, which, while of low probability, may have a significant impact if they crystallise. As a result of our discussion, we asked the Board Financial Risk Committee to undertake a closer examination of Barclays exposures to central counterparties in the derivatives market.

Sir David Walker

Chairman, Board Enterprise Wide Risk Committee

2 March 2015

Member	Meetings attended/eligible to attend
Sir David Walker	2/2
Mike Ashley	2/2
Tim Breedon	2/2
Reuben Jeffery III (from 1 April 2014)	2/2
Sir Michael Rake	2/2
Sir John Sunderland	2/2

Committee role and responsibilities

The Committee s role is to take an enterprise-wide view of risks and controls, bringing together the overall risk appetite and risk profile of the business. It focuses on a holistic view of Barclays risk appetite and risk profile and to seek to identify potential future risks.

You can find the Committee s terms of reference at barclays.com/corporategovernance

Board Enterprise Wide Risk Committee Allocation of Time (%)

	2014	2013
1 Risk Profiles/Risk Appetite	79	61

2 Key Risk issues	**13**	16
3 Regulatory frameworks/Risk Policies	**4**	10
4 Other	**4**	13

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What we did in 2014

Board Financial Risk Committee Report

Further regulatory change, such as structural reform in the UK, US and continental Europe, which will require Barclays to segregate its activities, will require changes in how the Group operates and an increased focus on capital, liquidity and funding in legal entities.

Dear Shareholders

Going into 2014, we expected to see a continuation of subdued economic conditions in some of our main markets. GDP was expected to show a gradual recovery, with unemployment remaining high in the medium term and house prices staying below their long-run average, albeit with an upward trend. Significant areas of uncertainty also existed, including the possible slowing of monetary stimulus. It was in this context that our financial risk appetite for 2014 and our financial risk triggers were set within parameters that positioned Barclays conservatively.

The Committee continued to scrutinise credit performance in each of our main markets during 2014 in the light of the ongoing uncertain political, economic and regulatory environment. We saw a reduction in credit impairment and better performance in our UK and US portfolios in 2014, reflecting improved economic conditions in these countries. The South African economy remained weak, with higher

Looking ahead

During 2014 I had a significant level of engagement with our regulators in the UK and the US in my role as Chairman of the Committee. Basel III and CRD IV have required Barclays to increase the amount and quality of the capital it is required to hold and good progress has been made towards achieving the Group s targets. It is clear, however, that further regulatory change, such as structural reform in the UK, US and continental Europe, which will require Barclays to segregate its activities, will require changes in how the Group operates and an increased focus on capital, liquidity and funding, in legal entities. The Committee expects to focus its attention in 2015 on ensuring that Barclays is able to respond to the challenge of these new regulatory requirements.

Tim Breedon

Chairman, Board Financial Risk Committee

2 March 2015

Committee composition and meetings

The Committee is composed solely of independent non-executive Directors. Tim Breedon became Chairman of the Committee with effect from 1 January 2014. Steve Thieke joined the Committee with effect from 7 January 2014 on his appointment to the Board. Sir Michael Rake stepped down from the Committee with effect from 31 July 2014. Details of the skills and experience of the Committee members can be found in their biographies on pages 34 and 35.

unemployment and inflation, while our European portfolios remained under pressure, with the Eurozone still susceptible to exogenous and other shocks. Overall credit risk performance for 2014 was ahead of our expectations. The Committee reflected in 2014 on the creation of the Non-Core business and the potential impact on risk management structures and processes. The Group Strategy Update, announced on 8 May 2014, and the rebalancing of the Group into Core and Non-Core businesses, is designed to de-risk the Group, strengthen the balance sheet and meet capital and leverage targets. This realignment of the business has been reflected in the distribution of Risk Weighted Assets (RWAs), although Barclays overall risk appetite for 2014 remained unchanged. Overall RWAs decreased by £40.6bn in 2014, primarily as a result of reductions in Barclays Non-Core. The Group s plans to run down the Non-Core business further will free up capital both to improve further the Group s capital ratios and fund growth in the Core businesses.

Committee performance

As part of the annual Board effectiveness review, a separate exercise was conducted to assess the Committee s performance. The assessment found that the Committee is performing effectively. Please see the Board evaluation report on pages 60 and 61 for more details. I would like to extend my thanks to my colleagues on the Committee for their contribution and support during 2014.

The Committee met seven times in 2014, with two of the meetings held in New York. The chart on page 51 shows how the Committee allocated its time during 2014. Committee meetings were attended by management, including the Group Chief Executive, Group Finance Director, Chief Internal Auditor, Chief Risk Officer, Barclays Treasurer and General Counsel, as well as representatives from the businesses. The lead audit partner from the external auditor also attended each meeting.

Member	Meetings attended/eligible to attend
Tim Breedon	7/7
Mike Ashley	7/7
Reuben Jeffery III*	5/7
Dambisa Moyo	7/7
Sir Michael Rake (to 31 July 2014)*	3/4
Steve Thieke (from 7 January 2014)	7/7

*Unable to attend meetings owing to prior business commitments

Committee role and responsibilities

The Committee s responsibilities include:

¡ Recommending to the Board the total level of financial risk the Group is prepared to take (risk appetite) to achieve the creation of long-term shareholder value;

¡ Monitoring financial risk appetite, including setting limits for individual types of financial risk, e.g. credit, market and funding risk;

- Monitoring the Group s financial risk profile;
- Ensuring that financial risk is taken into account during the due diligence phase of any strategic transaction; and
- Providing input from a financial risk perspective into the deliberations of the Board Remuneration Committee.

The Committee s terms of reference are available at

barclays.com/corporategovernance

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Governance: Directors report

What we did in 2014

Board Financial Risk Committee Report

The Committee s work

The significant matters addressed by the Committee during 2014 are described below:

Area of focus	Matter addressed	Role of the Committee	Conclusion/action taken
Financial risk appetite, i.e. the level of risk the Group chooses to take in pursuit of its business objectives	The level of financial risk appetite the Group is prepared to take in 2015, including liquidity risk appetite	¡ Scrutinised and debated management s recommendations on the financial volatility parameters to be used, i.e. parameters for the Group s performance under varying levels of financial stress, and the proposed financial risk appetite	¡ The Committee recommended the proposed financial risk appetite for 2015 to the Board for approval, suggesting some minor adjustments to be made to the financial volatility parameters ¡ It also requested a review of the process and methodology for setting risk appetite given the regulatory environment, the increasing significance of conduct and operational risk and changes to the structure of the Group. This review will take place in 2015

¡ ¡

Liquidity and funding, i.e. having sufficient financial resources available to enable the Group to meet its obligations as they fall due	Compliance with regulatory requirements and internal liquidity risk appetite. The potential impact of a credit rating downgrade for Barclays and the impact of a rise in interest rates on customer behaviours	Requested specific reports and analysis on these matters assessed the potential impact on funding costs and flows of a credit rating agency downgrade, given the loss of sovereign support notching and potential management actions to maintain the liquidity coverage ratio ¡ Evaluated the potential impact on planned deposit balances of an increase in interest rates and available management actions	The Committee was satisfied that Barclays liquidity risk profile was appropriate ¡ It also endorsed the range of management actions that had been identified to address any impact on funding of a credit rating downgrade and an increase in interest rates
Capital and leverage, i.e. having sufficient capital resources to meet the Group s regulatory requirements, maintain its credit rating and support growth and strategic options	The flight path to achieving required regulatory and internal targets and capital and leverage ratios	¡ Tracked progress against target capital and leverage ratios and available management actions to achieve the target, debating regular reports from Barclays Treasurer	¡ The Committee supported the forecast trajectory and the identified management actions
Stress testing, i.e. testing whether the Group s financial position and risk profile provide sufficient resilience to withstand the impact of severe economic stress	The scenarios for stress testing, the results and implications, including stress tests run by the Bank of England (BoE) and European Banking Authority (EBA)	¡ Evaluated the scenarios proposed by management and those required by the BoE and EBA ¡ Examined the impact of differences in assumptions and methodologies between internal and regulatory stress tests ¡ Assessed the available management actions to mitigate the impact of the	¡ The Committee agreed the scenarios for Barclays internal stress test and endorsed the identified management actions ¡ It also approved the results of the stress tests run by the BoE and EBA, which demonstrated that Barclays maintains acceptable leverage and capital ratios at the low points of the stress

stress

Country risk	The potential impact of political and economic instability outside the UK (in particular, Russia and Ukraine) and the economic outlook for the South African economy	¡ Examined Barclays exposures to Russian counterparties and how these were being managed in light of sanctions imposed as a result of the Ukrainian political situation ¡ Assessed the implementation of sanctions requirements in respect of Russian clients ¡ Debated Barclays risk strategy for South Africa given the economic and political environment and the size of Barclays business and the capital invested	¡ The Committee encouraged management to continue to manage down Barclays risks and exposures to Russia: by 31 December 2014 these exposures had reduced by £1.3bn ¡ In respect of South Africa, the Committee suggested a number of factors for further consideration by the risk function in managing the Group s exposure

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Area of focus	Matter addressed	Role of the Committee	Conclusion/action taken
Political and economic risk	The prospect of a yes vote in the Scottish independence referendum	¡ Evaluated management s view of the potential impact, including potential exposures to redenomination risk, and assessed contingency plans	¡ The Committee supported the contingency measures identified but asked for the plans to be revisited in the event of a yes vote
		¡ Debated the possible wider implications for political and economic policy and the potential impact on economic growth and market volatility	
Retail credit risk	The potential overheating of the UK housing market, particularly in London and the South East	¡ Examined Barclays exposures to the UK mortgage market and details of the lending criteria applied, including a higher interest rate stress	¡ The Committee asked for additional monitoring of high LTV/loan to income mortgages, which was subsequently incorporated into the quarterly risk profile report presented to the Committee
		¡ Debated affordability measures, income multiples and Loan to Value (LTV) ratios	

Retail credit risk	Risk management in Barclaycard given its plans for growth	¡ Assessed the strength of risk management in place to ensure that growth remains within risk appetite	¡ The Committee will be kept updated on the risk performance of new business
Redenomination risk	Barclays exposure to redenomination risk in selected Eurozone countries	¡ Examined management s proposals to continue to reduce the funding gap in certain Eurozone countries, in particular Italy	¡ The Committee encouraged management to make further progress in reducing redenomination risk, particularly in the context of the creation of the Non-Core business and the intention to exit certain markets. Overall redenomination risk fell by 22% in 2014
Risk governance and control	Enhancing the limit framework and governance of leveraged finance and single name risk	¡ Examined the limit framework and governance in place around leveraged finance to ensure its robustness given that this business is a significant source of income and risk for the Investment Bank	¡ The Committee asked for a more granular limit framework to be put in place, including revised limits and enhanced governance of single-name risk. This new framework was implemented in December 2014
Remuneration	The scope of any risk adjustments to be taken into account by the Board Remuneration Committee when making remuneration decisions for 2014	¡ Assessed a report from the Risk function on the risk metrics to be used to determine financial performance ¡ Evaluated the Risk function s view of performance, which informed remuneration decisions for 2014	¡ The Committee supported the proposed choice of metrics and supported the Risk function s view of 2014 financial risk performance The Remuneration Report on pages 77 to 110 includes more

detail on how risk is taken into account in remuneration decisions

In addition, the Committee also covered the following matters in 2014:

- ¡ Tracked the utilisation of risk appetite and evaluated the Group s risk profile;
- ¡ Assessed the progress being made to deliver a new target operating model for the Risk function;
- ¡ Evaluated the MCA and control environment of the Risk and Treasury functions, including any plans in place to achieve improvements;
- ¡ Approved updated limits for traded market risk and underwriting risk;
- ¡ Examined the progress being made on model risk governance, including progress made on achieving full review and validation of all of the most significant risk models on an annual basis;
- ¡ Evaluated the funding mix of Barclays US operations;
- ¡ Assessed Barclays potential exposures to central counterparties in the event of a default and confirmed the appropriateness of the governance in place to manage any potential

Board Financial Risk Committee Allocation of Time (%)

		2014	2013
1	Risk Profile/Risk Appetite (including capital and liquidity management)	**57**	48
2	Key Risk issues	**19**	22
3	Internal Control/Risk Policies	**11**	12
4	Other (including remuneration and governance issues)	**13**	19

Read more about Barclays risk management on pages 123 to 140 and in our Pillar 3 report, which is available online at barclays.com/annualreport

risk; and

- Recommended to the Board the proposed agreement with the Trustees of the UK Retirement Fund on the pension scheme triennial valuation and proposed deficit recovery plan.

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Governance: Directors report

What we did in 2014

Board Conduct, Operational and Reputational Risk Committee Report[a]

Progress continues to be made, with greater understanding amongst our leaders in terms of how to make decisions in the right way , but implementing and embedding cultural change is a multi-year task.

Dear Shareholders

A key focus of the Committee has been on monitoring the cultural change underway in the organisation. By the end of 2013, we had seen colleagues develop an understanding and connection with Barclays Purpose and Values. During 2014, the focus was on embedding and sustaining that change. Progress continues to be made, with greater understanding amongst our leaders in terms of how to make decisions in the right way , but implementing and embedding cultural change is a multi-year task.

There is evidence of a change in approach to conduct risk, with leaders in the business now responsible for identifying, managing and mitigating such risk, including the identification of

Committee composition and meetings

The Committee is composed of independent non-executive Directors, with the exception of Wendy Lucas-Bull, who the Board has decided not to deem as independent for the purposes of the UK Corporate Governance Code, owing to her position as chairman of Barclays Africa Group Limited. Membership of the Committee remained substantially the same as the prior year, with the exception that Reuben Jeffery became Chairman of the Committee on 1 April 2014 when Sir David Walker stepped down as Chairman of the Committee on 31 March 2014. You can find more details of the experience of Committee members in their biographies on pages 34 and 35.

The Committee met four times in 2014 and the chart on page 54 shows how the Committee allocated its time. Committee meetings were attended by management, including the Group Chief Executive, Chief Internal Auditor, Chief Risk Officer, General Counsel, Group Corporate Relations Director, and the Heads of Compliance, Conduct Risk and Operational Risk, as well as representatives from the businesses and other functions.

forward looking risks that could affect their businesses. Net operational risk losses have improved year-on-year and the measures have moved to within risk appetite. However, we cannot afford to be complacent given elevated risk assessments relating to cyber security, information technology and transaction operations across the financial services sector. In terms of our high priority reputational risks, we have increased our engagement with non-governmental organisations, reviewed our policies relating to the provision of finance to the defence and energy sectors and examined the management of human rights risks.

Committee performance

The evaluation of the effectiveness of the Committee conducted in 2014 found that the Committee is performing effectively. Please see the Board evaluation report on pages 60 and 61 for more details. I became Chairman of the Committee in April 2014, succeeding Sir David Walker, who played a significant role in establishing the Committee and setting out the vision for where it would focus its attention and add value. I would like to thank him and my fellow Committee members for their hard work and support.

Looking ahead

The landscape continued to change significantly in 2014, with increased cost pressures, rising customer and external shareholder expectations and significant organisational change across the Group. The Committee will continue to focus on embedding cultural change, the management of conduct risk, including the roll out of key performance indicators, and ensuring that operational risk is maintained within our risk appetite.

Member	Meetings attended/eligible to attend
Sir David Walker (Chairman to 31 March 2014)	1/1
Reuben Jeffery III (Chairman from 1 April 2014)	4/4
Mike Ashley	4/4
Tim Breedon	4/4
Wendy Lucas-Bull	4/4
Dambisa Moyo*	3/4
Diane de Saint Victor*	3/4
Sir John Sunderland	4/4

*Unable to attend a meeting owing to prior business commitments

Committee role and responsibilities

The principal purpose of the Committee is to:

¡ Ensure, on behalf of the Board, the efficiency of the processes for identification and management of conduct, reputational and operational risk; and

¡ Oversee Barclays Citizenship Strategy, including the management of Barclays economic, social and environmental contribution.

The Committee s terms of reference are available at

barclays.com/corporategovernance

Reuben Jeffery III

Chairman, Board Conduct, Operational and Reputational Risk Committee

2 March 2015

Note

a The name of the Committee changed from the Board Conduct, Reputation and Operational Risk Committee in June 2014

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The Committee s work

The significant matters addressed by the Committee during 2014 are described below:

Area of focus	Matter addressed	Role of the Committee	Conclusion/action taken
Conduct risk	The roll-out of the conduct risk management framework, with the aim of embedding the ownership and management of conduct risk in each business, and the reduction of customer complaint levels including referrals to the Financial Ombudsman Service (FOS)	¡ Tracked progress of the conduct risk programme via quarterly reports from management ¡ Debated the respective roles and responsibilities of the first and second lines of defence ¡ Supported management in establishing levels of acceptance and accountability for conduct risk by the businesses including adoption of formal KPIs ¡ Worked with management to develop key risk indicators and metrics ¡ Assessed any conduct risk impacts arising from the strategy update ¡ Evaluated complaints handling, tracking progress	¡ The Committee supported Barclays conduct risk strategy and endorsed measures to foster acceptance by the businesses, including the introduction of KPIs, the requirement for culture and values training at induction and at regular intervals thereafter, and the requirement for all employees to attest to reading and understanding the Code of Conduct ¡ The Committee continued to focus on the level of customer complaints referred to the FOS

		of initiatives to reduce overall complaints volumes and those referred to FOS	
Cultural change	The effective implementation of the Transform culture and values programme and progress in delivering a number of activities to facilitate change	¡ Assessed the status of implementation, levels of engagement across the Group and the support provided to the senior leaders group in setting the values and helping colleagues understand the importance of doing business in the right way	¡ The Committee concluded that good progress is being made but suggested that management should do more to highlight to colleagues the positive outcomes arising from a customer focus ¡ The majority of Committee members attended Barclays Culture and Values programme in 2014
Operational risk	Approval of operational risk appetite and the evaluation of any material changes to the Group s operational risk profile and performance versus risk appetite	¡ Evaluated management s recommendations on operational risk appetite, including measures for the quantitative and qualitative assessment of risks ¡ Examined the quarterly operational risk profile report, and debated how areas of heightened risk might be moved within risk appetite ¡ Assessed updates on cyber risk, examining the actions being taken on monitoring, prevention and detection ¡ Evaluated a revised policy for new product approval, the implementation plan and lines of accountability	¡ The Committee recommended operational risk appetite for 2015 to the Board for approval ¡ It tracked levels of operational risk losses, concluding that the Group s operational risk profile was stable overall, but that risk remained heightened in respect of cyber security, fraud, information, security of premises and technology ¡ The Committee approved the implementation of the new Group product approval process, to be owned by the Risk function

Reputational issues	How to ensure that reputational issues facing Barclays, and the financial services sector generally, were being identified, managed and anticipated, including ensuring that the businesses recognise, assess and manage potential risks at the earliest possible stage	¡ Provided input to revisions to the reputational risk framework to align it with Barclays revised governance model, particularly the Enterprise Risk Management Framework ¡ Examined the results of reputational risk horizon scans and probed the adequacy of mitigation measures in place	¡ The Committee approved the revised reputational risk framework for roll-out across the Group

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Governance: Directors report

What we did in 2014

Board Conduct, Operational and Reputational Risk Committee Report[1]

Area of focus	Matter addressed	Role of the Committee	Conclusion/action taken
Citizenship	The delivery of the 2015 Citizenship Plan and development of a longer-term Citizenship strategy	¡ Assessed progress on the delivery of initiatives against the Citizenship Plan ¡ Evaluated the level of ownership by the business, including the degree to which Citizenship was integrated into business plans with clear targets	¡ The Committee was satisfied with the progress of the Plan during 2014 and noted the development of a revised Citizenship Strategy, *Barclays 2020 Ambition* ¡ It recommended that Citizenship activity might be focused more on initiatives connected to Barclays business, such as support for small and medium enterprises Read more about Barclays approach to Citizenship on page 14.

In addition, the Committee also assessed and/or approved the following matters in 2014:

¡ The Compliance function s business plan and key areas of focus for 2014;

¡ Compliance Group Policies;

¡ An update to *The Barclays Way*, the Group-wide code of conduct, and the levels of attestation by colleagues globally;

¡ The results of Barclays review of collections processes and procedures conducted in tandem with the industry-wide thematic review by the FCA of mortgage arrears handling;

¡ The effectiveness of Barclays sanctions compliance programme, particularly in view of Russian sanctions implemented in 2014;

¡ The tax risk framework and performance against tax risk appetite and the tax risk profile;

¡ Barclays response to a PRA and FCA critical infrastructure and technology resilience review;

¡ Barclays plans for compliance with the Volcker Rule (restrictions on proprietary trading and certain fund investments by banks operating in the US);

¡ The 2013 Citizenship Report for publication; and

¡ The terms of reference of the Committee to ensure that it continued to operate with maximum effectiveness.

Board Conduct, Operational and Reputational Risk, Committee Allocation of Time (%)

		2013
	2014	10
1 Citizenship	**2**	10
2 Reputational Issues	**7**	47
3 Culture, Conduct and Compliance	**52**	28
4 Operational Risk	**33**	5
5 Other	**6**	

Read more about Barclays risk management on pages 123 to 140 and in our Pillar 3 report, which is available online at barclays.com/annualreport

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Governance: Directors report

What we did in 2014

Board Corporate Governance and Nominations Committee Report

The Committee will need to ensure that the Group s governance framework can respond to the proposed structural reform changes.

Dear Shareholders

2014 was a year of great activity for the Committee. In addition to its key responsibility of assuring we have an effective Board and Board Committees in place, the Committee examined the implications arising from the recommendations made by the Parliamentary Commission on Banking Standards and the proposals made by the PRA for structural reform of banking groups.

During 2014 we announced the appointment of three new independent non-executive Directors, including John McFarlane, who will succeed me as Chairman in April 2015. In terms of Board Committee composition, membership has been refreshed and we discussed the importance of ensuring that we are able to identify successors to the current Board Committee Chairmen.

In addition, we have focused on executive succession and much work has been done to assess the strength and capability of the Senior

Committee composition and meetings

The Committee is composed solely of independent non-executive Directors. Sir David Walker, as Chairman of the Board, is also Chairman of the Committee. Mike Ashley, Tim Breedon, Reuben Jeffery and Sir John Sunderland, being the Chairmen of each of the other Board Committees, and Sir Michael Rake, the Deputy Chairman and Senior Independent Director, are also members of the Committee. Details of the skills and experience of the Committee members can be found in their biographies on pages 34 and 35.

During 2014, there were three meetings of the Committee and attendance by its members is shown below. The chart on page 57 shows how the Committee allocated its time during 2014. Committee meetings were attended by the Group Chief Executive with the HR Director, the Global Head of Learning & Talent and representatives from Spencer Stuart presenting on specific items.

Member	Meetings attended/eligible to attend
Sir David Walker	3/3

Leaders Group, which is increasingly functioning as a cohesive team. There is also a much greater focus on values and culture in recruitment and talent assessments, with hiring decisions being made on the basis of fit with our values.

There have also been some notable successes in the diversity agenda, with external recognition for our approach to gender diversity and progress being made on plans to place high-potential women as non-executive directors on external boards.

Committee performance

The Committee directed the annual review of the effectiveness of the Board and its Committees, including its own. The Board concluded that the Committee is operating effectively. Please see the Board evaluation report on pages 60 and 61 for more details.

Looking ahead

The Committee will need to ensure that the Group s governance framework can respond to the proposed structural reform changes, which will impact the way the Group is structured. We will also need to ensure that the Group has the depth and breadth of talent to succeed, particularly given the impact of regulatory change on management responsibilities and remuneration, which will impact the talent pool available to banks at a time when the competition for good, credible candidates will increase.

Sir David Walker

Chairman, Board Corporate Governance and Nominations Committee

2 March 2015

Mike Ashley	3/3
Tim Breedon	3/3
Reuben Jeffery III (from 1 April 2014)	2/2
Sir Michael Rake	3/3
Sir John Sunderland	3/3

Note

The Chairman and the Chief Executive Officer, Antony Jenkins, who attends each meeting, excused themselves when the Committee focused on the matter of succession to their roles.

Committee role and responsibilities

The principal purpose of the Committee is to:

¡ Support and advise the Board in ensuring that the composition of the Board and its Committees is appropriate and enables them to function effectively;

¡ Examine the skills, experience and diversity on the Board and plan succession for key Board appointments, planning ahead to deal with upcoming retirements and to fill any expected skills gaps;

¡ Provide oversight, at Board level, of the Group s talent management programme and diversity and inclusion initiatives;

¡ Agree the annual Board effectiveness review process and monitor the progress of any actions arising; and

¡ Keep the Board s governance arrangements under review and make appropriate recommendations to the Board to ensure that they are consistent with best practice corporate governance

standards.

You can find the Committee s terms of reference at barclays.com/corporategovernance

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Governance: Directors report

What we did in 2014

Board Corporate Governance and Nominations Committee Report

The Committee s work

The significant matters addressed by the Committee during 2014 are described below:

Area of focus	Matter considered	Role of the Committee	Conclusion/action taken
Appointments to the Board	Board and Committee refreshment arising from the retirements of Directors during 2014 and expected retirements in 2015	¡ Debated the appropriate structure, size and composition of the Board and its Committees to ensure optimum membership and effectiveness	¡ The Committee recommended the appointments of Steve Thieke, Crawford Gillies and John McFarlane as non-executive Directors during 2014. Please refer to pages 57 to 59 for details of the Board s approach to recruitment of new Directors and the case study of the recruitment of John McFarlane in particular
Succession planning and talent management	The consolidation of the previously fragmented approach to succession planning and talent management of the Senior Leaders Group, focusing on gaps in succession plans for Group Executive Committee roles resulting from the rebuilding of the Group	¡ The Committee identified the leadership needs of the Company, assessed the overall bench strength of leadership of Barclays Senior Leaders Group and evaluated the adequacy of succession plans for members of the Group Executive Committee and	¡ The Committee assured the strength and capability of the Senior Leaders Group, and supported a greater focus on values and culture in recruitment and talent assessments, with hiring decisions being made on the basis of fit with Barclays Values

	Executive Committee over the past two years	the Board ¡ Scrutinised progress reports relating to the Talent Management Programme, which identifies talented people within Barclays who are capable of development and promotion to senior levels, and the recruitment of individuals with appropriate values and culture	¡ The Committee has also ensured the identification of potential succession candidates for Group Executive Committee roles on the basis of readiness within two years; from three to five years and emergency cover
Board effectiveness	2014 review of the effectiveness of the Board and its Committees	¡ Debated the approach to be taken to the review, probed analysis resulting from a peer review of evaluation processes undertaken in the prior year and of potential service providers	¡ The Committee set the criteria for conduct of the reviews, including the appointment of an external facilitator, and agreed an action plan to ascertain progress. See pages 58, 60 and 61 for a full description of the process and outputs from the 2013 and 2014 effectiveness reviews
Senior managers and certification regime	The proposed new regime, replacing the Approved Persons regime, requires senior managers, including Board Directors and Executive Committee members, to have a statement of responsibilities In addition, legislation has created a new criminal offence, where senior managers may be prosecuted in circumstances where their decision or failure to act leads to a firm s failure, and a further provision has	¡ Examined the proposals and agreed that Barclays should input to the consultation on the new regime in order to make the views of the Board known	¡ The Committee supported Barclays intention to request further guidance from regulators on the standards of evidence that will be required to prove that senior managers acted reasonably and clarity on how the standards would apply to non-executive Directors

	reversed the burden of proof for UK regulatory enforcement		
Significant subsidiary board composition	As a result of structural reform, Barclays will need to create two significant subsidiaries: a UK ring fence bank and a US intermediate holding company, which will be required to have independent non-executive Directors	¡ Scrutinised the proposed governance arrangements for the appointment of non-executive Directors to the boards of Barclays significant subsidiaries	¡ The Committee agreed that appointments to the boards of these entities should be approved by the Committee. It also approved the prospective appointment of Steve Thieke as chairman of the US intermediate holding company once that company is established

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Area of focus	Matter considered	Role of the Committee	Conclusion/action taken
Governance of audit tender process	New rules enacted by the EU, reflected in a final order published by the Competition and Markets Authority requires Barclays to tender its external audit and change auditors by June 2020	¡ Examined the Board Audit Committee s recommendations that a member of the Board Audit Committee other than Mike Ashley should lead the audit tender given his recent, former association with KPMG, who are likely to be a bidder	¡ The Committee agreed that Mike Ashley should recuse himself from the audit tender process and that Tim Breedon should lead the process in his stead ¡ The Committee also supported the decision of the Board Audit Committee to constitute an Audit Tender Oversight Sub-committee. Further information is provided on page 47
Board Committee structure	The potential creation of a Board Operations and Technology Risk Committee	¡ Debated the proposal with the existing Board Committee Chairmen in view of the potential impact on the remit of those Committees. Key considerations were to avoid fragmenting the Board Committees further and creating more Board Committees than the Board could sustain	¡ Recognising that the Board Conduct, Operational and Reputational Risk Committee assesses operations and technology risk and that Michael Harte had been recruited as Chief Operations and Technology Officer, the Committee agreed not to create an additional committee, but to keep the matter under review in 2015

In addition the Committee covered the following matters:

¡ The review of non-executive Directors performance and independence as part of the Committee s assessment of their eligibility for re-election;

¡ Consideration of minor changes to the Company s Board Diversity Policy and recommended it to the Board for approval;

¡ Updating of the Charter of Expectations and Corporate Governance in Barclays;

¡ Proposals for the 2014 Corporate Governance Report;

¡ Its annual review of the Directors register of interests and authorisations granted;

¡ Changes to the Committee s terms of reference to reflect requirements of the UK Corporate Governance Code and the European Banking Authority s Guidelines to reflect the Committee s role in assessing the suitability of Board members, Group Executive Committee members and those in significant influence positions; and

¡ Approved Barclays response to the Salz Board Governance recommendations.

Board Corporate Governance and Nominations Committee Allocation of time (%)

	2014	2013
1 Corporate Governance Matters	21	22
	20	19

Appointment and re-election of Directors

The Board regularly examines and refreshes its composition, recognising the importance of ensuring that it has an appropriate balance of skills, experience and diversity, as well as independence. The Committee has identified the key skills and experience required for the Board to function effectively, which are recorded on a skills matrix that includes target weightings for each attribute. This matrix sets out the core competencies, skills and diversity that are desired for the Board, including financial services, experience of operating as chief executives in other industries and experience of the main geographical markets in which Barclays operates.

The extent to which each of these attributes is represented on the Board is assessed by the Committee on a regular basis against the agreed skills matrix. This approach assists the Committee when determining likely future Board and Board Committee requirements by enabling the Committee to identify specific areas in which the Board would benefit from additional experience. All appointments to the Board are made on merit, taking into account skills, experience, independence and diversity, including gender.

Our approach to recruiting new non-executive Directors is to create a role and person specification with reference to the role requirements, including time commitment, the key competencies and behaviours set out in our Charter of Expectations and the desired key skills and experience identified from the skills matrix. The curriculum vitae and references of potential candidates are assessed by the Committee as a whole, (although see below in the case of the Chairman s succession), before shortlisted candidates are interviewed by

2 Board & Committee Composition	**43**	43
3 Succession planning and Talent	**11**	13
4 Board Effectiveness	**5**	4
5 Other		

members of the Committee. The Committee seeks engagement with key shareholders and Barclays regulators as part of the selection process. The feedback from these parties is taken into account before any recommendation is made to the Board, which is kept informed of progress throughout the selection and recruitment process. An illustration of the rigorous process applied to appointments can be found in the case study and timeline of the process to identify John McFarlane as successor to Sir David Walker as Chairman, which is set out on page 59.

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Governance: Directors report

What we did in 2014

Board Corporate Governance and Nominations Committee Report

A particular focus for the Committee in 2014 was the retirement of Simon Fraser and Fulvio Conti in April 2014, together with the prospective retirements of Sir David Walker and Sir John Sunderland in April 2015 and the associated need to identify successors for the Chairman, the Chairman of the Board Remuneration Committee and to maintain the membership of the Board Audit Committee.

Executive search firms MWM, Egon Zehnder International and Spencer Stuart were instructed to assist with our Director searches in 2014. None of these external agencies have any other connection with Barclays, other than to provide executive recruitment services. Open advertising was not used in 2014 for Barclays non-executive Board positions as the Committee believes that targeted recruitment, based on the agreed role and person specification, is the optimal way of recruiting for these positions.

Barclays announced the appointment of three new non-executive Directors during 2014: Steve Thieke, Crawford Gillies and John McFarlane. As previously reported, the appointment of Steve Thieke brought additional experience in banking regulation, investment banking and risk management to the Board. Crawford Gillies contributes experience in a range of different industries, including the financial services sector, in addition to a background in strategy and the public sector, whilst John McFarlane brings extensive experience of investment, corporate and retail banking, as well as insurance, strategy, risk and cultural change.

Diversity statement

Barclays adopted a Board Diversity Policy in 2012, which is published on Barclays website. The policy sets out the Board s aspirational goal of achieving 25% female representation on the Board by 2015. Although Barclays did not appoint a further female Director to the Board during 2014, its commitment to meeting this goal remains firm.

During 2014, progress was made in developing high potential women:

- In July, the Committee was updated on the Barclays Women on Boards Initiative, which focuses on placement of programme participants as directors on external boards together with mentoring by Board members in order to improve board readiness;
- Barclays high potential development programme for managing directors has 38% female representation, which will help rebalance female representation in the Senior Leaders Group and the Group Executive Committee through the internal pipeline; and
- A further key development was the creation of diversity and inclusion workstreams led by members of the Group Executive Committee as follows: Tom

He also has a strong track record as a CEO and subsequently as a Chairman.

These appointments allowed the Committee to refresh the membership of Board Committees in turn. Crawford Gillies became a member of the Board Remuneration Committee in May 2014 given his experience of chairing the remuneration committee at Standard Life, and he will succeed Sir John Sunderland as Chairman of the Board Remuneration Committee with effect from the conclusion of the 2015 AGM. John McFarlane will succeed Sir David Walker as Chairman of Barclays with effect from the conclusion of the 2015 AGM. John joined the Board Corporate Governance and Nominations Committee and the Board Enterprise Wide Risk Committee with effect from 15 January 2015 and will become chairman of both committees on becoming Chairman. The membership of the Board Audit Committee was also maintained by the appointment of Crawford Gillies and Dambisa Moyo during 2014: these appointments also provide valuable cross-membership of Board Committees.

The Directors in office at the end of 2014 were subject to an effectiveness review, as described below. In addition, Barclays requires Directors to declare any potential or actual conflict of interest that could interfere with a Director s ability to act in the best interests of the Group. UK company law allows the Board to authorise a situation in which there is, or may be, a conflict between the interests of the Group and the direct or indirect interests of a Director or between the Director s duties to the Group and to another person. The Board has adopted procedures for ensuring that its powers to authorise conflicts operate effectively. For this purpose a register of actual and potential conflicts and of any authorisation of a conflict granted by the Board is maintained by the Company Secretary and reviewed annually by the Committee.

Based on the performance evaluation it is the view of the Committee, and the Board, that each Director proposed for re-election continues to be effective and

King (gender), Val Soranno Keating (LGBT), Ashok Vaswani (disability), Irene McDermott Brown (multi-generational) and Maria Ramos (multi-cultural).

As reported on page 13 there has already been an improvement in the number of women occupying senior roles in the Company since last year and we are committed to making further progress in 2015 by driving initiatives at all levels within the business. More details of Barclays Diversity and Inclusion strategy may be found on pages 74 to 76.

Review of Board and Board Committee Effectiveness

Barclays long-established practice is to ask an external facilitator to help conduct a review of the effectiveness of the Board, its Committees, the Executive and non-executive Directors and the Chairman. In 2014 the review was again facilitated by independent advisors, Bvalco, who have no other connection with Barclays.

As part of the review, the Directors completed a questionnaire, which focused on whether, in the case of both the Board and its Committees, each was effectively tackling the matters for which it is responsible and what improvements might be made to help meet future challenges, including development feedback for fellow Directors and the Chairman. Bvalco representatives held interviews with each participant, inviting them to discuss any features of Board or Committee content, process or dynamic which the individual thought relevant to improving the effectiveness of the Board s performance. Representatives from Bvalco also attended a meeting of the Board and certain Board Committee meetings in order to assess first-hand how the Board and Board Committees operated in practice.

Bvalco prepared a report for the Board and its Committees on the findings from the evaluation process, which was presented to the Board in February 2015. In addition, Bvalco briefed the Chairman on the

that they each demonstrate the level of commitment required in connection with their role on the Board and the needs of the business.

performance of each of the Directors, whilst the Senior Independent Director was provided with feedback on the Chairman s performance to be shared with him following discussions with the other non-executive Directors.

Having gone through the effectiveness review described above, the Directors are satisfied that the Board and each of its Committees operated effectively during 2014. Nonetheless, the Board has identified a number of actions that will help maintain and improve its effectiveness. These, together with an update on the actions taken following the 2013 review, are set out on pages 60 and 61.

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Governance in action: the appointment of

John McFarlane

At the time of his appointment in November 2012, Sir David Walker stated his intention to serve as Chairman for three years, with an anticipated retirement date in 2015. Accordingly, in October 2013 the Committee invited me to lead the Chairman succession process and constituted a sub-committee to assess potential candidates. The sub-committee comprised Mike Ashley, Tim Breedon, Reuben Jeffery and me as Chairman.

We drew up a candidate specification, reflecting the role profile set out in our Charter of Expectations and the chief qualities we were looking for in a candidate. These included:

- The ability to lead the Board and engender the respect of the non-executive Directors and Chief Executive Officer;
- Experience and a good understanding of the role of the Chairman in a global enterprise;
- In-depth knowledge of the financial services sector and investment banking in particular;

- Integrity, a strong commitment to excellent corporate governance and appreciation of the issues faced by Barclays; and

- The ability to liaise with and secure the trust of our shareholders and other stakeholders.

Spencer Stuart, an external search consultant, was engaged to assist with the selection process and conducted a global search to identify suitable, qualified candidates. They identified a number of candidates across the UK, Continental Europe, North America, Australia and South Africa for initial assessment.

The sub-committee consulted with its advisors throughout the process. Sir David Walker, as the incumbent Chairman, did not take part in the selection process, but was consulted for his views and insights into the role. I updated other Board members on progress throughout the process.

The initial candidate list was reduced to a shortlist for consideration by the sub-committee. As John McFarlane emerged as the preferred candidate, we undertook a number of stakeholder engagements:

- All Board members met with John McFarlane and had the opportunity to provide feedback;

- We kept our regulators fully updated and, in common with other Board appointments, obtained prior regulatory approval for John McFarlane s appointment; and

- We held discussions with a number of major investors who responded positively on the proposed appointment.

In addition to regular communication with Directors individually, the Board met twice specifically to

discuss the proposed appointment and to allow Directors to share their feedback on John McFarlane before approving his appointment, which was announced in September 2014. Given the time commitment required of the Barclays Chairman, we are grateful to Aviva plc and FirstGroup plc for agreeing to release John McFarlane to take on this important role: he will step down from these boards in April 2015 and July 2015, respectively.

The role of Barclays Chairman is a challenging one and I am pleased that in John McFarlane we identified someone who met all of the criteria we had set. He is an enormously experienced and respected banker, with global experience of both retail and investment banking who will bring great leadership, integrity and knowledge to the role.

Sir John Sunderland

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Governance: Directors report

What we did in 2014

Board Corporate Governance and Nominations Committee Report

Board evaluation in 2014

Board priorities	Exhibiting and upholding the Company s values	Leveraging Board experience in support of executives	Greater awareness of Board Committee work
2013 findings To better articulate the Board s 2014 priorities, as opposed to the business priorities and reflect these in Board and Committee papers	**2013 findings** To be kept directly informed on the progress of implementing cultural change	**2013 findings** To create additional time for more wide-ranging strategic discussions between the Board and Executive Committee members	**2013 findings** To give more time, on a rolling basis, to Board Committee reporting to the Board, to allow all Directors to gain a deeper understanding of the workings of each Board Committee and their forward agendas
Actions taken in 2014 As a result of Bvalco s interviews with the Directors and discussion at the Board meeting in February 2014, the Board	**Actions taken in 2014** The majority of non-executive Directors have attended Barclays Values training and the subject of values	**Actions taken in 2014** The Board met with executives outside of scheduled Board meetings to discuss and challenge the Group strategy during 2014,	**Actions taken in 2014** The Board has allowed more time to focus on reports from Board Committees. This included the forward agenda and

identified the following priorities for 2014:

- ¡ Board and Chairman succession
- ¡ Supporting the Executives
- ¡ Oversight and working through legacy issues
- ¡ Dealing more strategically with global regulation
- ¡ Exhibiting and upholding Barclays Values
- ¡ Building a cohesive, unitary Board

These priorities were reflected in Board and Board Committee agendas during the year and were also debated at the Committee meeting in July 2014

2014 findings

To refine the Board s priorities for 2015

and how we do business has been covered in the Chief Executive s reports to the Board and in business presentations

The Board Conduct, Operational and Reputational Risk Committee examined reports on progress being made in implementing cultural change

2014 findings

To continue the embedding of cultural change across and deeper into the organisation and provide effective oversight of progress

culminating in significant interaction with Group Executive Committee members when debating proposals relating to the strategy update which was announced in May 2014

The Chairman and Company Secretary gave a presentation to the Group Executive Committee on the composition, duties, role and expectations of the Board

The Board invited leaders of key businesses and functions to Board dinners to probe business strategies, plans, emerging issues and concerns

2014 findings

To continue to build effective relationships between the Board and business and functional heads

key issues examined to allow the Board to consult and challenge the work conducted by the Committee

The Committee Chairs ensured that they identified the key issues for discussion

2014 findings

To continue to deepen the Board s focus on the key priorities and main issues facing each of the Board Committees and to ensure that the Board Committee structure remains appropriate and fit for purpose

Actions to be taken in 2015

We will focus the Board s time on:

- Debating strategic options
- Culture and cultural change
- Succession and the talent pipeline
- Supporting the transition to a new Chairman
- Further improving information flows to the Board and Board Committees

Actions to be taken in 2015

We will leverage work that is underway to assess how well cultural change has been embedded in order to improve ways in which progress is measured and tracked by the Board

Actions to be taken in 2015

We will continue to build a better understanding of the role and expectations of the Board amongst senior executives, including the wider Senior Leaders Group

Actions to be taken in 2015

We will continue to enhance the content of reporting by Board Committees to the Board and ensure that all Directors have the opportunity to attend Board Committee meetings. The optimum Board Committee structure will also be kept under review

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Improvements to the Board appointment process	Director induction	Effective handling of legacy issues	Dealing more strategically with global regulation
2013 findings To ensure that all Board members are kept fully informed of prospective candidates and potential appointments	**2013 findings** To improve the on-boarding process for new Directors, including partnering new Directors, if appropriate, with longer-serving Board members	**2013 findings** To assess and work through legacy issues, including responses to the Salz Report	**2013 findings** To increase engagement and to deepen the relationship with the Group s regulators
Actions taken in 2014 A number of Board appointments were made in 2014 taking the new approach: Steve Thieke brings additional investment management and risk expertise to the Board, Crawford Gillies will succeed Sir John Sunderland as	**Actions taken in 2014** New Directors were offered the opportunity to partner with an existing Director as part of their induction programmes Following completion of the programmes, we	**Actions taken in 2014** The Regulatory Investigations Committee has provided oversight of the resolution of historical legal and regulatory risks and there have been regular reports to the Board. The Board Audit Committee and	**Actions taken in 2014** Representatives from the PRA, FCA and FRBNY have all attended meetings and presented to the Board during 2014 and the Board has been fully engaged on meeting regulatory expectations. The Board was also

Chairman of the Board Remuneration Committee, and John McFarlane will succeed Sir David Walker as Chairman The Board was kept regularly informed of the progress of non-executive Director searches, and the Chairman, Chief Executive Officer and members of the Committee interviewed shortlisted candidates The Board Corporate Governance and Nominations Committee has also assessed Group Executive Committee succession plans	sought feedback from the new Directors and a number of suggestions, including the preparation of capital and liquidity briefing papers were taken forward We asked Directors for their views on potential topics for training for the Board as a whole. We also asked Board Committee members for suggestions for Committee-specific training, which were reflected in the 2014 programme	the Board discussed PPI provisioning at length and agreed additional provisions. All of the Salz recommendations were complete by the end of 2014, but require some further embedding, with the Board regularly updated on progress	regularly briefed on the structural reform agenda in both the UK and the US
2014 findings To continue to ensure that the Board has sufficient visibility of executive succession planning and the talent pipeline	**2014 findings** To extend the new Director induction programme to involve senior executives below Group Executive Committee level and to continue to support new Board Committee Chairmen	**2014 findings** To continue to focus on the existing priority of overseeing the resolution of legacy issues	**2014 findings** To continue to focus the Board s time on strategy and strategic options
Actions to be taken in 2015	**Actions to be taken in 2015**	**Actions to be taken in 2015**	**Actions to be taken in 2015**

We will schedule a specific in-depth briefing for the Board on talent and succession planning and specific follow on updates as required	We will increase Directors interaction with members of the Senior Leaders Group and will continue to ensure that Board Committee Chairmen are provided with the right support, resources and information to enhance Board Committee effectiveness	We will continue to progress the resolution of historical legal and conduct risks, with appropriate oversight from the Board and Board Committees to ensure they are resolved in line with the Group s Values	As more clarity on the future regulatory framework emerges we will ensure that sufficient Board time continues to be devoted to debating strategy and strategic options, including leveraging the collective perspectives of the non-executive Directors

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Governance: Directors report

How we comply

UK Corporate Governance Code (the Code)

As Barclays is listed on the London Stock Exchange, we comply with the Code, which was published in September 2012. A copy of the Code is publicly available at www.frc.org.uk. Throughout the year, and at the date of the report, we applied the main principles and complied with the provisions of the Code, except as disclosed below:

- Provision C.3.7 of the Code requires that the external audit contract is put out to tender at least every ten years. We stated in our 2013 Annual Report that we would examine the position once final rules on audit tendering were published by the EU and subsequently implemented in the UK by the Competition & Markets Authority. In October 2014 the Statutory Audit Services Order 2014 was published, requiring FTSE 350 companies with financial years beginning on or after 1 January 2015 to put their audit contracts out to tender every 10 years and to give more powers to audit committees. Accordingly, Barclays is planning to tender its external audit in 2015. Further details of the proposed tender process are set out in the Board Audit Committee Report on page 47.

- Provision E.2.3 of the Code requires that the Chairman should arrange for all Directors to attend the AGM. While such arrangements were made, Wendy Lucas-Bull, who is based in South Africa, was unable to attend the 2014 AGM owing to transport disruption. The Chairman and all Board Committee Chairmen attended the meeting and were available to answer questions.

Disclosure and Transparency Rules

We comply with the corporate governance statement requirements of the FCA s Disclosure and Transparency Rules by virtue of the information included in this Governance section of the Annual Report. Certain additional information that is required to be disclosed pursuant to DTR7.2.6 may be found on pages 70 to 73.

New York Stock Exchange (NYSE)

NYSE rules permit Barclays to follow UK corporate governance practices instead of those applied in the US, provided that any significant variations are explained. This explanation is contained in Barclays 20-F filing, which can be accessed from the Securities and Exchange Commission s (SEC) EDGAR database or via our website, barclays.com.

A description of our corporate governance practices can be found in Corporate Governance in Barclays , which is available online at barclays.com/corporategovernance

Leadership

The Role of the Board

The Board is responsible to shareholders for creating and delivering sustainable shareholder value through the management of the Group s businesses. We do this by determining the strategic objectives and policies of the Group to deliver such long-term value and providing overall strategic direction within a framework of risk appetite and controls. Our aim is to ensure that management strikes an appropriate balance between promoting long-term growth and delivering short-term objectives. We endeavour to demonstrate ethical leadership and promote the Company s collective vision of its purpose, values, culture and behaviours. Each of the Directors must act in a way we determine, in good faith, would promote the success of the Company for the benefit of the shareholders as a whole.

We are also responsible for ensuring that management maintain a system of internal control which provides assurance of effective and efficient operations, internal financial controls and compliance with law and regulation. In addition, we are responsible for ensuring that management maintain an effective risk management and oversight process at the highest level across the Group. In carrying out these responsibilities, we must have regard to what is appropriate for the Group s business and reputation, the materiality of the financial and other risks inherent in the business and the relative costs and benefits of implementing specific controls.

The Board is also the decision-making body for all other matters of such importance as to be of significance to the Group as a whole because of their strategic, financial or reputational implications or consequences.

A formal schedule of powers reserved to the Board is in place. Powers reserved to the Board include the approval of strategy, the interim and full year financial statements, significant changes in accounting policy and practice, the appointment or removal of Directors or the Company Secretary, Directors conflicts of interest, changes to the Group s capital structure and major acquisitions, mergers, disposals or capital expenditure. A summary is available at barclays.com/corporategovernance.

We have a well-defined Corporate Governance framework in place which supports our aim of achieving long term and sustainable value, supported by the right culture, values and behaviours both at the top and throughout the entire Group.

Specific responsibilities have been delegated to Board Committees and each has its own terms of reference, which are available on barclays.com/corporategovernance.

Each Committee reports to, and has its terms of reference approved by, the Board and the minutes of Committee meetings are shared with the Board. The main Board Committees are the Board Enterprise Wide Risk Committee, the Board Audit Committee, the Board Remuneration Committee, the Board Corporate Governance and Nominations Committee, the Board Financial Risk Committee and the Board Conduct, Operational and Reputational Risk Committee.

In addition to the principal Board committees, the Regulatory Investigations Committee, which was formed in late 2012, focuses on regulatory investigations. This Committee met nine times in 2014. Sir David Walker is Chairman of the Committee and the other Committee members are Mike Ashley, Diane de Saint Victor, Antony Jenkins and Sir John Sunderland.

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Board Governance Framework

Responsibility for implementing operational decisions and the day-to-day management of the business is delegated to the Chief Executive Officer and the Group Executive Committee. In turn, authorities are also delegated to individual members of the Group Executive Committee.

The management committee structure supporting the executives decision-making is driven from the following design principles:

¡ There is a clear and consistent top-down governance structure across the Group, aligned to personal accountabilities and delegated authorities;

¡ There is clarity, both internally and externally, on how governance is operated and how business level governance activities feed into Group level governance activities;
¡ Risk and control considerations are embedded as an integral part of business decision-making; and

¡ There is consistency in the use of risk and control management data for both operational and governance purposes across all levels of the organisation.

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Governance: Directors report

How we comply

Attendance

During 2014, the Directors attended meetings, both scheduled meetings and additional meetings called at short notice, as set out below. Where a Director did not attend meetings owing to prior commitments or other unavoidable circumstances, he or she provided input to the Chairman so that his or her views were known.

Director	Independent	Scheduled meetings eligible to attend	Scheduled meetings attended	Additional meetings eligible to attend	Additional meetings attended
Group Chairman					
Sir David Walker	Independent on appointment	8	8	3	3
Executive Directors					
Antony Jenkins	Executive Director	8	8	3	3
Tushar Morzaria	Executive Director	8	8	3	3
Non-executive Directors					
Mike Ashley	Independent	8	8	3	3
Tim Breedon	Independent	8	8	3	2
Crawford Gillies (from 1 May 2014)	Independent	5	5	3	3
Reuben Jeffery III	Independent	8	7	3	3
Wendy Lucas-Bull	Non-independent	8	8	3	3

Dambisa Moyo	Independent	8	7	3	2
Frits van Paasschen	Independent	8	8	3	1
Sir Michael Rake	Deputy Chairman, Senior Independent Director	8	8	3	2
Diane de Saint Victor	Independent	8	8	3	3
Sir John Sunderland	Independent	8	8	3	2
Steve Thieke (from 7 January 2014)	Independent	8	8	3	3
Former Directors					
Fulvio Conti (to 24 April 2014)	Independent	3	3	0	0
Simon Fraser (to 24 April 2014)	Independent	3	3	0	0
Secretary					
Lawrence Dickinson		8	8	3	3

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Roles on the Board

The roles and responsibilities of the Chairman and the Group Chief Executive are separate and clearly differentiated. This division of responsibilities at the top of the Company ensures that no one person may exert absolute control.

Barclays Charter of Expectations sets out both the role profiles and the behaviours and competencies required for each role on the Board, namely Chairman, Deputy Chairman, Senior Independent Director, non-executive Directors, Executive Directors and Committee Chairmen. It also sets out the expectations that the Board has of each Director in their role on the Board, including expected competencies, behaviours and time commitment. It has established criteria for each role and prescribes high performance indicators for each role against which each Director s performance is measured. The Charter of Expectations is available at barclays.com/corporategovernance

Role	Main responsibilities
Chairman of the Board	¡ Leadership of the Board including its operation and governance ¡ Build an effective Board ¡ Sets the Board agenda in consultation with Group Chief Executive and Company Secretary ¡ Facilitates and encourages active engagement and appropriate challenge by Directors ¡ Ensures effective communication with shareholders and other stakeholders and ensures members of the Board develop and maintain an understanding of the views of major investors ¡ Acts as Chairman of Board Corporate Governance and Nominations Committee and Board Enterprise Wide Risk Committee
Deputy Chairman	¡ Acting as an ambassador for the Barclays Group, particularly in terms of developing and maintaining relationships with clients, politicians, regulators, industry representatives and key opinion formers ¡ Providing support and guidance to the Chairman ¡ Act as a host, as required, at business events for major clients, business contacts and key representatives of governments, regulators and other opinion formers

Group Chief Executive	¡ Recommends the Group s strategy to the Board ¡ Implements the Group s strategy ¡ Makes and implements operational decisions and manages the business day-to-day
Senior Independent Director	¡ Provides a sounding board for the Chairman ¡ Provides support for the Chairman in the delivery of his objectives ¡ Serves as a trusted intermediary for the Directors, when necessary ¡ Available to shareholders should the occasion arise where there is a need to convey concerns to the Board other than through the Chairman or Group Chief Executive
Non-executive Director	¡ Effectively and constructively challenges management ¡ Assesses the success of management in delivering the agreed strategy within the risk appetite and control framework set by the Board ¡ Exercises appropriate oversight through scrutinising the performance of management in meeting agreed goals and objectives
Company Secretary	¡ Works closely with the Chairman, Group Chief Executive and Board Committee Chairmen in setting the annual forward calendar of agenda items for the meetings of the Board and its Committees ¡ Ensures accurate, timely and appropriate information flows within the Board, the Board Committees and between the Directors and senior management ¡ Provides advice on corporate governance issues

Effectiveness

For details of the role of the Board Corporate Governance and Nominations Committee in the selection and appointment of Directors and the process and outcomes of the annual Board effectiveness review, please see the report of the Board Corporate Governance and Nominations Committee on pages 55 to 61.

Composition of the Board

The Board Corporate Governance and Nominations Committee and, where appropriate, the Board as a whole, regularly reviews the composition of the Board and succession plans for both the Board and senior executives.

The names, skills and experience of each Director, together with their terms in office, are shown in the biographical details on pages 34 and 35. Details of changes to the Board during 2014 and in the year to date are set out on page 70.

The Board currently comprises the Chairman, who was independent on his appointment, two Executive Directors and twelve non-executive Directors. The Board is made up of a majority of independent non-executive Directors. In determining the independence of the non-executive Directors, the Board considered both the guidance on independence set out in the Code, in addition to its own criteria on independence which can be found in Corporate Governance in Barclays available at barclays.com/corporategovernance. Having considered these factors, the Board concluded that all non-executive Directors standing for re-election at the 2015 AGM demonstrate the essential characteristics of independence deemed necessary by the Board. The Board has however decided that Wendy Lucas-Bull should not be designated as independent for the purposes of the Code, given her position as Chairman of Barclays Africa Group Limited, which is a 62%-owned subsidiary of Barclays. Sir John Sunderland has served on the Barclays Board for over nine years, which the Code suggests is a factor to be taken into account when determining a Director s independence. The Board continues to consider Sir John to be independent for the purposes of the Code. We continue to believe that both Directors demonstrate the independence of character and judgement expected of Barclays non-executive Directors. As previously announced, Sir John will retire from the Board at the conclusion of the 2015 AGM.

The Executive Directors of Barclays have service contracts and the Chairman and non-executive Directors have letters of appointment, which are available for inspection at the Company s registered office. The dates of the current Directors service contracts and letters of appointment are set out in the Remuneration Report on page 77.

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Governance: Directors report

How we comply

Following appointment, we ask Directors to undergo an annual assessment of their effectiveness to ensure that they continue to provide a valuable contribution to the deliberations and decision-making of the Board, and that they remain independent and free from any conflicts of interest. The Directors subsequently offer themselves for election or re-election, as the case may be, each year at our AGM.

Time commitment

We expect our non-executive Directors to commit sufficient time to discharge their responsibilities. The time commitment is agreed on an individual basis, as certain non-executive Directors, including the Deputy Chairman, Senior Independent Director, Committee Chairmen and Committee members, are expected to commit additional time in order to fulfil these extra responsibilities. We also expect our Chairman to expend whatever time is necessary to fulfil his duties, with the chairmanship of Barclays taking priority over any other business time commitment. The average time commitment for each role is set out below:

Role	Expected time commitment
Chairman	80% of a full-time position
Deputy Chairman	0.5-1 day a week
Senior Independent Director	3-4 days a year
Non-executive Director	30-36 days a year (average)

Committee Chairmen	25-30 days (average)

In practice, the non-executive Directors time commitment exceeds these expectations, particularly in the case of the Chairman and Board Committee Chairmen. They must be able to commit significantly more time to the role in exceptional circumstances. In addition to work related to Board and Board Committee meetings, the Chairman and non-executive Directors also take time to meet with executives, meet with Barclays regulators, visit Barclays businesses and undertake induction, training and evaluation.

Induction

On joining the Barclays Board, a new Director undergoes a tailored induction programme which is designed to allow him or her to build quickly:

¡ An understanding of the nature of Barclays, its business and the markets in which it operates and the opportunities and challenges for each Business Division;

¡ A link with Barclays people; and

¡ An understanding of the relationships with Barclays main stakeholders, such as customers and clients, shareholders and regulators.

Our induction programmes typically comprise a series of meetings with the head of each of Barclays major business divisions and Group functions. This allows the new Director to meet the business and function heads with responsibility for implementing the Board s strategy and to debate specific matters affecting that business or function.

As part of the process we ask the Directors to provide feedback and to identify areas where they would appreciate further information. They are also invited to have an existing Director on the Board as a mentor.

On completion of the induction programme, the new Director should have sufficient knowledge of the opportunities and challenges facing Barclays to enable them to fully contribute to the Board s strategic discussions and oversight of the business.

The following is an example of a typical induction programme; where a Director is joining a Board Committee, either as a member or as Committee Chairman, this programme is supplemented by a specific, tailored Committee induction programme.

Governance in action: the induction of

Crawford Gillies

My induction programme was wide-ranging, providing a valuable introduction to Barclays. I particularly appreciated the way in which the programme was tailored to cover areas in which I expressed specific interest.

On taking up his appointment on 1 May 2014, in addition to his duties as a Director and member of the Board Remuneration and Board Audit Committees, Crawford undertook a programme of induction spanning a six-week period.

In line with the normal process, he had in excess of 20 meetings with members of the Group Executive Committee and the Senior Leaders Group to familiarise himself with the business but also to be briefed on the expectations of his role, the corporate governance framework and the work of the Board Remuneration and Board Audit Committees. With regards to the latter, Crawford also met with the lead audit partner to obtain an overview of the audit of the Group. In addition, Crawford attended a Barclays employee induction session on values and culture, Being Barclays .

Following discussion with Crawford, a further period of induction was arranged to cover topics on which he requested further information. These covered:

¡ A briefing on new Barclaycard technology and innovation;
¡ Further insight into the investment banking business;
¡ A further meeting with Mike Ashley as part of an overview of the work of the Board Audit Committee;
¡ A briefing on liquidity metrics adopted by Barclays;
¡ Insights into asset valuation methodology;
¡ An examination of proposed structural reform and recovery and resolution plans;
¡ Barclays processes in evaluating credit impairment; and
¡ Meetings with external advisers (including the Big Four audit firms) to understand the key issues facing the banking sector.

In addition, Crawford took time to visit the Barclays Africa business when in Johannesburg with the Board in November and visited the PCB business at the Liverpool Branch in August.

Training and development

We provide all Directors with the opportunity to update and refresh their knowledge throughout the year, to enable them to continue to fulfil their roles as members of the Board and its Committees.

Barclays Directors are committed to continuing their development during their term in office. The Chairman meets with each Director individually to discuss their work with the Board and agree any individual development requirements. We provide training opportunities in a number of ways, from internal meetings with senior executives and operational or functional heads, to dedicated briefings on specific areas of responsibility within the business and

external training programmes.

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During 2014, non-executive Directors attended briefings on the following subjects:

- ¡ The US Dodd Frank Wall Street Reform and Consumer Protection Act;
- ¡ Structural reform, in particular the requirements for an US intermediate holding company with independent non-executive Directors;
- ¡ Barclays values and culture; and
- ¡ Barclays African businesses.

In addition, non-executive Directors visited businesses around the Group, met with investors and external parties to enrich their understanding of Barclays businesses and the challenges it faces as well as a focus on areas within their remit. For example, Tim Breedon, as Chairman of the Board Financial Risk Committee, met with external evaluators of Barclays Internal Audit function to discuss the results; met with regulators in the UK and the US to discuss matters including stress testing, product control and valuations; and travelled to South Africa and New York.

Information provided to the Board

Both the Executive Directors and senior executives keep the non-executive Directors informed of the key developments in the business through regular reports and presentations, including weekly updates that include information on investors and other stakeholders reactions to the news of the week and the market s response.

Throughout the year, Directors are regularly briefed regarding their roles on the Board and its Committees, including updates on the regulatory and financial services environment. Barclays ensures that the information is provided in a timely manner and is presented clearly and concisely.

It is the role of the Company Secretary to support the Chairman in ensuring good information flows between the Board, its Committees and the senior executives. He acts as adviser to the Board regarding governance matters and provides support to the Chairman to ensure the effectiveness of the Board. In addition, Directors have access to the advice and services of the Company Secretary, who ensures Board procedures are complied with and that the Directors have access to independent and professional advice at the Company s expense.

Accountability

The Strategic Report on pages 02 to 32 describes the business model and strategy whereby the Company generates and preserves value over the long term and delivers the objectives of the Company.

Risk Management and Internal Control

The Directors have responsibility for ensuring that management maintain an effective system of risk management and internal control and for assessing its effectiveness. Such a system is designed to 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.

Barclays is committed to operating within a strong system of internal control that enables business to be transacted and risk taken without exposing itself to unacceptable potential losses or reputational damage. Barclays has an overarching framework that sets out Barclays approach to internal governance (the Barclays Guide). The Barclays Guide establishes the mechanisms and processes by which the Board directs the organisation, through setting the tone and expectations from the top, delegating its authority and assessing compliance.

A key component of the Barclays Guide is the Enterprise Risk Management Framework (ERMF). The purpose of the ERMF is to identify and set minimum requirements in respect of the main risks to achieving the Group s strategic objectives and to provide reasonable assurance that internal controls are effective. The key elements of the Group s system of internal control, which is aligned to the recommendations of The Committee of Sponsoring Organizations of the Treadway Commission, Internal Control Integrated Framework (2013 COSO), are set out in the risk control frameworks relating to each of the Group s Principal and Key Risks. As well as incorporating our internal requirements, these reflect material Group-wide legal and regulatory requirements relating to internal control and assurance.

Effectiveness of internal controls

Key controls are assessed on a regular basis for both design and operating effectiveness. Issues arising out of business risk and control assessments and other internal and external sources are examined to identify pervasive themes. Where appropriate, control issues are reported to the Board Audit Committee via the Operational Risk and Control Committee. In addition, regular reports are made to the Board Audit Committee by management, Barclays Internal Audit and the Finance, Compliance and Legal functions covering, in particular, financial controls, compliance and other operational controls.

Risk management and internal control framework

The Directors formally review the effectiveness of the system of internal control and risk management annually. Throughout the year ended 31 December 2014 and to date, the Group has operated a system of internal control that provides reasonable assurance of effective and efficient operations covering all controls, including financial and operational controls and compliance with laws and regulations. Processes are in place for identifying, evaluating and managing the significant risks facing the Group in accordance with the guidance Internal Control: Revised Guidance for Directors on the UK Corporate Governance Code published by the Financial Reporting Council (the Turnbull Guidance).

These processes include an attestation procedure which requires all significant processes and identified material risks to be assessed and recorded, together with the related key controls by the heads of businesses and functions. As part of this, specific consideration is given to relevant information, including as a minimum: any open control issues; any outstanding internal and external audit findings; regulatory reviews and any outstanding regulatory compliance matters; compliance with Group level policies; records of operational loss/risk events; experience of all types of fraud; and any other material control-related matters that have been raised either by management or via independent/external review. The status of any remediation in connection with these matters is also examined. The results of this attestation

procedure were reported to the Board Audit Committee in February 2015, when it was noted that, although several of the attestations referred to outstanding control design or operating effectiveness issues, none of these were considered to be material and none had prevented the heads of businesses or functions from providing a Turnbull statement. All issues had identified remediation tasks and attributed timescales for resolution (or timescales being determined).

Regular reports are made to the Board covering risks of Group level significance. The Board Financial Risk Committee and the Board Conduct, Operational and Reputational Risk Committee examine reports covering the Principal Risks (Credit risk, Market risk, Funding risk, Operational risk and Conduct risk) as well as reports on risk measurement methodologies and risk appetite. Further details of material existing and emerging risks and risk management procedures are given in the Risk review section on pages 113 to 220.

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Governance: Directors report

How we comply

As set out in the Risk review section of the Annual Report, a number of matters were made public during the course of 2014 which related to failings in the design and/or operation of certain controls other than those over financial reporting. Whilst the matters were disclosed in 2014, many of the failings giving rise to those issues occurred in prior periods. Management has assessed the specific control processes impacted and concluded that these are now designed and operating effectively. Areas of on-going control remediation are not considered to constitute material control failings. In addition to the above matters, a number of other issues are currently being analysed to assess their potential to impact on the control environment and the materiality of any such impact. Remediation plans will be defined and implemented, where necessary.

Controls over financial reporting

A framework of disclosure controls and procedures is in place to support the approval of the Group s financial statements. The Legal and Technical Review Committee is responsible for examining the Group s financial reports and disclosures to ensure that they have been subject to adequate verification and comply with legal and technical requirements. The Committee reports its conclusions to the Disclosure Committee. The Disclosure Committee examines the content, accuracy and tone of the disclosures and reports its conclusions to the Group Executive Committee and the Board Audit Committee, both of which debate its conclusions and provide 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 both management and the Board are given sufficient opportunity to debate and challenge the Group s financial statements and other significant disclosures before they are made public.

Management s report on internal control over financial reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed under the supervision of the principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and issued by the International Accounting Standards Board (IASB). 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; and 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 internal control over financial reporting as of 31 December 2014. In making its assessment, management has utilised the criteria set forth by 2013 COSO. Management concluded that, based on its assessment, the internal control over financial reporting was effective as of 31 December 2014. Our independent registered public accounting firm has issued a report on the Group s internal control over financial reporting, which is set out on page 254.

The system of internal financial and operational controls is also subject to regulatory oversight in the UK and overseas. Further information on supervision by the financial services regulators is provided under Supervision and Regulation in the Risk review section on pages 215 to 220.

Changes in internal control over financial reporting

There have been no changes in the Group s internal control over financial reporting 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 Board has delegated responsibility to the Board Remuneration Committee for the remuneration arrangements of the Chairman, Executive Directors, other senior executives and other employees, including Material Risk Takers, whose total remuneration exceeds an amount determined by the Committee from time to time. A description of the work of the Board Remuneration Committee and details of the members of the Board Remuneration Committee can be found in the Directors remuneration report on pages 77 to 110, which forms part of the corporate governance statement.

Stakeholder engagement

The Board recognises the importance of engaging with stakeholders as key to effective corporate governance and actively supports building stronger and more engaged relationships. The Directors, in conjunction with the senior executive team, have participated in various forms of engagement throughout the year, covering a wide range of topics including our strategy, financial performance and corporate governance. Our shareholder communication guidelines, which underpin all investor engagements, are available at barclays.com/ investorrelations.

We take care to identify our stakeholders and tailor our engagement programme to ensure that our communications are correctly targeted and distributed appropriately, broadly reflecting the geographic spread of our equity ownership. For example, we have a New York based Investor Relations (IR) team to facilitate engagement with North American investors.

On a practical level, during 2014 we conducted a tracing process to reunite over 14,000 shareholders, with their unclaimed dividends. By the end of the year, we had returned over £2m of dividends to these shareholders.

Our Annual General Meeting (AGM)

Our AGM continues to be a key date in the diary for the Board and the senior executive team. It affords us our primary opportunity to engage with shareholders, particularly our private shareholders, on the key issues facing the Group and any questions they may have. The majority of Directors, including the Chairman, were available for informal discussion before and after the formal business of our 2014 AGM.

All resolutions proposed at the 2014 AGM, which were considered on a poll, were passed with votes for ranging from 76.01% to 99.88% of the total votes cast. The 2014 AGM marked the first binding vote on the Group s remuneration policy as required by the Companies Act 2006. This resolution was passed with 93.21% of votes registered in favour.

The 2015 AGM will be held on Thursday 23 April 2015 at the Royal Festival Hall in London. The Notice of AGM can be found in a separate document, which is sent out at least 20 working days before the AGM and also made available at barclays.com/agm. Voting on the resolutions will again be by poll and the results will be announced via the Regulatory News Service and made available on our website on the same day. We encourage any shareholders that are unable to attend on the day to vote in advance of the meeting via barclays.com/investorrelations/vote.

Our stakeholders

The Board and senior executive team s participation in shareholder engagement reflects the importance we place on this activity. In addition to our Group Chief Executive and Group Finance Director, each of our four business heads and a large proportion of their senior leaders have been actively involved in investor meetings, reflecting our desire to promote shareholder access to a broad cross section of Barclays management team.

During 2014, we held quarterly results briefings, hosted by our Group Chief Executive and/or Group Finance Director and also held an in-person Group Strategy Update in May 2014. For fixed income investors, we held conference calls at both our full year and interim results, hosted by our Group Finance Director and Group Treasurer.

To further support engagement with our shareholders, we actively engaged with sell-side research analysts who provide their recommendations to the market. During 2014 this included breakfast briefings from the Group Finance Director after each of our results announcements. We also held a series of bi-annual meetings with the main credit rating agencies. These involved updates from Group Executive Committee members on their business units, as well as from Finance, Risk and Treasury, and allowed the credit rating agencies to develop a deeper understanding of our business.

The redesign of barclays.com, our corporate website, played a major part in enhancing our engagement with stakeholders. The updated IR section now provides a simple and clear source for a wide range of information on Barclays, including: our strategy and objectives, financial and operating performance, as well as all presentations and speeches by senior management. The re-launch was undertaken in line with the overall objective of making shareholders lives easier, by:

¡ Providing a central source of information on Barclays;

¡ Delivering clear messaging, with relevant and engaging content; and

¡ Making the website more intuitive to navigate.

Feedback received through engagement with all our stakeholders is communicated to the Directors to inform Board discussions. During 2014, investor and analyst views on the strategic realignment of the Group were particularly helpful to the Board s discussions relating to our Group Strategy Update in May 2014. We encourage further engagement with our investors as an opportunity to understand their views and concerns, as we continue on our journey to becoming the Go-To bank for customers and clients.

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Governance: Directors report

Other statutory information

The Directors present their report together with the audited accounts for the year ended 31 December 2014.

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

Contents	Pages
Employee involvement	74
Policy concerning the employment of disabled persons	75
Financial instruments	275-296
Hedge accounting policy	276
Remuneration policy, including details of the remuneration of each Director and Directors interests in shares	77-110
Corporate governance report	34-69
Risk review	113-220

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

	Pages
Long-term incentive schemes	104
Director emoluments	337
Allotment for cash of equity securities	318
Waiver of dividends	70

Section 414A of the Companies Act 2006 requires the Directors to present a Strategic Report in the Annual Report and Accounts. The information can be found on pages 02 to 32.

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

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

The particulars of important events affecting the Company since the financial year end can be found in Note 29 Legal, competition and regulatory matters and Note 45 Non-current assets held for disposal and associated liabilities.

Profit and dividends

The adjusted profit for the financial year, after taxation, was £3,798m (2013: £2,945m). Statutory profit after tax for 2014 was £845m (2013: £1,297m). The final dividend for 2014 of 3.5p per share will be paid on 2 April 2015 to shareholders whose names are on the Register of Members at the close of business on 11 March 2015. With the interim dividends totalling 3p per ordinary share, paid in June, September and December 2014, the total distribution for 2014 is 6.5p (2013: 6.5p) per ordinary share. The interim and final dividends for 2014 amounted to £1,057m (2013: £859m).

The nominee companies of certain Barclays employees benefit trusts holding shares in Barclays in connection with the operation of the Company s share plans have lodged evergreen dividend waivers on shares held by them that have not been allocated to employees. The total amount of dividends waived during the year ended 31 December 2014 was £8.5m.

Shareholders may have their dividends reinvested in Barclays by joining the Barclays PLC Scrip Dividend Programme (the Programme). At the Barclays 2013 AGM, shareholders approved the introduction of the Programme to replace the Barclays Dividend Reinvestment Plan. 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.

Board of Directors

The names of the current Directors of Barclays PLC, along with their biographical details, are set out on pages 34 and 35 and are incorporated into this report by reference. Changes to Directors during the year and up to the date of signing this report are set out below.

Name	Role	Effective date of appointment/ resignation
Steve Thieke	Non-executive Director	Appointed 7 January 2014
Crawford Gillies	Non-executive Director	Appointed 1 May 2014

John McFarlane	Non-executive Director	Appointed 1 January 2015
Fulvio Conti	Non-executive Director	Resigned 24 April 2014
Simon Fraser	Non-executive Director	Resigned 24 April 2014

John McFarlane will succeed Sir David Walker as Chairman of Barclays with effect from the conclusion of the Barclays PLC AGM in 2015.

Appointment and retirement of Directors

The appointment and retirement of Directors is governed by the Company s Articles of Association (the Articles), the UK Corporate Governance Code (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 election. The Code recommends that all directors of FTSE 350 companies should be

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subject to annual re-election, and all Directors will stand for election or re-election at the 2015 AGM with the exception of Sir David Walker and Sir John Sunderland, who are retiring from the Board at the conclusion of the 2015 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 2014 for the benefit of the then Directors and, at the date of this report, are in force for the benefit of the Directors in relation to certain losses and liabilities which they may incur (or have incurred) in connection with their duties, powers or office. In addition, the Company maintains Directors & Officers Liability Insurance which gives appropriate cover for legal action brought against its Directors.

Qualifying pension scheme indemnity provisions (as defined by section 235 of the Companies Act 2006) were in force during the course of the financial year ended 31 December 2014 for the benefit of the then Directors, and at the date of this report are in force for the benefit of directors of Barclays Pension Funds Trustees Limited as Trustee of the Barclays Bank UK Retirement Fund. The directors of the Trustee are indemnified against liability incurred in connection with the Company s activities as Trustee of the retirement fund.

Similarly, qualifying pension scheme indemnities were in force during 2014 for the benefit of Barclays Executive Schemes Trustees Limited as Trustee of Barclays Bank International Zambia Staff Pension Fund (1965), Barclays Capital International Pension Scheme (No.1), Barclays Capital Funded Unapproved Retirement Benefits Scheme, and Barclays PLC Funded Unapproved Retirement Benefits Scheme. The directors of the Trustee are indemnified against the liability incurred in connection with the 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 USA funded by the voluntary political contributions of eligible Barclays 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 2014 totalled $103,000 (2013: $16,000).

Environment

Barclays Climate Action Programme focuses on addressing environmental issues where we believe we have the greatest potential to make a difference. The Programme focuses on managing our own carbon footprint and reducing our absolute carbon emissions, developing products and services to help enable the transition to a low-carbon economy, and managing the risks of climate change to our operations, clients, customers and society at large. We invest in improving the energy efficiency of our operations and offset the emissions remaining through the purchase of carbon credits. We also have a long-standing commitment to managing the environmental and social risks associated with our lending practices, which is embedded into our Credit Risk processes. A governance structure is in place to facilitate clear dialogue across the business and with suppliers around issues of potential environmental and social risk.

We have disclosed global greenhouse gas emissions that we are responsible for as set out by The Companies Act 2006 (Strategic Report and Director s Report) Regulations 2013 . We provide fuller disclosure across our carbon emissions within Barclays GRI statement found on our website barclays.com/citizenship.

	Current Reporting Year[a] 2014	Previous Reporting Year[b] 2013	Comparison Year[c] 2012
Global GHG emissions[d]			
Total CO_2e (tonnes)	830,668	968,781	1,060,442
Scope 1 CO_2e emissions (tonnes)[e]	49,994	58,176	47,718
Scope 2 CO_2e emissions (tonnes)	655,426	723,993	822,486
Scope 3 CO_2e emissions (tonnes)[f]	125,248	186,612	190,238
Intensity Ratio			
Total full time employees (FTE)	132,300	139,600	139,200
Total CO_2e per FTE (tonnes)	6.28	6.94	7.62

Notes

a 2014 reporting year covers Q4 2013 and Q1, 2, 3 of 2014. The carbon reporting year is not fully aligned to the financial reporting year covered by the Director s report. This report is produced earlier than previous carbon reporting to allow us to report within the year end financial reporting timelines.

b 2013 reporting year covers Q4 2012 and Q1, 2, 3 of 2013.

c 2012 reporting year is the full calendar year (January 2012 December 2012).

d The methodology used to calculate our CO2e emissions is the operational control approach on reporting boundaries as defined by the World Resources Institute/World Business Council for Sustainable Development (WRI/WBCSD) Greenhouse Gas Protocol (GHG): A Corporate Accounting and Reporting Standard, Revised Edition. Where properties are covered by Barclays consolidated financial statements but are leased to tenants who are invoiced for utilities, these emissions are not included in the Group GHG calculations.

- ¡ Scope 1 covers direct combustion of fuels and company owned vehicles (from UK and South Africa only, which are the most material contributors).
- ¡ Scope 2 covers emissions from electricity and steam purchased for own use.
- ¡ Scope 3 covers indirect emissions from business travel (global flights and ground transport from the UK and South Africa. 2014 car hire data covers the USA and India only. Ground transportation data (excluding Scope 1 company cars) covers only countries where this type of transport is material and data is available).

e Fugitive emissions reported in Scope 1 for 2014 & 2013 cover emissions from UK, Americas, Asia-Pacific and South Africa. Fugitive emission data for 2012 is not available. Business travel reported in Scope 1 covers company cars in the UK & South Africa. This covers the majority of our employees where we have retail operations with car fleets.

f Scope 3 is limited to emissions from business travel which covers global flights and ground transport from the UK and South Africa. 2014 car hire data also covers the USA and India only. Ground transportation data (excluding Scope 1 company cars) covers only countries where this type of transport is material and data is available.

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 Company s 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 27 February 2015 (the latest practicable date for inclusion in this report). Ordinary shares therefore represent 100% of the total issued share capital as at 31 December 2014 and as at 27 February 2015 (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 31 on page 318.

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 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 determine. 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

Other statutory information

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 shall be transferred in writing in any usual or other form approved by the Board and executed by or on behalf of the transferor. Transfers of uncertificated ordinary shares shall 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 duly stamped and 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, it is in respect of one class of shares only, and 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).

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

Variation of rights

The rights attached to any class of shares may be varied either with the consent in writing of the holders of at least 75% in nominal value of the issued shares of that class or with the sanction of 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 major shareholders pursuant to the FCA s Disclosure and Transparency Rules (DTR) are published via a Regulatory Information Service and is available on the Company s website. As at 31 December 2014, the Company had been notified under Rule 5 of the DTR 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]
Qatar Holding LLC[b]	813,964,552	6.65
BlackRock, Inc[c]	822,938,075	5.02
The Capital Group Companies Inc[d]	817,522,531	4.96

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 DTR.
b Qatar Holding LLC is wholly-owned by Qatar Investment Authority.
c Total shown includes 1,408,618 contracts for difference to which voting rights are attached.
d The Capital Group Companies Inc (CG) holds its shares via CG Management companies and funds. Part of the CG holding is held as American Depositary Receipts.

Between 31 December 2014 and 27 February 2015 the Company was notified that The Capital Group Companies Inc[d] now holds 861,142,569 Barclays shares, representing 5.22% of the total voting rights attaching to issued share capital.

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

The powers of the Directors are determined by the Companies Act 2006 and the Company s Articles. The Directors are authorised to issue and allot shares and to buy-back shares subject to annual shareholder approval at the AGM. Such authorities were granted by shareholders at the 2014 AGM. It will be proposed at the 2015 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 2014 (2013: none). As at 27 February 2015 (the latest practicable date for inclusion in this report) the Company had an unexpired authority to repurchase ordinary shares up to a maximum of 1,635,292,262 ordinary shares.

Change of control

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

Going concern

The Group s business activities and financial position, the factors likely to affect its future development and performance, and its objectives and policies in managing the financial risk to which it is exposed and its capital are discussed in the Strategic Report and in the Risk Management section.

The Directors have assessed, in the light of current and anticipated economic conditions, the Group s ability to continue as a going concern. The Directors confirm they are satisfied that the Company and the Group have adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis for preparing accounts.

Disclosure of information to 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 Director 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 pages 247 to 253, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the auditors in relation to the accounts.

The Directors are required by the Companies Act 2006 to prepare 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 individual accounts in accordance with IFRS as adopted by the EU. The accounts are required by law and IFRS to present fairly the financial position of the Company and the Group and the performance for that period. The Companies Act 2006 provides, in relation to such accounts, that references to accounts giving a true and fair view are references to fair presentation.

The Directors consider that, in preparing the accounts on pages 255 to 342, and the additional information contained on pages 142 to 220, the Group has used appropriate accounting policies, supported by reasonable judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

Having taken all the matters considered by the Board and brought to the attention of the Board during the year into account, the Directors are satisfied that the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company s performance, business model and strategy.

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 responsible for the maintenance and integrity of 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 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 34 and 35, 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 Barclays PLC and the undertakings included in the consolidation taken as a whole; and

(b) The management report, which is incorporated into the Directors Report on pages 34 to 73, includes a fair review of the development and performance of the business and the position of Barclays PLC 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

Lawrence Dickinson

Company Secretary

2 March 2015

Barclays PLC

Registered in England, Company No. 48839

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In 2014 we experienced significant change across Barclays, driven by the refresh of our business strategy as well as the regulatory and economic environment. We have continued to support our colleagues, focusing on understanding and addressing the impact these changes have had on our internal operations. We continue progress on our journey to become the Go-To bank and enabling our colleagues to feel part of this is critical to its success.

We are continuing our journey to transform the culture of the bank. Following the launch of the Values in 2013, the focus in 2014 has been continuing to drive the cultural change through our Senior Leadership Group and setting the tone from the top. Our Values are clearly articulated for leaders and employees and are helping to shape our desired culture over time.

Our organisational culture is driven through a number of initiatives that include: building our colleagues capability and skills, embedding the Values into our organisational systems and processes, ensuring a sharper focus on role modelling behaviour, and supporting the development of our leaders.

We believe that leadership shapes culture which in turn drives organisational performance. Our leadership development programme is designed with this in mind, focusing on our Values and aligning leaders mind set with the objectives of the balanced scorecard. The Barclays Leadership Academy, launched in 2013 and designed to help us build a cadre of leaders who can shape our culture and drive organisational performance, continued to be deployed in 2014. We also deployed our Global Curriculum enabling a consistent approach to core and leadership development for all colleagues. The programmes are underpinned by the Values and build individual capability through a variety of learning styles, including multimedia and classroom based learning. In addition, we have deployed business training academies across Compliance, Barclays Internal Audit, Client & Customer Experience in Personal & Corporate Banking, and Investment Banking, giving access to role specific learning as well as core and leadership development.

To embed our desired culture at all levels of the organisation we have implemented the Values across our key people processes. Our recruitment and promotion processes include an assessment of the Values and Behaviours for all corporate grades. New joiners are invited to participate in the Being Barclays Global Induction programme as part of their transition into Barclays, enabling them to connect to the organisational Purpose as they join our Go-To journey. We have set out the behavioural standards we expect at Barclays in the global Code of Conduct (The Barclays Way) and all colleagues are required to attest and demonstrate their understanding of these.

In 2014, our performance management process has assessed colleagues against both what they do and how they do it. All colleague objectives are aligned to the 5Cs of the Balanced Scorecard to ensure consistency with Barclays strategic aims at all levels. The Values in Action framework provides a tool to assess employees against how they achieve their objectives and guides employees on behaviour in line with the Values. This framework underpins our approach to embedding the Values within Barclays across all key people processes.

We value sharing in each other s success at Barclays and our global recognition plan allows colleagues to recognise the outstanding achievements of people demonstrating our Values. Since the launch of the programme in May 2014, over 80,000 colleagues have received a Values Thank You and over 28,000 employees have been nominated by a colleague

for a non-financial Values Award . Colleagues are also encouraged to participate in our all-employee share plans, which have been running successfully for over 10 years. Further details of our approach to remuneration are included in the Remuneration Report on pages 77 to 110.

Barclays is committed to helping young people achieve their ambitions when they enter the world of work. Our Early Careers proposition supports them in achieving their career goals through the graduate, intern and apprenticeship programmes. Barclays provides pathways for progression from apprentice to graduate supported by recognised qualifications and helps create a pipeline of talent for the organisation.

We have created over 2,000 apprenticeship positions within the organisation since the programme began in 2013, and have plans to increase this number in 2015. It is very important to us that we maintain and advocate a partnership in our approach to industrial relations. We ensure a regular and constructive dialogue with more than 30 national unions, works councils and staff associations across the globe. In the UK and South Africa, our two largest markets, we have formal partnership arrangements in place.

We consult employee representatives regularly on a wide range of matters affecting their interests. We have well established regional consultation forums in Europe and Africa through which we engage colleagues on transnational issues.

Where business restructuring is necessary and could result in potential job losses, we work closely with colleague representatives to avoid compulsory redundancies where possible. Our goal is to ensure that the colleagues that leave Barclays are supported and treated with respect. In countries where there are no collective representative bodies, we engage directly with colleagues. We have focused on putting internal colleagues first and supporting those impacted by change to ensure that, wherever possible, we retain talent within Barclays. So far over 1,000 colleagues have been redeployed. Internals First will become a key driver within our recruitment strategy ensuring we retain and promote internal talent before we look to the external market and will be launched more widely in 2015.

Barclays places considerable value on the involvement of its employees and continues to keep them informed on matters affecting them and on the various factors affecting the performance of the Group. We recognise the importance of continuously seeking the views of our employees and the need to understand the collective voice of the organisation, especially during a time of change. In order to help us understand what colleagues think about working for Barclays, we deployed the first Global Employee Opinion Survey in October 2014. This asked all colleagues globally to provide their perspectives across a wide range of subject areas through a confidential online survey including questions on personal development, leadership and management, innovation, and citizenship. Over 90,000 colleagues participated in the survey, providing a depth of insight which will inform and shape our people strategy as we move forward into 2015. The engagement of colleagues was measured at 72%, a 1.3% decrease on 2013. Given the amount of change taking place in the organisation, it is not surprising that there has been a small drop and we are committed to building engagement further in 2015. We have performed an in-depth review of the results of the survey with all senior leaders and improving employee engagement is a key focus for 2015 to ensure we create the right environment for our colleagues to thrive.

Colleague wellness is a contributing factor to colleague engagement and following a successful UK pilot in our Personal & Corporate Banking business this year, the Barclays Wellness Portal for colleagues will be launched in 2015. The portal enables colleagues to learn more about wellness, find out what is on offer at Barclays, commit pledges to make small changes to their lives, and follow colleagues journeys as well as sharing stories of their own. The portal addresses four wellness areas: Think Well, Be Active, Social and Financial.

Barclays has made significant progress over the last two years across our people policies and practices and we will continue to evolve them, ensuring all colleagues are supported throughout their career at Barclays and beyond. Our colleagues have told us they remain committed to Barclays, and we remain committed to creating the right environment for them to thrive and succeed as we progress on our journey to Go-To .

FTE by region

	2014	2013	2012
United Kingdom	**48,600**	54,400	55,300
Continental Europe	**9,900**	9,800	11,100
Americas	**10,900**	11,100	11,100
Africa and Middle East	**44,700**	45,800	45,200
Asia Pacific	**18,200**	18,500	16,500
Total	**132,300**	139,600	139,200

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Global employment statistics

Diversity and Inclusion

Barclays is committed to cultivating a working environment where the unique talents of all employees are recognised equally. Attracting, retaining and developing a diverse range of world-class professionals is critical to our success as the Go-To bank. Our global Diversity and Inclusion strategy operates across five core pillars: Gender, LGBT, Disability, Multigenerational and Multicultural.

A core priority in 2014 has been the continuation of our Unconscious Bias programme for our global Managing Director (MD) and Director population which has now engaged over 8,500 leaders in the importance of inclusive talent management. This is an important enabler for our senior leaders to achieve their diversity goals set out in our Balanced Scorecard. We aim to achieve 26% female representation in senior leadership across Barclays by 2018.

We continue to receive national and international recognition for our Diversity and Inclusion achievements from prestigious organisations such as The Business Disability Forum in the UK, Community Business in Asia, and the Human Rights Campaign in the US.

Gender

Ensuring female talent can thrive, particularly at the senior leadership level, is a focus for many organisations that recognise the true value of diversity. The strength of our commitment to improving gender balance is evident by our Board Diversity Policy which states our Board-level gender aspirations (25% female Board members), and by the inclusion of senior leader gender goals within the Balanced Scorecard.

At all levels we are making progress. Our Board membership includes three women, and additionally three members of the Group Executive Committee are female. As regards to senior leaders (Director and MD), our female senior leadership population stood at 22% at the end of 2014, which is a 1% increase year-on-year since 2011.

Female representation

Above shows the positive change in female representation within Barclays during 2014

Our graduate recruitment target of 50/50 gender shortlists means our focus on gender diversity extends to Early Careers. This is enabling Barclays to grow a diverse pipeline of talent for the future. An inclusive environment is vital to enable the talent we recruit to grow their careers with us; our thriving global Women s Initiative Network is just one way we support this.

Independent assessment by external organisations continues to validate our progress. For 2014, this has included being named for the seventh consecutive year within The Times Top 50 Workplaces for Women, and by our inclusion within the highly regarded Working Mother 100 Best Companies in the US. In Asia, Barclays won the Women in Wealth Management Award, in part because judges were impressed that 40% of senior leaders in Asia are female.

Helping to shape wider industry change, we launched our market-leading Women s Index (tradable exchange notes which track the performance of companies with diverse boards). The launch of this product has allowed us to engage in a richer dialogue with many of our investor clients about their holistic goals for investment.

LGBT

Continually improving the workplace for our LGBT colleagues has been another core focus for 2014. In the Employee Opinion Survey over 4,000 (4%) employees identified themselves as being Lesbian, Gay, Bisexual or Transgender. Our employee network Spectrum continues to go from strength to strength, enabling a conduit to all colleagues and allies who share commitment to LGBT equality.

We were the main sponsors of London Pride and launched BPay, our innovative cashless payment service, at this signature event. Via our Ping a Pound for Pride campaign, we raised £33,000 for the charity, further increased via the fundraising which also took place to mark World Aids Day and International Day Against Homophobic Oppression.

Barclays was ranked second in the 2014 Stonewall Global Workplace Equality Index. We have also consistently ranked within the UK top 25 LGBT employers every year since the launch of the Index. We were proud to receive the Stonewall Ad of the Year award for our Barclays Pride campaign, which featured Barclays colleagues who represent the LGBT community.

Further profiling the diversity of our senior leaders, Mark McLane (Global Head of Diversity & Inclusion) and Jeff Davis (Global Head of Dealing & Sales Trading) were ranked 48th and 75th respectively in the Financial Times OUTstanding list of 100 LGBT business leaders, whilst Valerie Soranno Keating (CEO, Barclaycard) was placed 3rd in the Financial Times OUTstanding list of the top 20 high profile straight allies.

The breadth of our work to develop leading best practices for colleagues and customers is why we have been named by Stonewall as one of just eight Star Performer organisations that are seen as leaders in their industry. This prestigious recognition reflects our global work and our steps to revolutionise service delivery. In line with our Global

LGBT agenda and being named as a Star Performer, we have made the commitment for 2015 and beyond to actively share best practices and mentor organisations who are working to create a more inclusive work place culture.

Disability

We are moving closer to our publicly-stated ambition to be the most accessible and inclusive bank. In 2014, our Accessibility Roadshow toured the UK, spending a week in 45 of our flagship branches raising awareness of the accessible services we offer. We launched innovative new services, including Sign Video which makes it easier for Sign Language Users to communicate and our Beacon Technology trials. The innovative technology notifies colleagues of a customer s accessibility needs when they enter the branch helping us support and serve our customers appropriately.

We are putting accessibility at the heart of a customer-centric service and we have been delighted to receive awards for many of our Accessible Services, including Talking ATMs, High Visibility Debit Cards, and Colleague Accessibility Training Videos. We also won the Marketing campaign of the year at the European Diversity Awards for the TV advert that raised awareness of the audio functionality of our ATMs.

Aligned to our inclusion ethos, we review our recruitment processes to ensure they are accessible for candidates with disabilities. In the UK we are a Government accredited Two ticks employer. Across the Group we provide reasonable adjustments to ensure ability and skills can be demonstrated by potential employees. Where colleagues acquire a disability or health condition, every effort is made to ensure that their employment with the Group continues. Similarly, we work to ensure training, career development and promotion opportunities are equitable for non-disabled and disabled colleagues alike.

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In 2014 we signed our Time to Change pledge on World Mental Health day, expanding on our year-long This is me mental health campaign for colleagues. Our Employee Opinion Survey saw over 5,000 (6%) Global colleagues identifying as having a disability. All those with an interest in disability can join our Reach employee network, with new chapters being launched this year across our global sites.

Multigenerational

Above shows the different generations working at Barclays and the percentage change during 2014

We aspire to support our colleagues at all stages of their career, and customers at key life stages.

With five generations represented in our global workforce, our Multigenerational Agenda ensures colleagues of all ages have a voice. Early Careers includes our significant Apprenticeship programme. In addition, our LifeSkills and Bridges into Work programmes continue to support those taking their first steps into the world of work.

Our new employee network Emerge supports anyone who has recently joined Barclays whether they join as an apprentice, graduate or are an experienced hire. This is in addition to our Working Families and Carers network that connects colleagues across various life stages.

Our Barclays Silver Eagles (part of our Barclays Digital Eagles team) channel the skills and experience that our older colleagues bring; they are in place to specifically support vulnerable customers or pensioners to bank with Barclays in a way that works for them.

Our Armed Forces Transitioning, Employment and Rehabilitation (AFTER) programme also continued to see ex-military talent join our Company, or be supported to gain relevant work-ready skills.

In 2015, we will continue to embed our newly launched year-long focus on Dynamic Working further building engagement with colleagues who wish to work flexibly, learning from the breadth of people who already work for us in an agile or flexible way.

In the UK, we won Best for all stages of Motherhood at the Working Families Top Employers awards, in part for our approach to Keep in Touch Days for those on maternity leave and for our approach to job share within our Retail bank. We were also named within the UK s Top 10 Working Families benchmark.

Multicultural

Above shows the percentage of underrepresented populations that make up our global and regional populations. Note that underrepresented populations are defined regionally to ensure inclusion with all groups in the workplace

a UK includes Asian, Mixed, Black, Other and Non-disclosed.
b US includes Hispanic/Latino, Asian, Mixed, Black, Other and Non-disclosed.
c South Africa includes African, Indian, Coloured, Other, and Non-disclosed.

Inclusive of race, ethnicity, nationality and faith, our Multicultural Agenda supports Barclays in its positioning as a market leader and the Go-To bank for our colleagues, customers and clients. The 2014 focus for the multicultural agenda has been to foster a culture of conversation with a series of events hosted to further build global communication skills and global mindsets. Our Embrace network brings together all those who share an interest in this agenda, including the celebration of Inter Faith week in the UK.

In addition, we marked important cultural and religious calendar dates throughout 2014, continued to offer both halal and kosher food in our canteens, and to make quiet rooms available for prayer and reflection in many of our larger sites.

Being voted one of the top 20 companies to work for in the UK by multicultural graduates reflects the work we have done to ensure young people from diverse backgrounds choose to bring their talent to us (49% of Graduates and 74% of Apprentices were from Black, Asian and Minority Ethnic backgrounds within our 2014 intake).

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Governance: Remuneration report

Annual statement from the Chairman of the Board Remuneration Committee

The Committee remains focused on paying for sustainable performance, aligning remuneration with risk and delivering a greater proportion of the income we generate to our shareholders.

Consistent with this, between 2010 and 2014 the incentive pool has decreased by 47%.

Remuneration Committee members

Chairman

Sir John Sunderland

Members

Sir David Walker

Simon Fraser (until 24 April 2014)

Tim Breedon

Steve Thieke (from 6 February 2014)

Crawford Gillies (from 1 May 2014)

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The tables marked audited in the report have been audited by PricewaterhouseCoopers LLP.

Dear Shareholders

As Chairman of the Board Remuneration Committee, I am pleased to introduce the Directors Remuneration Report for 2014.

We recognise that remuneration is an area of particular importance and interest to shareholders and it is critical that we listen to and take into account your views. Accordingly, my meetings with major investors and shareholder representative groups have been helpful and meaningful, contributing directly to the decisions made by the Committee for 2014.

Performance and pay

An important principle which the Committee applies in its deliberations is that while Barclays will not pay staff more than we judge to be necessary, it is in shareholders interests that Barclays should pay for performance. Front of mind is that we determine the correct level of variable pay in a given year in order to maximise shareholder value over the medium term.

In May 2014 the update to the Group Strategy resulted in the creation of a Core business comprising four units: Personal and Corporate Banking, Barclaycard, Africa Banking, and the Investment Bank. This Core business represents the future of Barclays. Separately we established Barclays Non-Core, with the intention of disposing of the assets therein over time, assets which are no longer strategically attractive to Barclays.

This restructuring has enabled Barclays to strengthen performance across a range of metrics. The Group has delivered solid financial performance with adjusted profit before tax up 12% to £5,502m for 2014. In achieving this there have been particularly good results in Personal and Corporate Banking and Barclaycard. These results are partly offset by a reduction in Investment Bank adjusted profit before tax, as well as the impact of adverse currency movements in Africa Banking. Sustained progress is being made and the balance now present in the Group means that Barclays is a stronger business.

There has been considerable progress in strengthening the capital position of the Group with Common Equity Tier 1 (CET1) ratio of 10.3% and a leverage ratio of 3.7% at the end of the year. Adjusted operating expenses excluding costs to achieve Transform (ex CTA) are down by £1.8bn year on year, in line with target. Barclays Non-Core reduced Risk Weighted Assets by nearly a third, making substantial progress towards the target, and materially reduced its

drag on returns.

In formulating our 2014 decisions on variable pay the Committee ensured that pay appropriately reflects financial performance delivered, both on an adjusted and statutory basis, but also rebalanced returns back towards shareholders. Performance against the commitments across the 5Cs of the Balanced Scorecard was also an important consideration.

While the 2013 decisions on incentives reflected the high global resignation rate for senior staff, the 2013 outcome helped to stabilise the position. There continue to be some areas of concern but these are more localised and had less bearing on 2014 pay decisions.

Consistent with that intent to rebalance returns, the incentive pool is significantly lower overall for 2014, down by more than £0.5bn or 22% in absolute terms at £1,860m compared to the incentive pool of £2,378m for 2013, against a backdrop of an increase in adjusted profit before tax year on year. The reduction in incentive pool is aligned to the reduction in statutory profit before tax which incorporates all conduct adjustments.

Part of the reduction in the incentive pool year on year is due to the introduction of Role Based Pay (RBP) in 2014. Nevertheless, on a like for like basis the incentive pool is down 11% on 2013. The introduction of RBP in 2014 meant that an additional accounting charge of c£250m was taken in the year, which would otherwise have been borne in future years under our previous remuneration structures.

The Investment Bank incentive pool is down 24% in absolute terms. This reduction is greater than the change in adjusted profit before tax (ex CTA) which is down 21%. For the reasons set out above, the introduction of RBP impacted profitability in the Investment Bank in 2014. Excluding the impact of RBP, Investment Bank adjusted profit before tax (ex CTA) would have been down by 12%. On a like for like basis, the Investment Bank front office incentive pool is down 12%.

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Governance: Remuneration report

Annual statement from the Chairman of the Board Remuneration Committee

Total compensation costs are down 8%, and the compensation to adjusted net income ratio for Barclays Group is at 37.7%, down from 38.7% in 2013. In the Core business the ratio is at 35.7%, an improvement of 50 basis points, and therefore tracking at the target level of mid-thirties. The average value of incentive awards granted per Group employee in 2014 is down 17% at £14,100 (2013: £17,000).

Following these 2014 decisions, the incentive pool has reduced by £1.62bn from £3.48bn in 2010, an overall reduction of 47%, while adjusted profit before tax over the same period is up 18% if the costs to achieve Transform are excluded. Over this period the compensation to adjusted net income ratio has reduced from 42.4% in 2010 to 37.7% in 2014.

Remuneration and Risk

As a Committee, we are committed to linking pay with performance and to making adjustments to remuneration to reflect risk and conduct events. Risk and conduct events are considered as part of the performance management process and reflected in incentive decisions for individuals. All employees have their performance assessed against objectives (the what) as well as demonstration of Barclays Values and Behaviours (the how). We have a clear process for making adjustments for poor conduct at an individual level. This is underpinned by a robust governance process overseen by the Remuneration Review Panel and this Committee. We remain absolutely focused on making the required and appropriate adjustments both to individual remuneration decisions as well as the overall incentive pool where required.

Although no resolutions have yet been reached with the relevant investigating authorities, the Committee has adopted a prudent approach in relation to any potential settlements in respect to the ongoing Foreign Exchange trading investigations. The 2014 incentive pool has, as a result, been adjusted downwards by the Committee. The Committee will, however, keep this matter under review.

It is the Committee s intention that individuals who are accountable, responsible or directly culpable for risk and conduct matters are subject to remuneration reductions as appropriate. This will include reductions to bonus and unvested deferred awards (i.e. malus reductions). While investigations are ongoing, individuals who are under investigation will be subject to suspensions of variable remuneration, in line with our Values and the expectations of our stakeholders including regulators. For current employees who are directly culpable, disciplinary action up to and including dismissal may also result.

Regulatory developments

Our 2014 variable pay decisions were taken against a background of significant regulatory developments and market pressures. Being a UK headquartered global organisation, Barclays is subject to UK regulatory requirements on remuneration clawback, which exceed what is required under CRD IV. This is in addition to EU developments including the introduction of the 2:1 maximum ratio of variable to fixed pay, as well as the extension of the scope of Material Risk Taker (MRT) identification. As the requirements apply to Barclays expanded MRT population globally,

this creates significant adverse competitive consequences. The Committee is concerned by the challenges in attracting and retaining key staff needed to run the bank safely in all regions.

Key remuneration changes and decisions for executive Directors in 2014

Remuneration for executive Directors continues to be tied closely to our strategy and performance.

In considering the executive Directors 2014 performance against the Financial, Balanced Scorecard and personal measures set at the beginning of the year, the Committee has decided to award an annual bonus to Antony Jenkins of £1,100,000 (57% of maximum bonus) and to Tushar Morzaria of £900,000 (64% of maximum bonus). Further details are set out in the annual report on Directors remuneration on pages 87 and 88.

Based on solid 2014 overall performance, and in particular the considerable progress made against the Group Strategy, we regard

these bonuses as appropriate and deserved. In considering final bonus outcomes, executive accountability for significant Group-wide conduct issues including, for example, the ongoing Foreign Exchange investigations was taken into account. Our decisions also demonstrate that the principle of paying competitively and paying for performance applies equally to our most senior executives as it does to the rest of Barclays employees.

The Committee has agreed that the executive Directors fixed pay will remain unchanged for, and will not be reduced during, 2015. Antony Jenkins base salary will remain at £1,100,000 and he will also receive RBP unchanged at £950,000. Tushar Morzaria s base salary will remain at £800,000 and he will also receive RBP unchanged at £750,000.

During the year, we also undertook a review of Barclays Long Term Incentive Plan (LTIP). We reviewed the performance measures to ensure they support our updated Strategy and align the interests of executives and shareholders. Following engagement with our shareholders, we have changed the financial measures for the LTIP award to be granted in 2015 and given them an increased weighting of 60%. The weighting of the Balanced Scorecard will be unchanged at 30% and Loan Loss Rate will remain as a risk measure but with a reduced weighting of 10%. Further details are set out in the annual report on Directors remuneration on page 88. The Committee decided to make awards under this LTIP cycle to both executive Directors with a face value at grant of 120% of their respective fixed pay at 31 December 2014.

We are not proposing any changes to the Directors Remuneration Policy which was approved at the 2014 AGM. Accordingly, our 2014 executive Director remuneration decisions are consistent with that approved Policy, which limits the maximum value of annual bonus and LTIP awards in accordance with the CRD IV 2:1 maximum ratio of variable to fixed pay. Clawback has been introduced with effect from 1 January 2015. Following the European Banking Authority (EBA) Opinion on allowances, the terms of RBP may need to be revised once further guidelines are available from the EBA.

Agenda for 2015

The Committee remains focused on controlling remuneration costs and ensuring that pay incentivises all of our employees to deliver sustained performance in a manner which is consistent with Barclays Values and Behaviours and in the long term interests of shareholders. The alignment of remuneration and risk will remain a priority. We expect to continue to have to navigate through a changing regulatory landscape and will engage constructively with regulators and shareholders as we do so.

Our remuneration report

The report has been prepared in accordance with the remuneration disclosures required by the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The Remuneration report (other than the part containing the Directors Remuneration Policy) will be subject to an advisory vote by shareholders at the 2015 AGM.

On behalf of the Board

Sir John Sunderland

Chairman, Board Remuneration Committee

2 March 2015

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Governance: Remuneration report

Performance, pay and distribution of earnings to key stakeholders

Since 2010 there has been a significant shift in the allocation of earnings between employees and shareholders. Comparing 2014 against 2010, adjusted profit before tax (excluding costs to achieve for Transform in 2014) has increased by 18%, against an absolute reduction in the Group incentive pool of 47%. Over the same period the distribution to shareholders and government through dividends paid and taxes borne have increased by 99% and 11% respectively, while Group compensation costs have reduced by 20%.

How did we perform and pay in 2014?

Adjusted profit before tax increased between 2013 and 2014 by 12%, while the absolute reduction in the Group incentive pool was 22%. After adjusting for the introduction of RBP, the reduction in the Group incentive pool would be 11%.

Adjusted profit before tax

Group incentive pool

Notes

a

Adjusted profit before tax (ex CTA) is only relevant for 2013 and 2014. CTA relates to the costs to achieve Transform. Transform is a package of measures to realise Barclays goal of becoming the Go- to Bank, including delivering returns on equity higher than cost of equity in all of the Group s businesses, and longer-term action in culture, rewards, control and costs.

b 2013 adjusted profit before tax includes the restatement for Lehman receivables.

How were the earnings distributed to our key stakeholders?

We believe that the best way to support our stakeholders is by operating a strong, profitable and growing business, which creates jobs and contributes to the economic success of the communities in which we live and work. The charts below detail how the earnings generated by our businesses have been distributed to a number of key stakeholders including shareholders (in the form of dividends), government (in the form of taxes) and employees.

Shareholders

Note

a Calculated as dividend per share divided by adjusted earnings per share.

Capital

Note

a The Group changed to CRD IV basis in 2014. For 2012 and 2013, estimated fully loaded CET1 ratios are disclosed. CRD III was the basis of preparation applicable until the end of 2013.

Government

Notes

a Taxes borne are the Company s own tax contribution, representing taxes paid or suffered at source by the Company in the year.
b Taxes collected are those collected from employees and customers on behalf of governments. The VAT collected represents Barclays contribution to the public finances and comprises VAT charged on sales to clients less VAT incurred on costs that Barclays is entitled to recover.

Employees

Notes

a If RBP had not been introduced in 2014 and an equivalent amount provided through bonus, the Group ratio would have been 1% lower.
b For the Core business, the ratio is at 35.7% for 2014.
c 2013 ratio includes the restatement for Lehman receivables.

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Governance: Remuneration report

Remuneration policy for all employees

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

Remuneration policy

The Committee formally adopted the current remuneration policy for 2013 as part of the Transform programme. The principles set out in the policy below underpin 2014 remuneration decisions made by the Committee and throughout Barclays.

The remuneration structure for employees is aligned with that for executive Directors, set out in detail in the Directors remuneration policy which was approved by Shareholders at the 2014 AGM. A full copy of the policy can be found on the Barclays PLC website. An abridged version is at pages 102 to 110 of this Report.

Barclays remuneration decisions:

1. Support the goal of becoming the Go-To bank by attracting, retaining and competitively rewarding colleagues with the ability, experience, skill, values and behaviours to deliver that goal.

2. Will only reward business results when these are achieved in a manner consistent with Barclays Values and Behaviours:

- **Respect:** We respect and value those we work with, and the contribution that they make
- **Integrity:** We act fairly, ethically and openly in all we do
- **Service:** We put our clients and customers at the centre of what we do
- **Excellence:** We use our energy, skills and resources to deliver the best, sustainable results
- **Stewardship:** We are passionate about leaving things better than we found them

3. Protect and promote shareholder interests by incentivising colleagues to deliver sustained performance and create long-term value through the delivery of Barclays goal. Those decisions will reflect that performance for individuals and in aggregate. Barclays will pay competitively for high performance but will not pay more than the amount appropriate to maximise the long-term value of the bank for its shareholders.

4. Create a direct and recognisable alignment between remuneration and risk exposure, as well as adjusting current and deferred incentives for current and historic risk, including malus adjustments, as appropriate.

5. Should be as simple and clear for colleagues and stakeholders as possible as is the process used to determine them.

6. Ensure that the balance between shareholder returns and remuneration is appropriate, clear and supports long-term shareholder interests.

Remuneration and performance

Our remuneration policy means that remuneration decisions for all employees across the whole of Barclays are aligned with and support the achievement of Barclays goal of becoming the Go-To bank.

This is achieved by linking remuneration to a broad assessment of performance based on expected standards of delivery and behaviour discussed with employees at the start of and throughout the performance year. A new approach to performance management was implemented for all employees in 2014 to ensure alignment of these expectations to Barclays strategy. This started with all employees aligning each of their 2014 objectives to the 5Cs of the Balanced

Scorecard (Customer & Clients, Colleagues, Citizenship, Conduct and Company) and discussing behaviour expectations in relation to our Values with their managers. This ensures that clear expectations are set for not only what employees are expected to deliver, but also how they are expected to go about it.

Individual performance is then evaluated against both the what (performance against objectives) and the how (demonstration of our Values and Behaviours), with ratings agreed for both of these elements and overall performance at year-end. This evaluation takes into account various factors including:

¡ Performance against agreed objectives (both financial and non-financial) and core job responsibilities

¡ Adherence to relevant risk policies and procedures and control frameworks

¡ Behaviour in line with Barclays Values and Behaviours

¡ Colleague and stakeholder feedback

¡ Input from the Risk and Compliance functions where there are concerns about the behaviour of the individuals concerned or the risk of the business undertaken.

There is no specific weighting between the financial and non-financial considerations for employees because all of them are important to the determination of the overall performance assessment.

Linking individual performance assessment and remuneration decisions to both the Balanced Scorecard and our Values and Behaviours in this way promotes the delivery of sustainable individual and business performance, and establishes clear alignment between remuneration policy and Barclays strategy.

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Remuneration structure

Employees receive salary, pension and other benefits and are eligible to be considered for an annual bonus. Employees in some customer-facing businesses participate in incentive plans including plans based on customer feedback and other measures of the quality of service they provide to customers. Remuneration of PRA Material Risk Takers (MRTs), formerly known as Code Staff, is subject to the 2:1 maximum ratio of variable to fixed pay. A total of 1,277 (2013: 530) individuals were MRTs. Capital Requirements Regulation disclosures on MRTs are set out on page 170 in Barclays 2014 Pillar 3 report. Some senior employees receive Role Based Pay (RBP).

Barclays was accredited in 2014 as a UK Living Wage employer, which recognised the Bank s commitment to ensure that all its employees and those employees of third party contractors who provide services to us at our sites, are paid at least the current London or UK Living Wage. This is a commitment which we have also extended to all our UK employed apprentices.

Further information on remuneration structure is provided below.

Fixed remuneration

Salary	¡ Salaries reflect individuals skills and experience and are reviewed annually in the context of annual performance assessment. They are increased where justified by role change, increased responsibility or where justified by the latest available market data. Salaries may also be increased in line with local statutory requirements and in line with union and works council commitments.
Role Based Pay (RBP)	¡ A small number of senior employees receive a class of fixed pay called RBP to recognise the seniority, breadth and depth of their role. RBP was introduced in 2014 to enable Barclays to remain competitive for global talent, given the CRD IV 2:1 maximum ratio of variable to fixed pay which came into effect in 2014.

Pension and benefits	¡ The provision of a competitive package of benefits is important to attracting and retaining the talented staff Barclays needs to deliver Barclays strategy. Employees have access to a range of country specific company funded benefits, including pension schemes, healthcare, life assurance and Barclays share plans as well as other voluntary employee funded benefits. The cost of providing the benefits is defined and controlled.

Variable remuneration

Annual bonus	Annual bonuses reward and incentivise the achievement of Group, business and individual objectives, and the demonstration of individual behaviours in line with Barclays Values and Behaviours.
	The ability to recognise performance through variable remuneration enables the Group to control its cost base flexibly and to react to events and market circumstances. Bonuses remain a key feature of remuneration practice in the highly competitive and mobile market for talent in the financial services sector. The Committee is careful to control the proportion of variable to fixed remuneration paid to individuals.
	Bonus deferral levels are significantly in excess of PRA requirements.
	For MRTs, the deferral rate is a minimum of 40% (for bonuses of up to £500,000) or 60% (for bonuses of more than £500,000).
	For non-MRTs, bonuses over £65,000 are subject to a graduated level of deferral.

2014 bonuses awarded to Managing Directors in the Investment Bank are 100% deferred.

Deferred bonuses are generally delivered in equal portions as deferred cash under the Cash Value Plan (CVP) and deferred shares under the Share Value Plan (SVP), each typically vesting in annual tranches over three years subject to the rules of the plans and continued service.

Deferred bonuses are subject to malus provisions which enable the Committee to reduce the vesting level of deferred bonuses (including to nil) at its discretion. Events which may lead the Committee to do this include, but are not limited to, employee misconduct or a material failure of risk management.

Clawback applies to any variable remuneration awarded to a MRT on or after 1 January 2015. Barclays may apply clawback if at any time during the 7 year period from the date on which variable remuneration is awarded to a MRT: (i) there is reasonable evidence of employee misbehaviour or material error, and/or (ii) the firm or the business unit suffers a material failure of risk management, taking account of the individual s proximity to and responsibility for that incident.

Share plans

Alignment of senior employees with shareholders is achieved through deferral of incentive pay into the SVP. We also encourage wider employee shareholding through the all employee share plans. 83% of the global employee population (excluding Africa) are eligible to participate.

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Governance: Remuneration report

2014 incentives

This section provides details of how 2014 total incentive award decisions were made.

2014 pay and performance headlines

The key performance considerations which the Committee took into account in making its remuneration decisions for 2014 are highlighted below:

¡ Adjusted profit before tax was up 12% to £5,502m (Adjusted profit before tax (ex CTA) was up 9% to £6,667m)

Within the Core business, Personal and Corporate Banking and Barclaycard continued to grow profits (up 29% and 13% respectively), Africa Banking has done well but was impacted by adverse currency movements, and the Investment Bank is making progress despite challenging market conditions impacting income

¡ Statutory profit before tax was down 21% at £2,256m (2013: £2,868m)

¡ CRD IV Common Equity Tier 1 (CET1) ratio was up to 10.3% (2013: 9.1%)

¡ The BCBS 270 leverage ratio was up to 3.7% (September 2014: 3.5%)

¡ Balanced Scorecard Steady progress has been made against the Balanced Scorecard in respect of 2018 targets. Full details of 2014 performance against the eight key measures within the Scorecard are set out on page 11.

The pay outcomes and decisions can be summarised as follows:

¡

The Group compensation to adjusted net income ratio improved to 37.7% (2013: 38.7%). The Core compensation to adjusted net income ratio was 35.7%

¡ Total compensation costs decreased 8% to £8,891m (2013: £9,616m). Total compensation costs in the Investment Bank were down 9% at £3,620m (2013: £3,978m)

¡ Total incentive awards granted were £1,860m, down 22% on 2013. Investment Bank incentive awards granted were £1,053m, down 24% on 2013

¡ Although no resolutions have yet been reached with the relevant investigating authorities, the Committee has adopted a prudent approach in relation to any potential settlements with respect to the ongoing Foreign Exchange trading investigations. The 2014 incentive pool, has as a result, been adjusted downwards by the Committee. The Committee will, however, keep the matter under review

¡ There has been strong differentiation on the basis of individual performance to allow the Group to more effectively manage compensation costs

¡ Average value of incentive awards granted per Group employee is £14,100 (2013: £17,000) and the average value of incentive awards granted per Investment Bank employee is £51,400 (2013: £61,000). Average value of incentive awards granted per Group employee excluding the Investment Bank and Non-Core is £6,900 (2013: £7,600)

¡ Levels of bonus deferral continue to significantly exceed the PRA Remuneration Code s minimum requirements and are expected to remain among the highest deferral levels globally. 2014 bonuses awarded to Managing Directors in the Investment Bank were 100% deferred.

2014 pay Questions and answers

Why is a 2014 compensation to adjusted net income ratio of 37.7% appropriate for the Group?

The Committee continues to recognise the importance of rebalancing the allocation of income towards shareholders and the ongoing journey towards achieving this remains a key focus.

The Group compensation to adjusted net income ratio has decreased significantly from 42.4% in 2010 to 37.7% in 2014, continuing the trajectory towards a mid-30s ratio in the medium term.

The introduction of RBP in 2014 meant that an additional accounting charge of c.£250m was taken in the year, which would otherwise have been borne in future years under the previous remuneration structures.

If RBP had not been introduced and an equivalent amount provided through bonus, this ratio would have been approximately 1% lower. The impact is greatest within the Investment Bank (c.3%). Without this change, the compensation to adjusted net income ratio for the Investment Bank would have been down year on year.

Within Barclays Core, the ratio is at 35.7% down from 36.2% and is therefore already tracking at the target level of mid-thirties, demonstrating the efficiencies achieved in the Core business.

How do you justify a 2014 incentive pool of £1,860m?

The Committee remains focused on paying for performance while continuing to deliver a greater share of the income we generate to shareholders.

The final 2014 incentive pool of £1,860m is down 22% on 2013. This is despite a 12% improvement in adjusted profit before tax, increases in CET1 and leverage ratios and steady progress towards our key measures under the Balanced Scorecard.

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The following chart illustrates our commitment to controlling and reducing variable remuneration:

Barclays incentive pools

Note

2013 Investment Bank incentive awards have been restated from £1,574m to reflect the business reorganisation outlined in the Strategy Update on 8 May 2014. 2010, 2011 and 2012 Investment Bank incentive awards have not been restated.

What have you done in terms of risk and conduct adjustments in 2014?

The Committee takes risk and conduct matters very seriously and will continue to ensure that there are appropriate adjustments to both individual remuneration and, where necessary, the incentive pool.

Conduct is included as a key metric in the Balanced Scorecard and risk and conduct events are considered as part of the performance management process and reflected in incentive decisions for individuals. All employees have their performance assessed against objectives (the what) as well as demonstration of Barclays Values and Behaviours (the how).

To support this there is a strong governance structure with a dedicated review body, the Remuneration Review Panel (Panel), which reports directly to the Committee. The Panel is independent of the business and includes senior representatives from the key control functions of Risk, Compliance, Internal Audit, Legal and HR. It sets the policy and processes and is responsible for assessing the impact on compensation of risk and conduct events.

It is the Committee s intention that individuals who are accountable, responsible or directly culpable for risk and conduct matters are subject to remuneration reductions as appropriate. This will include reductions to bonus and unvested deferred awards (i.e. malus reductions). While investigations are ongoing, individuals who are under investigation will be subject to suspensions of variable pay, in line with our Values and the expectations of our regulators. For current employees who are directly culpable, disciplinary action up to and including dismissal may also result.

In 2014 reductions were made to the incentive pool funding by the Committee for a number of conduct and risk events. These included the ongoing Foreign Exchange trading investigations, PPI, the fines received for gold price fixing, for breaches of the FCA s Client Asset rules and the US Securities and Exchange Commission s sanction for compliance violations as well as other issues requiring remediation.

With respect to the ongoing Foreign Exchange trading investigations, although no resolutions have yet been reached with the relevant investigating authorities, the Committee adopted a prudent approach. The 2014 incentive pool has as a result been adjusted downwards by the Committee. The Committee will, however, keep the matter under review.

Total incentive awards granted current year and deferred (audited)

	Barclays Group			Investment Bank		
	Year Ended 31.12.14	Year Ended 31.12.13		**Year Ended 31.12.14**	Year Ended 31.12.13[a]	
	£m	£m	% Change	**£m**	£m	% Change
Total current year bonus	885	957	8	381	411	7
Total deferred bonus	757	1,140	34	634	921	31
Bonus pool	**1,642**	**2,097**	**22**	**1,015**	1,332	24
Commissions, commitments and other incentives	218	281	22	38	46	17
Total incentive awards granted	**1,860**	**2,378**	**22**	**1,053**	**1,378**	**24**
Proportion of bonus that is deferred	46%	54%		62%	69%	
Total employees (full time equivalent)	132,300	139,600	5	20,500	22,600	9
Average value of incentive award granted per employee	£14,100	£17,000	17[b]	£51,400	£61,000	16

Notes

a 2013 Investment Bank figures have been restated to reflect the business reorganisation outlined in the Strategy Update on 8 May 2014.
b Average value of incentives granted for Barclays Group excluding the Investment Bank and Non-Core is down 9%.

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Governance: Remuneration report

2014 incentives

Deferral levels vary according to the incentive award quantum. With reductions in incentive award levels, this has reduced the proportion of the bonus that is deferred.

Deferred bonuses are delivered, subject to the rules, and only once an employee meets certain conditions, including continued service. This creates a timing difference between the communication of the bonus pool and the charges that appear in the income statement which are reconciled in the table below.

Reconciliation of total incentive awards granted to income statement charge (audited)

	Barclays Group			Investment Bank		
	Year Ended 31.12.14 £m	Year Ended 31.12.13 £m	% Change	**Year Ended 31.12.14 £m**	Year Ended 31.12.13[a] £m	% Change
Total incentive awards for 2014	1,860	2,378	22	1,053	1,378	24
Less: deferred bonuses awarded in 2014	(757)	(1,140)	34	(634)	(921)	31
Add: current year charges for deferred bonuses from previous years	1,067	1,147	7	854	933	8
Other[b]	(108)	169		12	99	88
Income statement charge for performance costs	**2,062**	**2,554**	**19**	**1,285**	**1,489**	**14**

Notes

a 2013 Investment Bank figures have been restated to reflect the business reorganisation outlined in the Strategy Update on 8 May 2014.

b Difference between incentive awards granted and income statement charge for commissions, commitments and other incentives.

- Employees only become eligible to receive shares or cash under a deferred award once all of the relevant conditions have been fulfilled, including the provision of services to the Group

- The income statement charge for performance costs reflects the charge for employees actual services provided to the Group during the relevant calendar year (including where those services fulfil conditions attached to previously deferred bonuses). It does not include charges for deferred bonuses where conditions have not been met

¡

As a consequence, while the 2014 Group incentive awards granted decreased 22% compared to 2013, the income statement charge for performance costs decreased 19%

Income statement charge (audited)

	Barclays Group			Investment Bank		
	Year Ended 31.12.14	Year Ended 31.12.13		**Year Ended 31.12.14**	Year Ended 31.12.13[a]	
	£m	£m	% Change	**£m**	£m	% Change
Deferred bonus charge	1,067	1,147	7	854	933	8
Current year bonus charges	885	957	8	381	411	7
Commissions, commitments and other incentives	110	450	76	50	145	66
Performance costs	**2,062**	**2,554**	**19**	**1,285**	**1,489**	**14**
Salaries[b]	4,998	4,981		1,749	1,787	2
Social security costs	659	715	8	268	294	9
Post retirement benefits[c]	624	688	9	120	151	21
Allowances and trading incentives	170	211	19	64	86	26
Other compensation costs	378	467	19	134	171	22
Total compensation costs[d]	**8,891**	**9,616**	**8**	**3,620**	**3,978**	**9**
Other resourcing costs						
Outsourcing	1,055	1,084	3	9	26	65
Redundancy and restructuring	358	687	48	239	186	(28)
Temporary staff costs	530	551	4	176	249	29
Other	171	217	21	42	69	39
Total other resourcing costs	**2,114**	**2,539**	**17**	**466**	**530**	**12**
Total staff costs	**11,005**	**12,155**	**9**	**4,086**	**4,508**	**9**
Compensation as % of adjusted net income	**37.7%**	**38.7%**		**47.6%**	**46.2%**	
Compensation as % of adjusted income	**34.6%**	**34.5%**		**47.7%**	**46.3%**	

Notes

a 2013 Investment Bank figures have been restated to reflect the business reorganisation outlined in the Strategy Update on 8 May 2014.

b Salaries include Role Based Pay and fixed pay allowances.

c Post retirement benefits charge includes £242m (2013: £261m) in respect of defined contribution schemes and £382m (2013: £427m) in respect of defined benefit schemes.

d In addition, £250m (2013: £346m) of Group compensation was capitalised as internally generated software.

¡ Total staff costs decreased 9% to £11,005m, principally reflecting a 19% decrease in performance costs and a 48% decrease in redundancy and restructuring charges

¡ Performance costs decreased 19% to £2,062m, reflecting an 8% decrease to £885m in charges for current year cash and share bonuses, a 7% decrease in the charge for deferred bonuses to £1,067m and a 76% decrease in commissions, commitments and other incentives to £110m

- Redundancy and restructuring charges decreased 48% to £358m, due to a number of Transform initiatives that occurred in 2013

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Deferred bonuses awarded are expected to be charged to the income statement in the years outlined in the table that follows.

Year in which income statement charge is expected to be taken for deferred bonuses awarded to date[a]

	Actual		Expected[b]	
	Year Ended 31.12.13 £m	**Year Ended 31.12.14 £m**	Year Ended 31.12.15 £m	2016 and beyond £m
Barclays Group				
Deferred bonuses from 2011 and earlier bonus pools	621	202	18	
Deferred bonuses from 2012 bonus pool	526	286	106	15
Deferred bonuses from 2013 bonus pool		579	294	145
Deferred bonuses from 2014 bonus pool			421	304
Income statement charge for deferred bonuses	**1,147**	**1,067**	**839**	**464**
Investment Bank				
Deferred bonuses from 2011 and earlier bonus pools	480	172	15	
Deferred bonuses from 2012 bonus pool	453	226	84	12
Deferred bonuses from 2013 bonus pool		456	232	113
Deferred bonuses from 2014 bonus pool			362	249
Income statement charge for deferred bonuses	**933**	**854**	**693**	**374**

Bonus pool component	**Expected grant date**	Expected payment date(s)[a]	Year(s) in which income statement charge arises[c]
Current year cash bonus	¡ February 2015	¡ February 2015	¡ 2014
Current year share bonus	¡ February/March 2015	¡ February 2015 to September 2015	¡ 2014
Deferred cash bonus	¡ March 2015	¡ March 2016 (33.3%) ¡ March 2017 (33.3%) ¡ March 2018 (33.3%)	¡ 2015 (48%) ¡ 2016 (35%) ¡ 2017 (15%)

			¡ 2018 (2%)
Deferred share bonus	¡ March 2015	¡ March 2016 (33.3%) ¡ March 2017 (33.3%) ¡ March 2018 (33.3%)	¡ 2015 (48%) ¡ 2016 (35%) ¡ 2017 (15%) ¡ 2018 (2%)

Notes

a The actual amount charged and amounts delivered are subject to the rules including all conditions being met prior to the expected delivery date and will vary compared with the above expected amounts. In addition, employees receiving a deferred cash bonus may be awarded a service credit of 10% of the initial value of the award at the time that the final instalment is made, subject to continued employment. Dividend equivalent shares may also be awarded under SVP awards.
b Does not include the impact of grants which will be made in 2015 and 2016.
c The income statement charge is based on the period over which performance conditions are met.

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Governance: Remuneration report

Annual report on Directors remuneration

This section explains how our Directors remuneration policy was implemented during 2014.

Executive Directors

Executive Directors: Single total figure for 2014 remuneration (audited)

The following table shows a single total figure for 2014 remuneration in respect of qualifying service for each executive Director together with comparative figures for 2013.

	Salary £000		Role Based Pay £000		Taxable benefits £000		Annual bonus £000		LTIP £000		Pension £000		Total £000	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Antony Jenkins	1,100	1,100	950		100	138	1,100		1,854		363	364	5,467	1,602
Tushar Morzaria	800	171	750		95	14	900	1,200			200	43	2,745	1,428

The single total figure for 2014 for the executive Directors is higher than for 2013 since Antony Jenkins voluntarily declined a 2013 bonus and the current executive Directors had no LTIP vesting in 2013. Antony Jenkins has an LTIP award scheduled for release for the performance period 2012-2014 which is shown in the table. Tushar Morzaria joined the Board with effect from 15 October 2013 so his 2013 salary, pension and benefits relate to his part year qualifying service.

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

Salary

Antony Jenkins is paid a salary of £1,100,000 per annum as Group Chief Executive. Tushar Morzaria has been paid a salary of £800,000 per annum since his appointment to the Group Finance Director role.

Role Based Pay (RBP)

With effect from 1 January 2014, both executive Directors received RBP. RBP is delivered quarterly in shares which are subject to a holding period with restrictions lifting over five years (20% each year). The value shown is of shares at the date awarded.

Taxable benefits

Taxable benefits include private medical cover, life and ill health income protection, tax advice, relocation, home leave related costs, car allowance and the use of a company vehicle and driver when required for business purposes.

Annual Bonus

Annual bonuses are discretionary and are typically awarded in Q1 following the financial year to which they relate. The 2014 bonus awards reflect the Committee s assessment of the extent to which each of the executive Directors achieved their Financial (50% weighting) and Balanced Scorecard (35% weighting) performance measures, and their personal objectives (15% weighting). More information on the performance measures and the outcomes for the 2014 bonuses is set out on pages 87 and 88.

60% of each executive Director s 2014 bonus will be deferred in the form of an award under the SVP vesting over three years with one third vesting each year. 20% will be paid in cash and 20% delivered in shares. All shares (whether deferred or not deferred) are subject to a further six month holding period from the point of release. 2014 bonuses are subject to clawback provisions and, additionally, unvested deferred 2014 bonuses are subject to malus provisions which enable the Committee to reduce the vesting level of deferred bonuses (including to nil).

LTIP

Barclays LTIP amount included in Antony Jenkins 2014 single total figure is the value of the amount scheduled to be released in relation to the LTIP award granted in 2012 in respect of performance period 2012-2014. As Tushar Morzaria was not a participant in this cycle, the LTIP figure in the single figure table is shown as zero for him. Release is dependent on, amongst other things, performance over the period from 1 January 2012 to 31 December 2014. The performance achieved against the performance targets is as follows.

Performance measure	Weighting	Threshold	Maximum 100% vesting	Actual	% of maximum achieved
Return on Risk Weighted Assets (RoRWA)	60%	23% of award vests for average annual RoRWA of 1.1%	Average annual RoRWA of 1.6%	0.5%	0%
Loan loss rate	30%	10% of award vests for average annual loan loss rate of 93 bps	Average annual loan loss rate of 70 bps or below	60 bps	30%
Citizenship metrics	10%	Performance against the Barclays Citizenship strategy is assessed by the Committee to determine the % of the award that may vest between 0% and		N/A	0%

10%

The LTIP award is also subject to a discretionary underpin in that the Committee must be satisfied with the underlying financial health of the Group. The Committee was satisfied that this underpin was met, and accordingly determined that the award should be considered for release to the extent of 30% of the maximum number of shares under the total award. The shares are scheduled to be released in May 2015. 50% of any shares that are released (after deductions for income tax and social security contributions) are subject to a 12 month holding period.

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Pension

Executive directors are paid cash in lieu of pension contributions. This is market practice for senior executives in comparable roles.

2014 Annual Bonus outcomes

(i) Antony Jenkins

The Committee considered Antony Jenkins performance against the financial and non-financial measures which had been set to reflect the strategic priorities for 2014. A summary of the assessment for Antony Jenkins against his specific performance measures is provided in the following table.

Antony Jenkins

Performance measures	Weighting	Target	2014	Assessment	Outcome
Financial					
Adjusted profit before tax	20%	£5.14bn £5.92bn	£5.5bn	100%	20%
Adjusted Costs (ex CTA)	10%	£17.11bn £16.24bn	£ 16.9bn	100%	10%
CET1 ratio (fully loaded basis)	10%	10.1% 10.6%	10.3%	100%	10%
Leverage ratio	10%	3.0% 3.5%	3.7%	100%	10%
Balanced Scorecard 5 Cs					
Customer & Client Colleague Citizenship Conduct Company	35%	2018 targets are set out at page 11		Steady progress on all targets	22%
Personal objectives/contribution	15%	See below		Judgemental assessment	11%
Total	100%				83%
Final outcome after the exercise of Remuneration Committee discretion					**57%**

In aggregate, the performance assessment resulted in an overall outcome of 83% of maximum bonus opportunity being achieved. Notwithstanding the performance assessment outcome of 83%, the Committee subsequently used its discretion to reduce the overall outcome by 26% to 57%. The adjustment was considered appropriate in the context of an holistic assessment which recognised that, amongst other factors, while there has been solid financial performance and steady progress has been made on strategic repositioning, statutory profit before tax continues to be impacted by material conduct issues and there remains significant further work to be done to improve overall returns. This adjustment therefore also incorporated consideration of executive accountability for the significant group-wide conduct issues that impacted Barclays in 2014 which included, for example, the ongoing Foreign Exchange trading investigations. The resulting 2014 bonus is £1,100,000 (57% of maximum bonus).

The considerations and rationale for the outcome of each component are set out below.

Financial (50% weighting)

The approach adopted for assessing financial performance is based on driving balanced performance outcomes across a range of measures. In line with this, performance is initially assessed against a target range for each financial measure with a binary outcome i.e. below range (zero) and within range (100%). Each financial measure has a weighting allocated, the total of which equals 50% of maximum bonus opportunity. After this the Committee is required to apply discretion, considering all relevant factors, to ensure that the final outcome is appropriate.

As each financial target has been met or exceeded, a formulaic assessment of the current outcomes against financial measures implies a full 50% weighting (prior to the application of Committee discretion). There has been sustained and consistent progress made towards our 2016 Transform targets and Barclays has met all 2014 Transform financial and capital targets. Higher Group and Core adjusted profit before tax were driven by focused cost saving initiatives. Significant Non-Core run down throughout the year contributed to strengthening of Group capital and leverage ratios. Group adjusted profit before tax increased 12% to £5,502m. CET1 ratio increased to 10.3% (2013: 9.1%) demonstrating progress towards the 2016 Transform financial target in excess of 11%. The leverage ratio increased to 3.7% close to the 2016 Transform target to exceed 4%.

Balanced Scorecard (35% weighting)

Each of the five Cs of the Balanced Scorecard was assessed. This year the Balanced Scorecard was cascaded throughout the organisation and now forms part of the framework against which employees are assessed. Barclays has published its 2018 targets on page 11. There has been steady progress across the Balanced Scorecard towards our 2018 targets. There was however deterioration in the sustained engagement metric and the Relationship Net Promoter Score. The move in both metrics is predominately due to changes Barclays has undergone during 2014 with the Strategy Update affecting a structural change in the company. Citizenship initiatives are on track or ahead of target. Progress has been made on the company metric especially in our fully loaded CRD IV CET1 ratio metric where recent European Banking Authority and Bank of England stress tests highlighted Barclays capital strength and resilience to stress scenarios.

Based on an assessment of performance against 2014 Balanced Scorecard milestones, the Committee has agreed a 22% outcome out of a maximum of 35%.

Personal objectives (15% weighting)

Antony Jenkins has shown strong leadership throughout the year and has been fully committed to delivering on the Transform financial targets and on improving the control environment across the organisation during 2014. Progress against the Transform targets provides strong evidence that the decisive reshaping of the business announced in the 2014 Strategy update is working. Antony Jenkins commitment to Barclays Values, both personally and in continuing

to promote their importance throughout the organisation is highly commendable. Progress in embedding cultural change has continued and changes made are being recognised both internally and externally as illustrated in the Conduct measures in our Balanced Scorecard. He has strengthened the Executive Committee and the Senior Leadership Group. The Committee judged that 11% of a maximum of 15% was appropriate.

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(ii) Tushar Morzaria

The Committee undertook the same considerations in respect of financial performance, achievement against the Balanced Scorecard targets and personal measures for Tushar Morzaria. A summary of the assessment for Tushar Morzaria against his specific performance measures is provided in the following table.

Tushar Morzaria

Performance measures	Weighting	Target	2014	Assessment	Outcome
Financial					
Adjusted profit before tax	20%	£5.14bn £5.92bn	£5.5bn	100%	20%
Adjusted Costs (ex CTA)	10%	£17.11bn £16.24bn	£ 16.9bn	100%	10%
CET1 ratio (fully loaded basis)	10%	10.1% 10.6%	10.3%	100%	10%
Leverage ratio	10%	3.0% 3.5%	3.7%	100%	10%
Balanced Scorecard 5 Cs					
Customer & Client Colleague Citizenship Conduct Company	35%	2018 targets are set out at page 11		Steady progress on all targets	22%
Personal objectives/contribution	15%	See below		Judgemental assessment	11%
Total	100%				83%
Final outcome after the exercise of Remuneration Committee discretion					**64%**

The assessment on the financial and Balanced Scorecard performance measures is set out above. There was continued strong momentum on costs and capital both for the year and in terms of progress towards 2016 financial targets. On a personal basis, the Committee concluded that Tushar Morzaria had demonstrated a consistent strive for excellence and challenged the status quo where appropriate to drive results and achieve cost targets. He has also demonstrated strong

and effective leadership of the finance, tax and treasury functions and has developed strong external relationships with the regulators.

In aggregate, performance assessment resulted in an overall outcome of 83% of maximum being achieved. Following a holistic review by the Committee and after the exercise of discretion, the annual bonus has been set at £900,000 (64% of maximum bonus).

Executive Directors: Other LTIP awards

The Directors remuneration reporting regulations require inclusion in the single total figure of only the value of the LTIP awards whose last year of performance ends in the relevant financial year and whose vesting outcome is known. For 2014, this is the award to Antony Jenkins under the 2012-2014 LTIP cycle and further details are set out on page 86. This section sets out other LTIP cycles in which the executive Directors participate, the outcome of which remains dependent on future performance.

LTIP awards to be granted during 2015

The Committee decided to make awards under the 2015-2017 LTIP cycle to both Antony Jenkins and Tushar Morzaria with a face value at grant of 120% of their respective fixed pay at 31 December 2014. The 2015-2017 LTIP awards will be subject to the following performance measures.

Performance measure	Weighting	Threshold	Maximum vesting
Net Generated Equity[a]	30%	7.5% of award vests for Net Generated Equity of £1,363m	Net Generated Equity of £1,844m
Core Return on Risk Weighted Assets (RoRWA) excluding own credit	20%	5% of award vests for average annual Core RoRWA of 1.34%	Average annual Core RoRWA of 1.81%
Non-Core drag on Adjusted Return on Equity (RoE)	10%	2.5% of award vests for Non-Core drag on Adjusted RoE of 4.02%	Non-Core drag on Adjusted RoE of 2.97%
Loan Loss Rate	10%	2.5% of award vests for average annual loan loss rate of 70bps	Average annual loan loss rate of 55bps or below
Balanced Scorecard	30%	Performance against the Balanced Scorecard is assessed by the Committee to determine the percentage of the award that may vest between 0% and 30%. Each of the 5Cs in the Balanced Scorecard has equal weighting. The targets within each of the 5Cs are deemed to be commercially sensitive. However, retrospective disclosure of the targets and performance against them will be made in the 2017	

Remuneration Report subject to commercial sensitivity no longer remaining.

Note

a Net Generated Equity is a metric which converts changes in the CET1 ratio into an absolute capital equivalent measure. For remuneration purposes, Net Generated Equity will exclude inorganic actions such as rights issues, as determined by the Committee.

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

The awards are subject to a discretionary underpin by which the Committee must be satisfied with the underlying financial health of the Group. Awards under the 2015-2017 LTIP cycle will also be subject to malus and clawback provisions.

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Outstanding LTIP awards

(i) LTIP awards granted during 2013

The performance measures for the awards made under the 2013-2015 LTIP cycle are shown below.

Performance measure	Weighting	Threshold	Maximum vesting
Return on Risk Weighted Assets (RoRWA)	50%	13% of award vests for average annual RoRWA of 1.1%	Average annual RoRWA of 1.6%
Loan loss rate	30%	10% of award vests for average annual loan loss rate of 75 bps	Average annual loan loss rate of 60 bps or below
Balanced Scorecard	20%	Performance against the Balanced Scorecard is assessed by the Committee to determine the percentage of the award that may vest between 0% and 20%. Each of the 5Cs in the Balanced Scorecard has equal weighting. The targets within each of the 5Cs are deemed to be commercially sensitive. However, retrospective disclosure of the targets and performance against them will be made in the 2015 Remuneration Report subject to commercial sensitivity no longer remaining.	

Straight line vesting applies between the threshold and maximum points in respect of the RoRWA and Loan loss rate measures respectively. If the Committee is satisfied with the underlying financial health of the Group based on profit before tax, depending on the extent of its satisfaction, the percentage of Barclays shares that may be considered for release by the Committee under the RoRWA measure can be increased or decreased by 10% of the total award, subject always to a maximum of 50% of the award. Performance outcome will be determined at the end of the performance period.

(ii) LTIP awards granted during 2014

Awards were made on 17 March 2014 under the 2014-2016 LTIP cycle at a share price on the date of grant of £2.3259, in accordance with our remuneration policy to the executive Directors. This is the price used to calculate the face value below.

	% of salary	Number of shares	Face value at grant	Performance period
Antony Jenkins	400%	1,891,740	£4,400,000	2014-2016

Tushar Morzaria	400%	1,375,811	£3,200,000	2014-2016

The performance measures for the 2014-2016 LTIP awards are as follows:

Performance measure	Weighting	Threshold	Maximum vesting
Return on Risk Weighted Assets (RoRWA)	50%	23% of award vests for average annual RoRWA of 1.08%	Average annual RoRWA of 1.52%
Loan loss rate	20%	7% of award vests for average annual loan loss rate of 70 bps	Average annual loan loss rate of 55 bps or below
Balanced Scorecard	30%	Performance against the Balanced Scorecard is assessed by the Committee to determine the percentage of the award that may vest between 0% and 30%. Each of the 5Cs in the Balanced Scorecard has equal weighting. The targets within each of the 5Cs are deemed to be commercially sensitive. However, retrospective disclosure of the targets and performance against them will be made in the 2016 Remuneration Report subject to commercial sensitivity no longer remaining.	

Straight line vesting applies between the threshold and maximum points in respect of the RoRWA and Loan loss rate measures respectively. If the Committee is satisfied with the underlying financial health of the Group based on profit before tax, depending on the extent of its satisfaction, the percentage of Barclays shares that may be considered for release by the Committee under the RoRWA measure can be increased or decreased by 10% of the total award, subject always to a maximum of 50% of the award. Performance outcome will be determined at the end of the performance period.

Executive Directors: pension (audited)

Antony Jenkins left the UK pension scheme in April 2012, and then started receiving cash in lieu of pension. He has benefits in both the final salary 1964 section and in the cash balance Afterwork section. The accrued pension shown below relates to his 1964 section pension only. The other pension entries relate to his benefits in both sections.

Tushar Morzaria receives cash in lieu of pension.

	Accrued pension at 31 December 2014 £000	Increase in value of accrued pension over year net of inflation £000	Normal retirement date	Pension value in 2014 from DB Scheme £000	2014 cash in lieu of pension £000	2014 Total £000
Antony Jenkins	4	0	11 July 2021	0	363	363
Tushar Morzaria					200	200

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Annual report on Directors remuneration

Executive Directors: Statement of implementation of remuneration policy in 2015

This section explains how the approved Directors remuneration policy will be implemented in 2015.

	Antony Jenkins	Tushar Morzaria	Comments
Salary	£1,100,000	£800,000	No change from 2014.
RBP	£950,000	£750,000	Delivered quarterly in shares subject to a holding period with restrictions lifting over five years. No change from 2014.
Pension	33% of salary	25% of salary	Fixed cash allowance in lieu of participation in pension plan. No change from 2014.
Maximum bonus	80% of fixed pay	80% of fixed pay	Award subject to performance over the year and delivered in cash and shares, a proportion of which is deferred (60%) over three years with one-third vesting each year, and subject to a further six month holding period. No change from 2014.
Maximum LTIP	120% of fixed pay	120% of fixed pay	Award under the LTIP cycle to be delivered in shares. Vesting dependent on performance over the three year period and subject to a further two year holding period after vesting. No change from 2014.

Total Fixed Pay

The Directors remuneration policy sets out the policy on RBP for executive Directors. Following the EBA Opinion on allowances, published in October 2014, and despite the formal power to reduce RBP in the Directors remuneration policy, the Committee has agreed that total fixed pay (Salary and RBP elements) will not be reduced in 2015. The EBA is expected to update its guidelines and, subject to this update, further changes to the structure of RBP may be required.

Clawback and malus

Clawback applies to any variable remuneration awarded to the executive Directors on or after 1 January 2015. Barclays may apply clawback if at any time during the 7 year period from the date on which any variable remuneration is awarded: (i) there is reasonable evidence of individual misbehaviour or material error, and/or (ii) the firm suffers a material failure of risk management, taking account of the individual s proximity to and responsibility

for that incident.

As set out in the Directors remuneration policy, malus provisions will continue to apply to unvested deferred awards.

2015 Annual bonus

The annual bonus opportunity will be consistent with the Directors remuneration policy in terms of the maximum bonus opportunity, deferral and malus. Any 2015 bonus will also be subject to clawback provisions. 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 (50% weighting) A performance target range has been set for each financial measure.	¡ Adjusted profit before tax (20% weighting) ¡ Adjusted Costs (ex CTA) (10% weighting) ¡ Common Equity Tier 1 ratio (fully loaded basis) (10% weighting) ¡ Leverage ratio (10% weighting)
Balanced Scorecard (35% weighting)	¡ Progress towards the five year Balanced Scorecard targets will be assessed by the Committee at the year end. Each of the 5Cs in the Balanced Scorecard will have equal weighting
Personal objectives (15% weighting)	Antony Jenkins 2015 personal objectives include:

Personal objectives for each executive Director are aligned to Barclays Purpose, Values and Behaviours and to the 5Cs of the Balanced Scorecard	Customers & Clients:	¡ Continue to position Barclays as the Go-To bank, embed a customer and client focused culture boosted by innovation, and a process for continuous improvement across the bank
	Colleagues:	¡ Strengthen colleague engagement at all levels by acting on Employee Opinion Survey feedback
	Citizenship:	¡ Continue to restore trust in Barclays brand and position Barclays as a socially useful bank, supporting in particular innovation, enterprise and employability in the communities we serve
		¡ Deepen engagement and demonstrate industry leadership with key external stakeholders globally
	Conduct:	¡ Ensure the Conduct Risk Framework is embedded in the business and that we act with integrity in everything we do
		¡ Make significant progress in remediating legacy issues, mitigating reputational and financial risk wherever possible
	Company:	¡ Deliver on financial commitments with particular focus on capital accretion, cost management and revenue generation. Continue to drive improving returns in the Investment Bank and accelerate the run-down of Non-Core
		¡ Manage risk and control effectively by ensuring applicable risk frameworks are applied and a positive risk culture is embedded
		¡ Implement Structural Reform Programme

Tushar Morzaria s 2015 personal objectives include:

Customers & Clients:	¡ Deliver Go-To operating model transformational change, enabling structural and regulatory reform, through a simplified operating model and improved process and technology
Colleagues:	

	¡ Effective leadership and colleague engagement to ensure collective responsibility for achievement of objectives
	¡ Create a diverse and inclusive environment where colleagues can fulfil their potential
Citizenship:	¡ Leadership and active support of Group-wide objectives as defined in 2015 citizenship plan
Conduct:	¡ Effective management of external relationships and reputation
	¡ Fully embed the Conduct Risk Framework into the activities of Group Finance, Tax and Treasury
	¡ Manage strategic tax decisions to ensure we operate in the right way in line with our principles
Company:	¡ Deliver on 2015 financial commitments with particular focus on capital/leverage requirements and cost management
	¡ Manage risk and control effectively by ensuring all material risks are identified, managed and reported and a positive risk culture is embedded

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Detailed calibration of the Financial and Balanced Scorecard targets is commercially sensitive and it is not appropriate to disclose this information externally on a prospective basis. Disclosure of achievement against the targets will be made in the 2015 annual report subject to the targets no longer being sensitive. The Committee may exercise its discretion to amend the formulaic outcome of assessment against the targets. Any exercise of discretion will be disclosed and explained.

Illustrative scenarios for executive Directors remuneration

The charts below show the potential value of the current executive Directors 2015 remuneration in three scenarios: Minimum (i.e. fixed pay only), Maximum (i.e. fixed pay and the maximum variable pay that may be awarded) and Mid-point (i.e. fixed pay and 50% of 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. The scenarios do not reflect share price movement between award and vesting. LTIP is included at face value; the amount received and included in the single total figure for remuneration will depend on performance over the performance period.

A significant proportion of the potential remuneration of the executive Directors is variable and is therefore performance-related and subject to clawback, deferral and malus.

Total remuneration opportunity: Group Chief Executive (£000)

Total remuneration opportunity: Group Finance Director (£000)

In the above illustrative scenarios, benefits include 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 Directors remuneration policy.

Performance graph and table

The performance graph below illustrates the performance of Barclays over the past six financial years from 2009 to 2014 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 2008 Year ended 31 December

In addition, the table below provides a summary of the total remuneration of the relevant Group Chief Executive over the same six-year period as the graph above. For the purpose of calculating the value of the remuneration of the Group Chief Executive, data has been collated on a basis consistent with the single figure methodology.

Year	2009	2010	2011	2012	2012	2013	2014
Group Chief Executive	John Varley	John Varley	Bob Diamond	Bob Diamond[a]	Antony Jenkins[b]	Antony Jenkins	Antony Jenkins
Group Chief Executive single figure of total remuneration £000s	2,050	4,567	11,070[c]	1,892	529	1,602	5,467
Annual bonus against maximum opportunity %	0%	100%	80%	0%	0%	0%	57%
Long-term incentive vesting against maximum opportunity %	50%	16%	N/A[d]	0%	N/A[d]	N/A[d]	30%

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.

Notes

a Bob Diamond left the Board on 3 July 2012.
b Antony Jenkins became Group Chief Executive on 30 August 2012.
c Number in the single figure table above for 2011 is inclusive of £5,745k tax equalisation as set out in the 2011 Remuneration Report. He was tax equalised on tax above the UK rate where that could not be offset by a double tax treaty.
d Not a participant in a long-term incentive award which vested in the period.

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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 2013 and 2014 compares with the percentage change in the average of each of those components of pay for United Kingdom based employees.

	Salary	Role Based Pay	Benefits	Annual bonus
Antony Jenkins	No Change	Introduced in 2014	(27.5%)	See note below
Average based on UK employees	3.1%	Introduced in 2014	No change	(8.4%)

Note

Antony Jenkins announced on 3 February 2014 that he would decline any 2013 bonus offered to him by the Committee. It is therefore not possible to calculate a percentage increase from 2013 to 2014.

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

Relative importance of spend on pay

A year on year comparison of the relative importance of pay and distributions to shareholders is shown below. 2014 Group compensation costs have reduced by 8% and dividends to shareholders have increased 23% from 2013.

Group Compensation Costs (£m)

Dividends to shareholders (£m)

Chairman and non-executive Directors

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

Chairman and non-executive Directors: Single total figure for 2014 fees (audited)

	Fees		Benefits		Total	
	2014 £000	2013 £000	**2014 £000**	2013 £000	**2014 £000**	2013 £000
Chairman						
Sir David Walker	750	750	19	17	769	767
Non-executive Directors						
Mike Ashley[a]	213	39			213	39
Tim Breedon	240	183			240	183
Fulvio Conti[b]	37	110			37	110
Simon Fraser[c]	47	140			47	140
Crawford Gillies[d]	91				91	
Reuben Jeffery III	160	124			160	124
Wendy Lucas-Bull[e]	105	25			105	25
Dambisa Moyo	151	129			151	129
Frits van Paasschen[f]	80	33			80	33
Sir Michael Rake	250	220			250	220
Diane de Saint Victor[g]	135	90			135	90
Sir John Sunderland	190	189			190	189
Steve Thieke[h]	131				131	
David Booth[i]		185				185
Sir Andrew Likierman[j]		45				45
Total	**2,580**	**2,262**	**19**	**17**	**2,599**	**2,279**

Non-executive directors are reimbursed expenses that are incurred for business reasons. Any tax that arises on these reimbursed expenses is paid by Barclays.

The Chairman is provided with private medical cover and the use of a company vehicle and driver when required for business purposes.

Notes

a Mike Ashley joined the Board as a non-executive Director with effect from 18 September 2013.
b Fulvio Conti retired from the Board as a non-executive Director with effect from 24 April 2014.
c Simon Fraser retired from the Board as a non-executive Director with effect from 24 April 2014.
d Crawford Gillies joined the Board as a non-executive Director with effect from 1 May 2014.
e Wendy Lucas-Bull joined the Board as a non-executive Director with effect from 19 September 2013.

f Frits van Paasschen joined the Board as a non-executive Director with effect from 1 August 2013.
g Diane de Saint Victor joined the Board as a non-executive Director with effect from 1 March 2013.
h Steve Thieke joined the Board as a non-executive Director with effect from 7 January 2014.
i David Booth retired from the Board as a non-executive Director with effect from 31 December 2013.
j Sir Andrew Likierman retired from the Board as a non-executive Director with effect from 25 April 2013.

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Chairman and Non-executive Directors: Statement of implementation of remuneration policy in 2015

2015 fees for the Chairman and non-executive Directors are shown below.

	1 January 2015 £000	1 January 2014 £000	Percentage increase
Chairman[a]	750	750	0
Deputy Chairman[a]	250	250	0
Board member	80	80	0
Additional responsibilities			
Senior Independent Director	30	30	0
Chairman of Board Audit or Board Remuneration Committee	70	70	0
Chairman of Board Financial Risk Committee	60	60	0
Chairman of Board Conduct, Operational and Reputational Risk Committee[b]	50		
Membership of Board Audit or Board Remuneration Committee	30	30	0
Membership of Board Conduct, Operational and Reputational Risk Committee	25	25	0
Membership of Board Financial Risk Committee	25	25	0
Membership of Board Corporate Governance and Nominations Committee	15	15	0

Notes

a The Chairman and Deputy Chairman do not receive any other additional responsibility fees in addition to the Chairman and Deputy Chairman fees respectively.

b The Chairman was Chairman of Board Conduct, Operational and Reputational Risk Committee until April 2014 and so did not receive a separate fee for this role. Reuben Jeffery became Chairman of this Committee from April 2014 and he has been paid a separate fee for this role since then.

Payments to former Directors

Former Group Finance Director: Chris Lucas

Chris Lucas stepped down as Group Finance Director and from the Board on 16 August 2013 due to ill health.

In line with his contract of employment, Chris Lucas received contractual sick pay (100% of base salary), pension allowance and other benefits including private medical cover, life assurance cover, Executive Income Protection Plan (EIPP), car allowance and the use of a company vehicle and driver when required for business purposes. His contractual sick pay, pension allowance and car allowance ceased on 15 February 2014 and his use of a company vehicle and driver ceased on 31 December 2014.

From 16 February 2014, Chris Lucas continued to receive life assurance cover, private medical cover and payments under the EIPP. Full details of his eligibility under the EIPP were disclosed in the 2013 Directors Remuneration Report (page 115 of the 2013 Annual Report). In 2014, the 2011 2013 LTIP award vested to Chris Lucas. This was disclosed in the 2013 Directors Remuneration Report (page 113 of the 2013 Annual Report).

Former Chairman: Marcus Agius

Marcus Agius was appointed as a senior adviser providing corporate advisory support to Barclays Corporate and Investment Banking with effect from 1 November 2012. His fee for this role was disclosed in the 2013 Directors Remuneration Report (page 116 of the 2013 Annual Report). The appointment was reviewed after 12 months to determine the value provided from the arrangement and as a result was extended until 31 March 2014 when the arrangement ended. He has received no cash payments after 31 March 2014. He was eligible for private medical cover until 31 December 2014, as provided for in his contract.

Directors shareholdings and share interests

Executive Directors shareholdings and share interests

The chart below shows the value of Barclays shares held beneficially by Antony Jenkins and Tushar Morzaria as at 27 February 2015 that count towards the shareholding requirement of, as a minimum, Barclays shares worth four times salary. Executive Directors have five years from the later of (i) 2013 and (ii) date of appointment to meet this requirement. At close of business on 27 February 2015, the market value of Barclays ordinary shares was £2.569.

Antony Jenkins (£000)

Tushar Morzaria (£000)

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Tushar Morzaria joined Barclays in October 2013. He is building up to the shareholding requirement as his share awards vest (net of shares sold to cover any income tax and social security). In addition, his 2014-2016 and 2015-2017 LTIP and SVP share awards ensure alignment with shareholders.

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

Interests in Barclays PLC shares (audited)

		Unvested			
	Owned outright	Subject to performance measures	Not subject to performance measures	Total as at 31 December 2014 (or date of retirement from the Board, if earlier)	Total as at 27 February 2015
Executive Directors					
Antony Jenkins	4,161,856	5,948,232	1,412,347	11,522,435	11,522,435
Tushar Morzaria	437,627	1,375,811	1,043,434	2,856,872	2,856,872
Chairman					
Sir David Walker	138,751			138,751	138,751
Non-Executive Directors					
Mike Ashley	17,541			17,541	17,541
Tim Breedon	13,207			13,207	13,207
Fulvio Conti[a]	84,586			84,586	
Simon Fraser[b]	120,041			120,041	
Crawford Gillies[c]	52,110			52,110	52,110
Reuben Jeffery III	176,230			176,230	176,230
Wendy Lucas-Bull	8,365			8,365	8,365
Dambisa Moyo	34,608			34,608	34,608
Frits van Paasschen	10,535			10,535	10,535

Sir Michael Rake	68,462		68,462	68,462
Diane de Saint Victor	12,914		12,914	12,914
Sir John Sunderland	135,038		135,038	135,038
Steve Thieke[d]	16,392		16,392	16,392
John McFarlane[e]				

Notes

a Fulvio Conti retired from the Board as a non-executive Director with effect from 24 April 2014.
b Simon Fraser retired from the Board as a non-executive Director with effect from 24 April 2014.
c Crawford Gillies joined the Board as a non-executive Director with effect from 1 May 2014.
d Steve Thieke joined the Board with effect from 7 January 2014.
e John McFarlane joined the Board with effect from 1 January 2015.

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Governance: Remuneration report

Annual report on Directors remuneration

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 over-arching principles and parameters of remuneration policy across the Group;

- consider and approve the remuneration arrangements of the Chairman, the executive Directors, other senior executives and those employees, including MRTs, whose total annual compensation exceeds an amount determined by the Committee from time to time (currently total annual compensation of £1m or more); and

- exercise oversight for remuneration issues.

The Committee also considers and approves buy outs of forfeited rights for new hires of £1m or more, and packages on termination where the total value is £1m or more. It reviews the policy relating to all remuneration plans including pensions, and considers and approves policies to promote the alignment of the interests of shareholders and employees. It is also responsible for the selection and appointment of its independent remuneration adviser.

The Terms of Reference can be found at barclays.com/corporategovernance or from the Company Secretary on request.

Chairman and members

The Chairman and members of the Committee are as follows:

- Sir John Sunderland, Committee member since 1 July 2005, Committee Chairman since 24 July 2012

- Sir David Walker, Committee member since 1 September 2012

¡ Simon Fraser, Committee member from 1 May 2009 to 24 April 2014

¡ Tim Breedon, Committee member since 1 December 2012

¡ Steve Thieke, Committee member since 6 February 2014

¡ Crawford Gillies, Committee member since 1 May 2014

Sir David Walker was considered independent on appointment as Board Chairman. All other current members are considered independent by the Board.

Remuneration Committee attendance in 2014

	Number of meetings eligible to attend	Number of meetings attended
Sir John Sunderland	5	4
Sir David Walker	5	5
Simon Fraser	2	2
Tim Breedon	5	5
Steve Thieke	4	4
Crawford Gillies	3	3

The performance of the Committee is reviewed each year as part of the Board Effectiveness Review. The 2014 review concluded that the Committee is operating effectively. Full details of the Board Effectiveness review can be found on page 58.

Advisers to the Remuneration Committee

During 2014, the Committee was advised by Towers Watson. Towers Watson was re-appointed by the Committee in April 2014 following a market review. The Committee is satisfied that the advice provided by Towers Watson to the Committee is independent. Towers Watson is a signatory to, and its continuing appointment as adviser to the Committee is conditional on adherence to, the voluntary UK Code of Conduct for executive remuneration consultants.

Towers Watson s work includes advising the Committee and providing the latest market data on compensation and trends when considering incentive levels and remuneration packages. A representative from Towers Watson attends Committee meetings, when requested by the Committee. Towers Watson is available to advise and meet with the Committee members separate from management.

Fees for Committee work are charged on a time/cost basis and Towers Watson were paid a total of £193,000 (excluding VAT) in fees for its advice to the Committee in 2014 relating to the executive Directors (either exclusively or along with other employees within the Committee s Terms of Reference).

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Towers Watson provides pensions advice, advice on health and benefits provision, assistance and technology support for employee surveys and performance management, and remuneration data to the Group. Towers Watson also provides pensions advice and administration services to the Barclays Bank UK Retirement Fund.

The Committee regularly reviews the objectivity and independence of the advice it receives from Towers Watson.

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

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

Remuneration Committee activities in 2014

The following provides a summary of the Committee s activities during 2014 and during the February 2015 meeting when 2014 remuneration decisions were finalised.

Meeting	Fixed and variable pay issues	Governance, risk and other matters
February 2014	¡ Approved executive Directors and senior executives 2014 fixed pay ¡ Approved final 2013 incentive funding ¡ Approved proposals for executive Directors and senior executives 2013 bonuses and 2014 LTIP awards for executive Directors	¡ Risk adjustment and malus review ¡ Approved 2013 remuneration report ¡ Review of reward communications strategy ¡ Finance and Risk update
April 2014	¡ Approved 2014 executive Directors and Group Executive Committee annual bonus performance	¡ Review of Annual General Meeting materials

	measures ¡ 2014 early incentive funding projections ¡ Consideration of the use of contingent convertible instruments for deferred variable pay	¡ Review of response to PRA consultation on clawback ¡ CRD IV update
July 2014	¡ 2014 incentive funding projections ¡ Consideration of the use of contingent convertible instruments for deferred variable pay	¡ Review of Committee effectiveness and terms of reference ¡ Control framework for hiring, retention and termination of employees ¡ Review of methodology for making conduct adjustments to incentives pool ¡ Finance and Risk update ¡ Methodology for MRT identification
October 2014	¡ Update on EBA Opinion on allowances ¡ 2014 incentive funding projections ¡ 2015 LTIP design and performance measures	¡ Update on PRA consultation on changes to the Remuneration Code ¡ Control framework for hiring, retention and termination of employees ¡ Finance and Risk update
December 2014	¡ Initial considerations on senior executives 2015 fixed pay ¡ 2014 incentive funding proposals and initial senior executive individual proposals ¡ 2015 LTIP design and performance measures	¡ Risk adjustment and malus review ¡ Review of draft 2014 remuneration report ¡ Finance and Risk update

February 2015	¡ Approved executive Directors and senior executives 2015 fixed pay ¡ Approved 2015 executive Directors and Group Executive Committee annual bonus performance measures ¡ Approved group salary and RBP budgets ¡ Approved final 2014 incentive funding ¡ Approved proposals for executive Directors and senior executives 2014 bonuses and 2015 LTIP awards for executive Directors	¡ Risk adjustment and malus review ¡ Approved 2014 remuneration report ¡ Review of reward communications strategy ¡ Finance and Risk update

Regular items: market and stakeholder updates including PRA/FCA, US Federal Reserve and other regulatory matters; LTIP performance updates.

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Governance: Remuneration report

Annual report on Directors remuneration

Statement of voting at Annual General Meeting

At the last Annual General Meeting the voting results on the remuneration resolutions were as follows:

Resolutions to approve	For % of votes cast Number	Against % of votes cast Number	Withheld Number	Reason for votes against, if known	Action taken by the Committee
Directors Remuneration Policy	93.21% 9,936,116,114	6.79% 723,914,712	154,598,278	N/A	N/A
2013 Directors Remuneration Report (other than the part containing the Directors Remuneration Policy)	76.01% 7,126,653,596	23.99% 2,249,400,996	1,439,525,601	The main reason for 24% of votes cast against was that the overall size of the 2013 incentive pool was not considered reflective of the Group performance by some shareholders. The Committee values the comments of its shareholders and took their feedback into consideration when determining the 2014 incentive pool. The Committee is absolutely committed to aligning pay and performance.	

A fixed to variable remuneration ratio of 1:2 for Remuneration Code Staff	96.02% 10,364,453,159	3.98% 429,517,557	21,212,841	N/A	N/A

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Governance: Remuneration report

Additional remuneration disclosures

This section contains voluntary disclosures that Barclays has agreed with the UK Government that it will make about levels of remuneration for our eight most highly paid senior executive officers. It also contains additional voluntary remuneration disclosures about levels of remuneration of employees in the Barclays Group.

2014 total remuneration of the eight highest paid senior executive officers below Board level

The table below shows remuneration for the eight highest paid senior executive officers below Board level who were Key Management Personnel in 2014.

Eight highest paid senior executive officers below Board level

	1	2	3	4	5	6	7	8
	2014 £000	2014 £000	2014 £000	2014 £000	2014 £000	2014 £000	2014 £000	2014 £000
Fixed Pay (salary and RBP)	1,288	1,800	1,200	2,882	894	790	552	600
Current year cash bonus	400	240	360		140	161	200	180
Current year share bonus	400	240	360		140	161	200	180
Deferred cash bonus	600	360	540		210	241	300	270
Deferred share bonus	600	360	540		210	241	300	270
Total remuneration	**3,288**	**3,000**	**3,000**	**2,882**	**1,594**	**1,594**	**1,552**	**1,500**

Total remuneration of the employees in the Barclays Group

The table below shows the number of employees in the Barclays Group in 2013 and 2014 in bands by reference to total remuneration. Total remuneration comprises salary, RBP, bonus and the value at award of LTIP awards.

Total remuneration of the employees in the Barclays Group

Remuneration band	Number of employees 2014	2013
£0 to £25,000	72,262	74,600
£25,001 to £50,000	33,760	36,886
£50,001 to £100,000	20,491	23,381
£100,001 to £250,000	9,000	10,371
£250,001 to £500,000	2,323	2,507
£500,001 to £1,000,000	871	962
£1,000,001 to £2,000,000	273	363
£2,000,001 to £3,000,000	61	80
£3,000,001 to £5,000,000	22	30
Above £5m	3	8

Barclays is a global business. Of those employees earning above £1m in total remuneration in the table above, 54% are based in the US, 33% in the UK, and 13% in the rest of the world.

The number of employees paid above £1m has reduced from 481 in 2013 to 359 in 2014.

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Governance: Remuneration report

Additional remuneration disclosures

Outstanding share plan and long-term incentive plan awards (audited)

Plan	Number of Shares under Award at 1st January 2014 (maximum)	Number of Shares awarded in year (maximum)	Market Price on award date	Number of Shares released	Market Price on release date
Antony Jenkins					
Barclays LTIP 2012-2014	1,139,217		£1.81		
Barclays LTIP 2012-2014	1,371,280		£1.86		
Barclays LTIP 2013-2015	1,545,995		£3.06		
Barclays LTIP 2014-2016		1,891,740	£2.31		
Share Value Plan 2011	154,463		£2.88	154,463	£2.31
Share Value Plan 2012	664,754		£2.53	332,377	£2.31
Share Value Plan 2012	2,159,941		£1.86	1,079,971	£2.31
Tushar Morzaria					
Barclays LTIP 2014-2016		1,375,811	£2.31		
Share Value Plan 2013	1,089,495		£2.51	355,618	£2.31
Share Value Plan 2014		309,557	£2.31		

The interests shown in the table above are the maximum number of Barclays Shares that may be received under each plan. Executive Directors do not pay for any share plan or long-term incentive plan awards. Antony Jenkins received 73,415 dividend shares and Tushar Morzaria received 4,824 dividend shares from Share Value Plan (SVP) awards released in 2014.

SVP 2013 granted to Tushar Morzaria was granted in respect of awards he forfeited as a result of accepting employment at Barclays. This award was made in line with the Barclays recruitment policy.

Outstanding Contingent Capital Plan (CCP) awards and Cash Value Plan (CVP) awards (audited)

Plan	Value under Award at 1st January 2014 (maximum)	Value paid in year £000	Value under Award at 31st December 2014 (maximum)	First scheduled release date	Last scheduled release date
Antony Jenkins					

Contingent Capital Plan 2011	450	450			
Cash Value Plan 2012	1,500	750	750	18/03/2013	16/03/2015

Executive Directors did not pay for CCP awards or CVP awards.

Deferred cash bonuses granted under CCP in 2011 and CVP in 2012 are dependent on future service and malus conditions. The vesting of the CCP awards are subject to the condition that the CET1 ratio was equal to or exceeded 7%, which was achieved. In addition to the Value paid in year shown in the table above, a coupon of 7% was paid on the CCP amount paid in 2014.

On the vesting of CVP awards, a service credit may be added on the third and final vesting amount which for the award shown is 10% on the original award amount. Antony Jenkins received the CVP award as part of his 2011 bonus, which was awarded in respect of performance in his role as CEO of Retail and Business Banking.

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Number of Shares lapsed in 2014	Number of Shares under Award at 31st December 2014 (maximum)	Value of Release £000	End of Performance Period or scheduled first release date	Last scheduled release date
	1,139,217		31/12/2014	25/05/2015
	1,371,280		31/12/2014	25/05/2015
	1,545,995		31/12/2015	07/03/2016
	1,891,740		31/12/2016	06/03/2017
		357		
	332,377	768	18/03/2013	16/03/2015
	1,079,970	2,495	17/03/2014	16/03/2015
	1,375,811		31/12/2016	06/03/2017
	733,877	821	17/03/2014	05/03/2018
	309,557		16/03/2015	06/03/2017

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Governance: Remuneration report

Directors remuneration policy

Barclays forward looking remuneration policy for Directors was approved at the 2014 AGM held on 24 April 2014 and applies for three years from that date. The full policy can be found on pages 100 to 110 of the 2013 Annual Report or at www.barclays.com/annualreport. This section sets out an abridged version of the Directors remuneration policy and is provided for information only.

This remuneration policy sets out the framework for how the Committee s remuneration strategy will be executed for the Directors over the three years beginning on the date of the 2014 AGM. This is to be achieved by having a remuneration policy that seeks to:

- provide an appropriate and competitive mix of fixed and variable pay which, through its short and long-term components, incentivises management and is aligned to shareholders;
- provide direct line of sight with Barclays strategy through the incentive programmes; and
- comply with and adapt to the changing regulatory landscape.

Remuneration policy for executive Directors

Element and purpose	Operation	Maximum value and performance measures
A. Fixed pay		
Salary To reward skills and experience appropriate for the role and provide the basis for a competitive	Salaries are determined with reference to market practice and market data (on which the Committee receives independent advice), and reflect individual experience and role.	Salaries for executive Directors are set at a point within the benchmark range determined by the Committee taking into account their experience and performance. Increases for the current executive

remuneration package	Executive Directors salaries are benchmarked against comparable roles in the following banks: Bank of America, BBVA, BNP Paribas, Citigroup, Credit Suisse, Deutsche Bank, HSBC, JP Morgan, Lloyds, Morgan Stanley, RBS, Santander, Société Générale, 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). Salaries are reviewed annually and any changes are effective from 1 April in the financial year.	Directors over the policy period will be no more than local market employee increases other than in exceptional circumstances where the Committee judges that an increase is needed to bring an executive Director s salary into line with that of our competitors. In such circumstances Barclays would consult with its major shareholders.
Role Based Pay To enable competitive remuneration opportunity in recognition of the breadth and depth of the role	Paid quarterly in shares which 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. RBP will be reviewed and fixed annually and may be reduced or increased in certain circumstances. Any changes are effective from 1 January in the relevant financial year.	The maximum RBP for executive Directors is set at £950,000 for the Group Chief Executive, Antony Jenkins, and £750,000 for the Group Finance Director, Tushar Morzaria. It is not pensionable (except where required under local law). These amounts may be reduced but are at the maxima and may not be increased above this level. 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.	The maximum annual cash allowance is 33% of salary for the Group Chief Executive and 25% of salary for the Group Finance Director and any other executive Director.
Benefits To provide a competitive and cost effective benefits package appropriate to role and location	Executive Directors benefits provision includes private medical cover, annual health check, life and ill health income protection, tax advice, car cash allowance, and use of a company vehicle and driver when required for business purposes.	The maximum value of the benefit is determined by the nature of the benefit itself and costs of provision may depend on external factors, e.g. insurance costs.

Additional benefits may be offered that are minor in nature or are normal market practice in a country to which an executive Director relocates or from which an executive Director is recruited.

In addition to the above, if an executive Director were to relocate, additional support would be provided for a defined and limited period of time in line with Barclays general employee mobility policy including provision of temporary accommodation, payment of removal costs and relocation flights. 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 his or her other employment income.

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Remuneration policy for executive Directors continued

Element and purpose	Operation	Maximum value and performance measures
B. Variable Pay		
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 While financial objectives are important, the Balanced Scorecard (which also includes Group financial targets) plays a significant role in bonus determination, to ensure alignment with Barclays strategy Deferred bonuses encourage long-term focus	**Determination of annual bonus** Individual bonuses are 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** Executive Directors are Code Staff and their bonuses are therefore subject to deferral of at least the level applicable to all Code Staff, currently 40% (for bonuses of no more than £500,000) or 60% (for bonuses of more than £500,000). The Committee may choose to defer a greater proportion of any bonus awarded to an executive Director than the minimum required by the PRA Remuneration Code. At least half the non-deferred bonus is delivered in shares or share-linked instruments.	The maximum annual bonus opportunity is 80% of fixed pay. The performance measures by which any executive Director bonuses are assessed include Group, business and personal measures, both financial and non-financial. Financial measures may include, but are not restricted to such measures as net income, adjusted profit before tax, return on equity, CET1 ratio and return on risk weighted assets. Non-financial measures are based on the Balanced Scorecard. Personal objectives may include key initiatives relating to the role of the Director or in support of Barclays strategic objectives. The Balanced Scorecard may be updated from time to time in line with the Group s strategy. In making its assessment of any bonus, the Committee will

and retention. Delivery substantially or fully in shares with a holding period increases alignment with shareholders. Deferred bonuses are granted by the Committee (or an authorised sub-committee) at its discretion, subject to the relevant plan rules

Deferred bonuses for executive Directors may be delivered in a combination of shares or other deferral instruments.

Participants may, at the Committee s discretion, also receive the benefit of any dividends paid between the award date and the relevant release date in the form of dividend shares.

Operation of risk and conduct adjustment and malus

Any bonus awarded will reflect appropriate reductions made to incentive pools in relation to risk events. Individual bonus decisions may also reflect appropriate reductions in relation to specific risk and conduct events.

All unvested deferred bonuses are subject to malus provisions which enable the Committee to reduce the vesting level of deferred bonuses (including to nil) for any reason. These include, but are 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 the Group or any business unit suffering a material down turn in its financial performance

consider financial factors to guide 50% of the bonus opportunity, the Balanced Scorecard 35%, and personal objectives 15%. Any bonus is discretionary and any amount may be awarded from zero to the maximum value.

¡ A material failure of risk management in the Barclays Group

¡ A significant deterioration in the financial health of the Barclays Group

Timing of receipt
Non-deferred cash components of any bonus are paid following the performance year to which they relate, normally in February. Non-deferred share bonuses are awarded normally in March and are subject to a six-month holding period.

Deferred share bonuses normally vest in three equal portions over a minimum three-year period, subject to the provisions of the plan rules including continued employment and the malus provisions (as explained above). Should the deferred awards vest, the shares are subject to an additional six-month holding period (after payment of tax).

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Governance: Remuneration report

Directors remuneration policy

Remuneration policy for executive Directors continued

Element and purpose	Operation	Maximum value and performance measures
B. Variable Pay continued		
Long Term Incentive Plan (LTIP) award To reward execution of Barclays strategy and growth in shareholder value over a multi-year period Long-term performance measurement, holding periods and the malus provisions discourage excessive risk-taking and inappropriate behaviours, encourage a long-term view and align executive Directors interests with those of shareholders Performance measures balance incentivising management to deliver	**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). **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). For each award, performance measures are set at grant and there is no retesting allowed of those conditions. The Committee has, within the parameters set out opposite, the flexibility to vary the weighting of	The maximum annual LTIP award is 120% of fixed pay. Vesting is dependent on performance measures and service. Following determination of the financial measures applicable to an LTIP cycle, if the Committee is satisfied with the underlying financial health of the Barclays Group (based on profit before tax) it may, at its discretion, adjust the percentage of shares considered for release up or down by up to 10% (subject to the maximum % for the award calibrated against financial performance measures).

strong risk-adjusted financial returns, and delivery of strategic progress as measured by the Balanced Scorecard. Delivery in shares with a further two-year holding period increases alignment with shareholders

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 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 if it deems that the outcome is not consistent with performance delivered, including to zero.

Participants may, at the Committee s discretion, also receive the benefit of any dividends paid between the award date and the relevant release date in the form of dividend equivalents (cash or securities).

Operation of risk adjustment and malus

The achievement of performance measures determines the extent to which LTIP awards will vest. Awards are also subject to malus provisions (as explained in the Annual bonus paragraphs above) which enable the Committee to reduce the vesting level of awards (including to nil).

Timing of receipt

Barclays LTIP awards have a five-year period in total from grant to when all restrictions are lifted. This will include a minimum three-year vesting period and an additional two-year holding period once vested (after payment of tax).

Performance measures will be based on financial performance (e.g. measured on return on risk weighted assets), risk metrics (e.g. measured by loan loss rate) and the Balanced Scorecard which also includes financial measures. The Committee has discretion to change the weightings but financial measures will be at least 50% and the Balanced Scorecard will be a maximum of 30%. The threshold level of performance for each performance measure will be disclosed annually as part of the implementation of remuneration report. Straight line vesting applies between threshold and maximum for the financial and risk measures.

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Remuneration policy for executive Directors continued

Element and purpose	Operation	Maximum value and performance measures
C. Other		
All employee share plans To provide an opportunity for Directors to voluntarily invest in the Company	Executive Directors are entitled to participate in: (i) Barclays Sharesave under which they can make monthly savings 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 United Kingdom) 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.
Previous LTIP awards	Antony Jenkins currently holds unvested LTIP awards under the LTIP for the performance periods 2012-2014 and	A summary of the performance measures that apply to the LTIP awards for 2012-2014 and 2013-2015 can be

	2013-2015. The only differences between the operation of these awards and the future policy above are the performance measures and that the earlier 2012-2014 award only has a holding period of one year and this only applies to 50% of shares that are released (after payment of tax).	found in the Annual Report on Directors remuneration.
Previous buy out awards	Tushar Morzaria currently holds an unvested buy-out award under the Barclays Joiners Share Value Plan which was granted to him in respect of awards he forfeited as a result of accepting employment at Barclays. This award was made in line with the Barclays recruitment policy.	The award was no more generous than and mirrored as far as possible the expected value and timing of vesting of the forfeited awards granted by JP Morgan.
Shareholding requirement To further enhance the alignment of shareholders and executive Directors interests in long-term value creation	Executive Directors must build up a shareholding of 400% of salary over five years from the later of: (i) the introduction of the new requirement in 2013; and (ii) the date of appointment as executive Director. They have a reasonable period to build up to this requirement again if it is not met because of a share price fall. 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 and RBP shares). Shares from unvested deferred share bonuses and unvested LTIPs do not count towards the requirement.	Barclays shares worth a minimum of 400% of salary must be held within five years.
Outside appointments	Executive Directors may accept one board appointment in another listed company.	Not applicable.

To encourage self-development and allow for the introduction of external insight and practice	Chairman s approval must be sought before accepting appointment. Fees may be retained by the executive Director. None of the executive Directors currently hold an outside appointment.

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Governance: Remuneration report

Directors remuneration policy

Notes to the table on pages 102 to 105:

Performance measures and targets

The Committee selected the relevant financial and risk based performance measures because they are key to the bank s strategy and are important measures used by the executive Directors to oversee the direction of the business. The Balanced Scorecard has been selected as it demonstrates the performance and progress of Barclays in the journey of becoming the Go-To bank as measured across the following dimensions (5Cs): Customers & Clients, Colleagues, Citizenship, Conduct and Company. Each of the 5Cs in the Balanced Scorecard will have equal weighting. All targets are set to be stretching but achievable and aligned to enhancing shareholder value.

The Committee is of the opinion that the performance targets for the annual bonus and Balanced Scorecard element of the LTIP are commercially sensitive in respect of the Company and that it would be detrimental to the interests of the Company to disclose them before the start of the relevant performance period. The performance against those measures will be disclosed after the end of the relevant financial year in that year s remuneration report subject to the sensitivity no longer remaining.

Differences between the remuneration policy of the executive Directors and the policy for all employees of the Barclays Group

The structure of total remuneration packages for executive Directors and for the broader employee population is similar. 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 their remuneration and does not receive RBP which is paid only to some, but not all, Code Staff. Executive Director RBP is determined on a similar basis to other Code Staff.

The Committee approaches any salary increases for executive Directors by benchmarking against market data for named banks. Incremental annual salary increases remain more common among employees at less senior levels.

As with executive Directors, bonuses for the broader employee population are performance based. Bonuses for executive Directors and the broader employee population are subject to deferral requirements. Executive Directors and other Code Staff are subject to deferral at a minimum rate of 40% (for bonuses of no more than £500,000) or 60% (for bonuses of more than £500,000) but the Committee may choose to operate higher deferral rates. For non-Code Staff, bonuses in excess of £65,000 are 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 (subject to service and malus conditions).

The broader employee population is not eligible to participate in the Barclays LTIP.

How shareholder views and broader employee pay are taken into account by the Committee in setting policy and making remuneration decisions

We recognise that remuneration is an area of particular interest to shareholders and that in setting and considering changes to remuneration it is critical 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 (including the Association of British Insurers, National Association of Pension Funds and ISS). The Committee Chairman attends these meetings, accompanied by senior Barclays employees (including the Reward and Performance Director and the Company Secretary). The Committee notes that shareholder views on some matters are not always unanimous, but values the insight and engagement that these interactions and the expression of sometimes different views provide. This engagement is meaningful and helpful to the Committee in its work and contributes directly to the decisions made by the Committee.

The Committee takes account of the pay and employment conditions of the broader employee base when it considers the remuneration of the executive Directors. The Committee receives and reviews analysis of remuneration proposals for employees across all of the Group s businesses. This includes analysis by corporate grade and by performance rating and information on proposed bonuses and salary increases across the employee population and individual proposals for Code Staff and highly paid individuals. When the Committee considers executive Director remuneration, it therefore makes that consideration in the context of a detailed understanding of remuneration for the broader employee population and uses the all employee data to compare remuneration and ensure consistency throughout the Group. Employees are not consulted directly on the Directors remuneration policy.

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Executive Directors policy on recruitment

Element of remuneration	Commentary	Maximum value
Salary	Determined by market conditions, market practice and ability to recruit. For a newly appointed executive Director, whether through external recruitment or internal promotion, if their salary is at a level below the desired market level, the Committee retains the discretion to realign their salary over a transitional period which may mean that annualised salary increases for the new appointee are higher than that set out in the salary section of the remuneration policy.	In line with policy.
Role Based Pay	Determined by role, market practice and ability to recruit. Percentage may decrease or increase in certain circumstances subject to maximum value.	100% of salary.
Benefits	In line with policy.	In line with policy.
Pension	In line with policy.	

		33% of salary (Group Chief Executive), 25% of salary (Group Finance Director) and 25% if another executive Director is appointed.
Annual Bonus	In line with policy.	80% of fixed pay.
Long Term Incentive Plan	In line with policy.	120% of fixed pay.
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.	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.
	As required by the PRA Remuneration Code, 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, 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.	

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.

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Governance: Remuneration report

Directors remuneration policy

Executive Directors policy on payment for loss of office (including 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 long-term incentive plans in which the executive Director participates.

Standard provision	Policy	Details
Notice periods in executive Directors service contracts	12 months notice from the Company. 6 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	12 months salary payable and continuation of pension and other contractual benefits while an employee.	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. In the event of termination for gross misconduct neither notice nor payment in lieu of notice is given.

Treatment of Role Based Pay	Ceases to be payable from the executive Director s termination date. Therefore, RBP will be paid during any notice period and/ or garden leave, but not where Barclays elects to make a payment in lieu of notice (unless otherwise required by local law).	Shares to be delivered on the next quarterly delivery date shall be 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 accrued during the period for which the payment in lieu is made (unless required otherwise by local law).
Treatment of annual bonus on termination	No automatic entitlement to bonus on termination, but may be considered at the Committee s discretion and subject to performance measures being met and pro rated for service. No bonus would be payable in the case of gross misconduct or resignation.	
Treatment of unvested deferred bonus awards	Outstanding deferred bonus awards would lapse if the executive Director leaves by reason of resignation or termination for gross misconduct. However in the case of death or if the Director is an eligible leaver 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 in circumstances where Barclays terminates the employment (other than in cases of cause or gross misconduct), he or she 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. Deferred	In an eligible leaver situation, deferred bonus awards may be considered for release in full on the scheduled release date unless the Committee determines otherwise in exceptional circumstances. After release, the awards may be subject to an additional holding period of six months.

awards are subject to malus provisions which enable the Committee to reduce the vesting level of deferred bonuses (including to nil).

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.

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Executive Directors policy on payment for loss of office (including a takeover) continued

Standard provision	Policy	Details
Treatment of unvested awards under the LTIP	Outstanding unvested awards under the LTIP would lapse if the executive Director leaves by reason of resignation or termination for gross misconduct. However, in line with the plan rules approved by shareholders, in the case of death or if the Director is an eligible leaver 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), he or she would continue to be entitled to be considered for an award. Awards are also subject to malus provisions which enable the Committee to reduce the vesting level of awards (including to nil). 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, pro rated for time and performance, subject to the Committee s discretion to determine otherwise in exceptional circumstances. After release, the shares (net of deductions for tax) are subject to an additional holding period of two years.

Repatriation	Except in a case of gross misconduct or resignation, where a Director has been relocated at the commencement of employment, the Company may pay for the Director s repatriation costs in line with Barclays general employee mobility policy including temporary accommodation, payment of removal costs and relocation flights. 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 a 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.

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Governance: Remuneration report

Directors remuneration policy

Remuneration policy for non-executive Directors

Element and purpose	Operation
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	The Chairman and Deputy Chairman are paid an all-inclusive fee for all Board responsibilities. The Chairman has a minimum time commitment equivalent to at least 80% of a full-time role. The other non-executive Directors receive a basic Board fee, with additional fees payable where individuals serve as a member or Chairman of a Committee of the Board. Fees are reviewed each year by the Board as a whole against those for non-executive Directors in companies of similar scale and complexity. Fees were last increased in May 2011. The first £30,000 (Chairman: first £100,000) after tax and national insurance contributions 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.
Benefits For Chairman only	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. No other non-executive Director receives any benefits from Barclays. Non-executive Directors are not eligible to join Barclays pension plans.

Bonus and share plans	Non-executive Directors are not eligible to participate in Barclays cash, share or long-term incentive plans.
Notice and termination provisions	Each non-executive Director s appointment is for an initial six year term, renewable for a single term of three years thereafter and subject to annual re-election by shareholders. **Notice period:** Chairman: 12 months from the Company (six months from the Chairman). Non-executive Directors: six months from the Company (six months from the Non-executive Director). **Termination payment policy** The Chairman s appointment may be terminated by Barclays on 12 months notice or immediately in which case 12 months fees and contractual benefits are payable in instalments at the times they would have been received had the appointment continued, but subject to mitigation if they were to obtain alternative employment. There are similar termination provisions for non-executive Directors based on six months fees. No continuing payments of fees (or benefits) are due if a non-executive Director is not re-elected by shareholders at the Barclays Annual General Meeting.

In accordance with the policy table above, any new Chairman and Deputy 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 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.

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 General Meeting.

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Governance

Barclays implementation of the Salz Review recommendations

The Board commissioned a review of Barclays business practices in July 2012, led by Sir Anthony Salz. Barclays is on a transformational journey at the end of which all of the 34 recommendations published in April 2013 will be implemented in full. To date, we have made material progress and believe that implementation can now be moved from project stage into business as usual, where change can be further embedded, sustained and observed.

In this update, we have not individually summarised progress against each of the recommendations, but rather addressed them in groups by theme. Please refer to previous annual updates for details of past actions taken.

1 **Setting high standards and transparently monitoring progress** (recommendations 1, 2, 3, 5, 34)

Since launching the Values and Behaviours in 2013, we have focused on embedding them into our key processes, including training, recruitment, performance management and leadership development. We have also implemented on-going surveys to measure progress. The new standards are embedded in individual performance reviews and linked to compensation (see page 77 for further details). Overall performance across the Group as a whole is managed through the Balanced Scorecard.

In the spirit of openness, we also externally publish progress against our Group Balanced Scorecard including customer complaints (see barclays.com/complaints). We have continued our efforts to improve direct shareholder interaction and we regularly ask external stakeholders such as our regulators for feedback. Encouragingly, Barclays has received data indicating some improvement over the last two years, for example, from the periodic survey of global opinion-makers conducted for us by YouGov where scores on Barclays operates openly and transparently have improved 5%.

2 **Enhancing the Board for greater effectiveness**

(recommendations 7, 8, 9, 10, 11, 12, 13, 14, 15, 27)

We have completed all recommended actions associated with our Board. Most, such as new Board committees for risk oversight, are now well established. For example, we continue to ensure c.50% of our non-executive Directors (NEDs) have financial services experience, whilst we also seek diversity to ensure effective challenge of management performance. Eleven of our NEDs continue to sit on more than one Board committee, in order to ensure smooth cross coordination. In addition, measures have been taken and the associated processes sustained, to ensure that the Board receives timely, high quality materials and input in support of its discussion and oversight function.

For further detail, see the Governance section, notably page 61 for the results of our annual Board effectiveness review where progress against the Salz recommendations will be monitored going forward.

A new culture and set of values

3 (recommendations 4, 6, 19, 30)

We remain firmly committed to the Values introduced in January 2013, with 92% of permanent new joiners either attending or on track to attend the Being Barclays induction course within 90 days of joining. All candidates for both hiring and promotion are also now evaluated against our Values as well as their competence. Our latest employee opinion survey showed an improvement from 2012 to 2014 in the number of colleagues who feel able to report unethical behaviour regardless of consequences.

Any material cultural change takes time to embed and cannot be demonstrated conclusively 24 months into the journey. Although we have established firm foundations, we will continue to closely monitor how well programmes and initiatives to further accelerate culture change are being embedded. We will also refine and enhance, where appropriate, to ensure effective outcomes and sustained cultural change.

4

Cultivating stronger, values-driven, appropriately incentivised staff (recommendations 16, 17, 18, 20, 21, 22, 23, 24, 25, 26)

Barclays took early action to address concerns around incentives and compensation; for example, incentive policies for UK retail sales employees were updated in December 2013 to abolish product-sales incentives. We continue to align incentives to non-financial performance measures, including risk and behaviour related indicators, whilst non-financial rewards for outstanding examples of values-based behaviour have been deployed globally.

Our current Remuneration Policy can be found on pages 80 and 81.

Risk culture, framework and control functions

5 (recommendations 28, 29, 31, 32, 33)

Barclays published our Enterprise Risk Management Framework in December 2013 and conducted our annual refresh of it in Q4 2014. It continues to be embedded more deeply into the businesses and functions, with progress evaluated by Barclays Internal Audit. For example, Strategic Risk Assessments were integrated into each cluster s 2014 Risk Reviews as part of the annual financial planning cycle. Incidents were subject to the systematic lessons learnt process that has been introduced throughout the Group in late 2014 to ensure that we continue to understand and address root causes of issues, as well as apply those insights more broadly. Details on our lessons learnt approach and other changes to the risk culture at Barclays can be found on page 104 of the Barclays Pillar 3 Report.

Key activities will continue to be refined and rolled out into 2015.

A summary of our risk management approach and results can be found on pages 99 to 110 of Barclays Pillar 3 Report.

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Risk review

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The management of risk plays a central role in the execution of Barclays strategy and insight into the level of risk across businesses and portfolios and the material risks and uncertainties the Group face are key areas of management focus.

For a more detailed breakdown of our Risk Management and Risk Performance contents please see pages 123 and 141. Barclays risk disclosures are located across the Annual Report and Barclays 2014 Pillar 3 Report.

		Annual Report	Pillar 3 Report
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.	¡ Business conditions, general economy and geopolitical issues	116	n/a
	¡ UK political and policy environment	116	n/a
	¡ Model risk	116	n/a
	¡ Credit risk	116	n/a
	¡ Market risk	118	n/a
	¡ Funding risk	118	n/a
	¡ Operational risk	119	n/a
	¡ Conduct risk	122	n/a
Risk management			
Overview of Barclays approach to risk management. A more comprehensive 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 Barclays PLC 2014 Pillar 3 Report or at barclays.com.	¡ Risk management strategy	124	99
	¡ Governance structure	124	100
	¡ Risk governance and assigning responsibilities	126	104
	¡ Principal risks	127	105
	¡ Credit risk management	128	111
	¡ Management of credit risk mitigation techniques and counterparty credit risk	n/a	132
	¡ Market risk management	130	136
	¡ Management of securitisation exposures	n/a	147
	¡ Capital risk management	132	158
	¡ Liquidity risk management	134	156

	¡ Operational risk management	135	151
	¡ Conduct risk management	137	163
	¡ Reputation risk management	139	161
	¡ Environmental risk	n/a	164
Risk performance			
Credit risk:	¡ Credit risk overview and summary of performance	143	111
The risk of suffering financial loss should the Group s customers, clients or market counterparties fail to fulfil their contractual obligations.	¡ Analysis of maximum exposure and collateral and other credit enhancement held	143	36, 45
	¡ Analysis of the balance sheet	143	43, 47
	¡ The Group s approach to manage and represent credit quality	146	46, 49
	¡ Loans and advances to customers and banks	148	n/a
	¡ Analysis of the concentration of credit risk	149	39, 41
	¡ Exposures to Eurozone countries	150	n/a
	¡ Analysis of specific portfolios and asset types	157	n/a
	¡ Analysis of loans on concession programmes	167	n/a
	¡ Analysis of problem loans	171	61
	¡ Impairment	173	61
Market risk:	¡ Market risk overview and measures in the Group	175	72
The risk of a reduction to earnings or capital due to volatility of the trading book positions or an inability to hedge the banking book balance sheet.	¡ Balance sheet view of trading and banking books	176	73
	¡ Traded market risk	176	74
	¡ Business scenario stresses	179	77
	¡ Review of regulatory measures	179	77
	¡ Capital requirements for market risk	n/a	78
	¡ Non-traded market risk	180	78
	¡ Foreign exchange risk	181	80
	¡ Pension risk review	182	81
	¡ Insurance risk review	183	82
Funding risk Capital:	¡ Capital risk overview	185	158
The risk that the Group is unable to maintain appropriate capital ratios.	¡ CRD IV capital	186	15
	¡ Analysis of capital requirements and RWA movements	n/a	23
	¡ Relationship between accounting and regulatory reporting scope	n/a	38
	¡ Leverage ratio requirements	189	34
	¡ Economic capital	190	n/a

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Risk review

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Risk performance continued			Annual Report	Pillar 3 Report
Funding risk Liquidity: The risk that the firm, although solvent, either does not have sufficient financial resources available to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost.	¡	Liquidity risk overview	192	
	¡	Liquidity risk stress testing	192	
	¡	Liquidity pool	195	
	¡	Funding structure and funding relationships	196	
	¡	Wholesale funding	197	
	¡	Term financing	199	
	¡	Encumbrance	199	
	¡	Credit ratings	203	
	¡	Liquidity management at BAGL Group	204	
	¡	Contractual maturity of financial assets and liabilities	204	
Operational risk: The risk of direct or indirect impacts resulting from human factors, inadequate or failed internal processes and systems or external events.	¡	Operational risk overview	210	96
	¡	Summary of performance in the period	210	96
	¡	Operation risk profile	210	97
Conduct risk: The risk that detriment is caused to our customers, clients, counterparties or Barclays and its employees because of inappropriate judgement in the execution of our business activities.	¡	Conduct risk overview	212	n/a
	¡	Summary of performance	212	
	¡	Conduct reputation measure	212	
Reputation risk: The risk of damage to Barclays brand arising from any association, action or inaction which is perceived by stakeholders to be inappropriate or unethical.	¡	Litigation, investigations and culture change	213	n/a
	¡	Transparency	213	n/a
	¡	Remuneration	213	n/a
	¡	Climate change	213	n/a
	¡	Reputation tracking	214	n/a

Supervision and regulation: The Group s operations, including its overseas offices, subsidiaries and associates, are subject to a significant body of rules and regulations that are a condition for authorisation to conduct banking and financial services business.	¡ Supervision of the Group	215	n/a
	¡ Global regulatory developments	215	n/a
	¡ European Union developments	216	n/a
	¡ Structural reform of banking groups	217	n/a
	¡ Regulation in the United Kingdom	217	n/a
	¡ Resolution of UK banking groups	218	n/a
	¡ Compensation schemes	218	n/a
	¡ Influence of European legislation	218	n/a
	¡ Regulation in Africa	218	n/a
	¡ Regulation in the United States	219	n/a
Pillar 3 Report			
Contains extensive information on risk as well as capital management.	¡ High level summary of risk and capital profile	n/a	2
	¡ Notes on basis of preparation	n/a	5
	¡ Scope of application of Basel rules	n/a	6
Risk and capital position review:	¡ Group capital resources, requirements and CRD IV comparatives	n/a	15
Provides a detailed breakdown of Barclays regulatory capital adequacy and leverage and how this relates to Barclays risk management.	¡ Analysis of credit risk	n/a	35
	¡ Analysis of counterparty credit risk	n/a	67
	¡ Analysis of credit value adjustment	n/a	83
	¡ Analysis of market risk	n/a	71
	¡ Analysis of securitisation exposures	n/a	84
	¡ Analysis of operational risk	n/a	95

Material existing and emerging risks

The section describes the material risks which senior management is currently focused on and believe could cause the Group s future results of operations, financial condition and prospects to differ materially from current expectations.

For more information about the major risk policies which underlie risk exposures, see the consolidated policy-based qualitative information in the Pillar 3 Report. A summary of this information may also be found in this report in the Risk Management section between pages 123 to 141.

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Risk review

Material existing and emerging risks

Material existing and emerging risks to the Group s future performance

The following information describes the material risks which senior management are currently focused on and believe could cause its future results of operations, financial condition and prospects to differ materially from current expectations including the ability to meet dividend expectations, ability to maintain appropriate levels of capital and meet capital and leverage ratio targets, or achieve stated targets and commitments as outlined in the Strategy section and other expected benefits. In addition, risks relating to the Group that are not currently known, or that are currently deemed immaterial, may individually or cumulatively also have the potential to have a material adverse effect on the Group s future results of operations, financial condition and prospects.

Material risks and their impact are described below in two sections: i) risks which management believes may affect more than one Principal Risk; and ii) risks management believes are more likely to impact a single Principal Risk. Certain risks below have been classified as an emerging risk , which is a risk that has the potential to have an increasingly significant detrimental effect on the Group s performance, but currently its outcome and the time horizon for the crystallisation of its possible impact is even more uncertain and more difficult to predict than for other risk factors that are not identified as emerging risks.

More information on Principal and Key Risks may be found in Barclays Approach to Managing Risk in the Barclays PLC 2014 Pillar 3 Report. For 2015, reputation risk will be recognised as a Key Risk within conduct risk given the close alignment between them and the fact that as separate Principal Risks they have a common Principal Risk Officer.

Material existing and emerging risks potentially impacting more than one Principal Risk

i) Business conditions, general economy and geopolitical issues

The Group s performance could be adversely affected in more than one Principal Risk by a weak or deteriorating global economy or political instability. These factors may also be focused in one or more of the Group s main countries of operation.

The Group offers a broad range of services to retail and institutional customers, including governments, across a large number of countries with the result that it could be materially adversely impacted by weak or deteriorating economic conditions, including deflation, or political instability in one or a number of countries in which the Group operates or any other globally significant economy.

The global economy continues to face an environment characterised by low growth, and this is expected to continue during 2015 with slow growth or recession in some regions, such as Europe which may be offset in part by expected growth in others, such as North America. Any further slowing of economic growth in China would also be expected to have an adverse impact on the global economy through lower demand, which is likely to have the most significant impact on countries in developing regions that are producers of commodities used in China s infrastructure

development.

While the pace of decreasing monetary support by central banks, in some regions, is expected to be calibrated to potential recovery in demand in such regions, any such decrease of monetary support could have a further adverse impact on volatility in the financial markets and on the performance of significant parts of the Group s business, which could, in each case, have an adverse effect on the Group s future results.

Falling or continued low oil prices could potentially have an adverse impact on the global economy with significant wide ranging effects on producer and importer nations as well as putting strain on client companies in certain sectors which may lead to higher impairment requirements.

Furthermore, the outcome of the ongoing political and armed conflicts in the Ukraine and parts of the Middle East remain unpredictable and may have a negative impact on the global economy.

A weak or deteriorating global economy and political instability could impact Group performance in a number of ways including, for example: (i) deteriorating business, consumer or investor confidence leading to reduced levels of client activity and consequently a decline in revenues;

(ii) mark to market losses in trading portfolios resulting from changes in credit ratings, share prices and solvency of counterparties; and (iii) higher levels of default rates and impairment.

ii) UK political and policy environment (emerging risk)

The political outlook in the UK is uncertain ahead of the General Election in May 2015. The public policy environment in the UK (including but not limited to regulatory reform in the UK, a potential referendum on UK membership of the European Union, and taxation of UK financial institutions and clients) is likely to remain challenging in the short to medium term, with the potential for policy proposals emerging that could impact clients, markets and the Group either directly or indirectly.

Aside from specific policy proposals, uncertainty arises in particular with respect to:

¡ An inconclusive result in the General Election and the potential for a prolonged period of political uncertainty; and

¡ Depending on the outcome of the election, a possible referendum on continued UK membership of the European Union by 2017.

A referendum on the UK membership of the European Union may affect the Group s risk profile through introducing potentially significant new uncertainties and instability in financial markets, both ahead of the dates for this referendum and, depending on the outcomes, after the event. As a member of the European Union, the UK and UK-based organisations have access to the EU Single Market. Given the lack of precedent, it is unclear how a potential exit of the UK from the EU would affect the UK s access to the EU Single Market and how it would affect the Group.

iii) Model risk

The Group may suffer adverse consequences from risk based business and strategic decisions based on incorrect or misused model assumptions, outputs and reports.

The Group uses models in particular to assess and control the Group s credit and market exposures. Model risk can arise from a number of sources, including: fundamental model flaws leading to inaccurate outputs; incomplete, inaccurate or inappropriate data used for either development or operation of the model; incorrect or inappropriate implementation or use of a model; or assumptions in the models becoming outdated or invalid due to the evolving external economic and legislative environment and changes in customer behaviour.

If the Group were to place reliance on incorrect or misused model outputs or reports, this could result in a material adverse impact on the Group s reputation, operations, financial condition and prospects, for example, due to inaccurate reporting of financial statements; estimation of capital requirement (either on a regulatory or economic basis); or measurement of the financial risks taken by the Group as part of its normal course of business.

As a consequence, management of model risk has become an increasingly important area of focus for the Group, regulators and the industry.

Material existing and emerging risks by Principal Risk

Credit risk

The financial condition of the Group s customers, clients and counterparties, including governments and other financial institutions, could adversely affect the Group.

The Group may suffer financial loss if any of its customers, clients or market counterparties fails to fulfil their contractual obligations to the Group. Furthermore, the Group may also suffer loss when the value of the Group s investment in the financial instruments of an entity falls as a result of that entity s credit rating being downgraded. In addition, the Group may incur significant unrealised gains or losses due solely to changes in the Group s credit spreads or those of third parties, as these changes affect the fair value of the Group s derivative instruments, debt securities that the Group holds or issues, or any loans held at fair value.

i) Deterioration in political and economic environment

The Group s performance is at risk from any deterioration in the economic and political environment which may result from a number of uncertainties, including most significantly the following factors:

a) Political instability or economic uncertainty in markets in which the Group operates (emerging risk)

Political instability, economic uncertainty or deflation in regions in which the Group operates could weaken growth prospects that could lead to an adverse impact on customers ability to service debt and so to higher impairment requirements for the Group. These include, but are not limited to:

Eurozone

The economies across the Eurozone are showing little evidence of sustained growth with debt-burdened government finances, deflation, weak demand and persistent high unemployment preventing a sustained recovery. Slow recovery could put economic pressure on key trading partners of Eurozone countries, notably the UK and China. Furthermore, concerns persist on the pace of structural banking reform in the Eurozone and the strength of the Eurozone banking sector in general. A slowdown in the Eurozone economy could have a material adverse effect on the Group s results of operations, financial condition and prospects through, for example, a requirement to raise impairment levels.

The Group is at risk from a sovereign default of an existing Eurozone country in which the Group has operations and the adverse impact on the economy of that exiting country and the credit standing of the Group s clients and counterparties. This may result in increased credit losses and higher impairment requirements. While the risk of one or more countries exiting the Eurozone had been receding, as a result of the recent formation of an anti-austerity coalition government in Greece, this risk and the risk of redenomination is now re-emerging alongside the possibility of a significant renegotiation of the terms of Greece s bailout programme.

For further information see Exposures to Eurozone countries on page 150.

South Africa

The economy in South Africa remains under pressure with weak underlying economic growth reinforced by industrial strike action and electricity shortages. While the rapid growth in the consumer lending industry over the past three years has begun to slow, concerns remain over the level of consumer indebtedness, particularly given the prospect of further interest rate rises and high inflation. Higher unemployment and a fall in property prices, together with increased customer or client unwillingness or inability to meet their debt obligations to the Group, may have an adverse impact on the Group s performance through higher impairment charges.

Countries in developing regions

A number of countries, which have high fiscal deficits and reliance on short term external financing and/or material reliance on commodity exports, have become increasingly vulnerable as a result of, for example, the volatility of the oil price, a strong US dollar relative to local currencies, and the winding down of quantitative easing policies by some central banks. The impact on the Group may vary according to such country s respective structural vulnerabilities but the impact may result in increased impairment requirements of the Group through sovereign defaults or the inability or unwillingness of clients and counterparties of the Group in that country to meet their debt obligations.

Russia (emerging risk)

The risks to Russia are escalating as pressure on the Russian economy increases. Slowing GDP growth and high inflation due to the imposition of economic sanctions by the US and EU, falls in the price of oil, a rapid fall in the value of the rouble against other foreign currencies and significant and rapid interest rate rises could have a significant adverse impact on the Russian economy. In addition, foreign investment into Russia reduced during 2014 and may continue in 2015.

While the Group has no material operations in Russia, the Group participates in certain financing and trading activity with selected counterparties conducting business in Russia with the result that further sanctions or deterioration in the Russian economy may result in the counterparties being unable, through lack of a widely accepted currency, or unwilling to repay, refinance or roll-over outstanding liabilities. Any such defaults could have a material adverse effect on the Group s results as a result of, for example, incurring higher impairment.

For further information see page 150.

b) Interest rate rises, including as a result of slowing of monetary stimulus, could impact on consumer debt affordability and corporate profitability

To the extent that interest rates increase in certain developed markets, such increases are widely expected to be gradual and modest in scale over the next 18 months, albeit at differing timetables, across the major currencies. While an increase may support Group income, any sharper than expected changes could cause stress in loan portfolio and underwriting activity of the Group, leading to the possibility of the Group incurring higher impairment. The possibility of higher impairment would most notably occur in the Group s retail unsecured and secured portfolios, which, coupled with a decline in collateral values, could lead to a reduction in recoverability and value of the Group s assets resulting in a requirement to increase the Group s level of impairment allowance.

ii) Specific sectors

The Group is subject to risks arising from changes in credit quality and recovery of loans and advances due from borrowers and counterparties in a specific portfolio or from a large individual name. Any deterioration in credit quality could lead to lower recoverability and higher impairment in a specific sector or in respect of specific large counterparties. The following provides examples of areas of uncertainties to the Group s portfolio which could have a material impact on performance. However, there may also be additional risks not yet known or currently immaterial which may have an adverse impact on the Group s performance.

a) Decline in property prices in the UK and Italy

The Group is at risk from a fall in property prices in both the residential and commercial sectors in the UK. With UK home loans representing the most significant portion of the Group s total loans and advances to the retail sector, the Group has a large exposure to adverse developments in the UK retail property sector. UK house prices (primarily in London) increased throughout 2014 at a rate faster than that of income and to a level far higher than the long term

average. As a result, a fall in house prices, particularly in London and South East of the UK, would lead to higher impairment and negative capital impact as loss given default (LGD) rates increase. In addition, reduced affordability of residential and commercial property in the UK, for example, as a result of higher interest rates or increased unemployment, could also lead to higher impairment.

In addition a significant portion of the Group s total loans and advances in Italy are to residential home loans. As a consequence, a number of factors including, for example, a fall in property prices, higher unemployment, and higher default rates have the potential to have a significant impact on the Group s performance through higher impairment charges.

For further information see page 152.

b) Non-Core assets

The Group holds a large portfolio of Non-Core assets, including commercial real estate and leveraged finance loans, which (i) remain illiquid; (ii) are valued based upon assumptions, judgements and estimates which may change over time; and (iii) are subject to further deterioration and write-downs. As a result, the Group is at risk of loss on these portfolios due to, for example, higher impairment should their performance deteriorate or write-downs upon eventual sale of the assets.

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c) Large single name losses

The Group has large individual exposures to single name counterparties. The default of obligations by 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, incurring higher impairment charges.

Market risk

The Group s financial position may be adversely affected by changes in both the level and volatility of prices leading to lower revenues and may include:

i) Major changes in quantitative easing programmes (emerging risk)

The trading business model is focused on client facilitation in the wholesale markets, involving market making activities, risk management solutions and execution. A prolonged continuation of current quantitative easing programmes, in certain regions, could lead to a change and a decrease of client activity which could result in lower fees and commission income.

The Group is also exposed to a rapid unwinding of quantitative easing programmes. A sharp movement in asset prices could affect market liquidity and cause excess volatility impacting the Group s ability to execute client trades and may also result in portfolio losses.

ii) Adverse movements in interest and foreign currency exchange rates (emerging risk)

A sudden and adverse movement in interest or foreign currency exchange rates has the potential to detrimentally impact the Group s income arising from non-trading activity.

The Group has exposure to non-traded interest rate risk, arising from the provision of retail and wholesale (non-traded) banking products and services. This includes current accounts and equity balances which do not have a defined maturity date and an interest rate that does not change in line with base rate changes. The level and volatility of interest rates can impact the Group s net interest margin, which is the interest rate spread earned between lending and borrowing costs. The potential for future volatility and margin changes remains in key areas such as in the UK benchmark interest rate, to the extent such volatility and margin changes are not entirely neutralised by hedging programmes.

The Group is also at risk from movements in foreign currency exchange rates as these will impact the sterling equivalent value of foreign currency denominated assets in the banking book, and therefore exposing the Group to currency translation risk.

While the impact is difficult to predict with any accuracy, failure to appropriately manage the Group s balance sheet to take account of these risks could have an adverse effect on the Group s financial prospects due to reduced income and volatility of the regulatory capital measures.

iii) Adverse movements in the pension fund

Adverse movements between pension assets and liabilities for defined benefits pension schemes could contribute to a pension deficit. The liabilities discount rate is a Key Risk and, in accordance with International Financial Reporting Standards (IAS 19), is derived from the yields of high quality corporate bonds (deemed to be those with AA ratings) and consequently includes exposure to both risk-free yields and credit spreads. Therefore, the Group s defined benefits scheme valuation would be adversely affected by a prolonged fall in the discount rate or a persistent low rate environment. Inflation is another key risk driver to the pension fund, as the net position could be negatively impacted by an increase in long term inflation expectation.

iv) Non-Core assets

As part of the assets in the Non-Core business, the Group holds a UK portfolio of generally longer term loans to counterparties in Education, Social Housing and Local Authorities (ESHLA) sectors which are

measured on a fair value basis. The valuation of this portfolio is subject to substantial uncertainty due to the long-dated nature of the portfolios, the lack of a secondary market in the relevant loans and unobservable loan spreads. As a result of these factors, the Group may be required to revise the fair values of these portfolios to reflect, among other things, changes in valuation methodologies due to changes in industry valuation practices and as further market evidence is obtained in connection with the Non-Core asset run-off and exit process. In 2014, the Group recognised a reduction of £935m in the fair value of the ESHLA portfolio. Any further negative adjustments to the fair value of the ESHLA portfolio may give rise to significant losses to the Group.

For further information refer to Note 18 of the Group s consolidated financial statements.

Funding risk

The ability of the Group to achieve its business plans may be adversely impacted if it does not effectively manage its capital (including leverage) and liquidity ratios.

The Group may not be able to achieve its business plans due to: i) being unable to maintain appropriate capital ratios; ii) being unable to meet its obligations as they fall due; iii) rating agency methodology changes; and iv) adverse changes in foreign exchange rates on capital ratios.

i) Being unable to maintain appropriate capital ratios

Should the Group be unable to maintain or achieve appropriate capital ratios this could lead to: an inability to support business activity; a failure to meet regulatory requirements including the requirements of regulator set stress tests; increased cost of funding due to deterioration in 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. Basel III and CRD IV have increased the amount and quality of capital that the Group is required to hold. While CRD IV requirements are now in force in the United Kingdom, changes to capital requirements can still occur, whether as a result of further changes by EU legislators, binding regulatory technical standards being developed by

the European Banking Authority (EBA) or changes to the PRA interpretation and application of these requirements to UK banks. Such changes, either individually and/or in aggregate, may lead to further unexpected enhanced requirements in relation to the Group s CRD IV capital.

Additional capital requirements will also arise from other regulatory reforms, including both UK, EU and US proposals on bank structural reform, current EBA Minimum Requirement for own funds and Eligible Liabilities (MREL), proposals under the EU Bank Recovery and Resolution Directive (BRRD) and Financial Stability Board (FSB) Total Loss-Absorbing Capacity (TLAC) proposals for Globally Systemically Important Banks (G-SIBs). Given many of the proposals are still in draft form and subject to change, the impact is still being assessed. Barclays is participating in an FSB Quantitative Impact Study (QIS) to determine the quantum and composition of TLAC requirements. However, it is likely that these changes in law and regulation will have an impact on the Group as they would require changes to the legal entity structure of the Group and how businesses are capitalised and funded. Any such increased capital requirements may also constrain the Group s planned activities, lead to forced asset sales and balance sheet reductions and could increase the Group s costs, impact on the Group s earnings and restrict the Group s ability to pay dividends. Moreover, during periods of market dislocation, or when there is significant competition for the type of funding that the Group needs, increasing the Group s capital resources in order to meet targets may prove more difficult and/or costly.

ii) Being unable to meet its obligations as they fall due

Should the Group fail to manage its liquidity and funding risk sufficiently, this may result in the Group, either not having sufficient financial resources available to meet its payment obligations as they fall due or, although solvent, only being able to meet these obligations at excessive cost. This could cause the Group to fail to meet regulatory liquidity standards, be unable to support day to day banking activities or no longer be a going concern.

iii) Rating agency methodology changes (emerging risk)

During 2015, credit rating agencies are expected to complete their reviews and revisions of their ratings of banks by country to address the agencies perception of the impact of ongoing regulatory changes designed to improve the resolvability of banks in a manner that minimises systemic risk, such that the likelihood of extraordinary sovereign support for a failing bank is less predictable, as well as to address the finalisation of revised capital and leverage rules under CRD IV. Following their review, Standard and Poor s downgraded Barclays PLC s long-term rating in February 2015 and placed Barclays Bank PLC s long- and short-term ratings on credit watch with negative implications . While the overall outcome of the proposed changes in bank ratings methodologies, and the related review of ratings for removal of sovereign support, remains uncertain, there is a risk that any potential rating downgrades could impact the Group s performance should borrowing cost and liquidity change significantly versus expectations or the credit spreads of the Group be negatively affected.

For further information on the effect of a downgrade please refer to Credit Ratings in the Liquidity Risk Performance section on page 203.

iv) Adverse changes in foreign exchange rates on capital ratios

The Group has capital resources and risk weighted assets denominated in foreign currencies and changes in foreign currency exchange rates may adversely impact the sterling equivalent value of foreign currency denominated capital resources and risk weighted assets. 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 this risk could result in an adverse impact on regulatory capital ratios. While the impact is difficult to predict with any accuracy it may have a material adverse effect on the Group s operations as a result of a failure in maintaining appropriate capital and leverage ratios.

Operational risk

The operational risk profile of the Group may change as a result of human factors, inadequate or failed internal processes and systems, and external events.

The Group is exposed to many types of operational risk, including fraudulent and other criminal activities (both internal and external), the risk of breakdowns in processes, controls or procedures (or their inadequacy relative to the size and scope of the Group s business), systems failure or an attempt, by an external party, to make a service or supporting infrastructure unavailable to its intended users, known as a denial of service attack, and the risk of geopolitical cyber threat activity destabilising or destroying the Group s IT (or critical infrastructure the Group depends upon but does not control) in support of critical economic business functions. The Group is also subject to the risk of disruption of its business arising from events that are wholly or partially beyond its control (for example

natural disasters, acts of terrorism, epidemics and transport or utility failures) which may give rise to losses or reductions in service to customers and/or economic loss to the Group. The operational risks that the Group is exposed to could change rapidly and there is no guarantee that the Group s processes, controls, procedures and systems are sufficient to address, or could adapt promptly to, such changing risks. All of these risks are also applicable where the Group relies on outside suppliers or vendors to provide services to it and its customers.

i) Cyber attacks (emerging risk)

The threat posed by cyber attacks continues to grow and the banking industry has suffered major cyber attacks during the year. Activists, nation states, criminal gangs, insiders and opportunists are among those targeting computer systems. Given the increasing sophistication and scope of potential cyber attack, it is possible that future attacks may lead to significant breaches of security. The occurrence of one or more of such events may jeopardise the Group or the Group s clients or counterparties confidential and other information processed and stored in, and transmitted through, the Group s computer systems and networks, or otherwise cause interruptions or malfunctions in the Group s, clients , counterparties or third parties operations, which could impact their ability to transact with the Group or otherwise result in significant losses or reputational damage.

Failure to adequately manage cyber security risk and continually review and update current processes in response to new threats could adversely affect the Group s reputation, operations, financial condition and prospects. The range of impacts includes increased fraud losses, customer detriment, regulatory censure and penalty, legal liability and potential reputational damage.

ii) Infrastructure and technology resilience

The Group s technological infrastructure is critical to the operation of the Group s businesses and delivery of products and services to customers and clients. Sustained disruption in a customer s access to their key account information or delays in making payments could have a significant impact on the Group s reputation and may also lead to potentially large costs to both rectify the issue and reimburse losses incurred by customers.

iii) Ability to hire and retain appropriately qualified employees

The Group is largely dependent on highly skilled and qualified individuals. Therefore, the Group s continued ability to manage and grow its business, to compete effectively and to respond to an increasingly complex regulatory environment is dependent on attracting new talented and diverse employees and retaining appropriately qualified employees.

In particular, as the Group continues to implement changes to its compensation structures in response to new legislation, there is a risk that some employees may decide to leave the Group. This may be particularly evident among those employees who are impacted by changes to deferral structures and new claw back arrangements. Additionally, colleagues who have specialist sets of skills within control functions or within specific geographies that are currently in high demand may also decide to leave the Group as competitors seek to attract top industry talent to their own organisations. Finally, the impact of regulatory changes such as the introduction of the Individual Accountabilities Regime, under which greater individual responsibility and accountability will be imposed on senior managers and non-executives of UK banks and the structural reform of banking, may also reduce the attractiveness of the financial services industry to high calibre candidates in specific geographies.

Failure by the Group to prevent the departure of appropriately qualified employees, to retain qualified staff who are dedicated to oversee and manage current and future regulatory standards and expectations, or to quickly and effectively replace such employees, could negatively impact the Group s results of operations, financial condition, prospects and level of employee engagement.

iv) 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, impairment and valuation of available for sale investments, calculation of current and deferred tax, fair value of financial instruments, valuation of provisions and accounting for pensions and post-retirement benefits. There is a risk that if the judgement exercised or the estimates or assumptions used subsequently turn out to be incorrect then this could result in significant loss to the Group, beyond that anticipated or provided for.

The further development of standards and interpretations under IFRS could also significantly impact the financial results, condition and prospects of the Group. For example, the introduction of IFRS 9 *Financial Instruments* is likely to have a material impact on the measurement and impairment of financial instruments held.

For more information please refer to Accounting Policy and Critical Estimates on pages 262 to 264.

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v) Legal, competition and regulatory matters

Legal disputes, regulatory investigations, fines and other sanctions relating to conduct of business and financial crime may negatively affect the Group s results, reputation and ability to conduct its business.

The Group conducts diverse activities in a highly regulated global market and therefore is exposed to the risk of fines and other sanctions relating to the conduct of its business. In recent years there has been an increased willingness on the part of authorities to investigate past practices, vigorously pursue alleged breaches and impose heavy penalties on financial services firms; this trend is expected to continue. In relation to financial crime, a breach of applicable legislation and/or regulations could result in the Group or its staff being subject to criminal prosecution, regulatory censure and other sanctions in the jurisdictions in which it operates, particularly in the UK and US. Where clients, customers or other third parties are harmed by the Group s conduct this may also give rise to legal proceedings, including class actions, particularly in the US. Other legal disputes may also arise between the Group and third parties relating to matters such as breaches, enforcement of legal rights or obligations arising under contracts, statutes or common law. Adverse findings in any such matters may result in the Group being liable to third parties seeking damages, or may result in the Group s rights not being enforced as intended.

Details of material legal, competition, and regulatory matters to which the Group is currently exposed are set out in Note 29 Legal, Competition and Regulatory Matters. In addition to those material ongoing matters, the Group is engaged in numerous other legal proceedings in various jurisdictions which arise in the ordinary course of business, as well as being subject to requests for information, investigations and other reviews by regulators and other authorities in connection with business activities in which the Group is or has been engaged. In light of the uncertainties involved in legal, competition and regulatory matters, there can be no assurance that the outcome of a particular matter or matters will not be material to the Group s results of 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 income otherwise reported for the period.

The outcome of material 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. However, it is likely that in connection with any such matters the Group will incur significant expense, regardless of the ultimate outcome, and one or more of such matters could expose the Group to any of the following: substantial monetary damages and/or fines; remediation of affected customers and clients; other penalties and injunctive relief; additional litigation; criminal prosecution in certain circumstances; the loss of any existing agreed protection from prosecution; regulatory restrictions on the Group s business including the withdrawal of authorisations; increased regulatory compliance requirements; suspension of operations; public reprimands; loss of significant assets or business; a negative effect on the Group s reputation; loss of investor confidence; and/or dismissal resignation of key individuals.

There is also a risk that the outcome of any legal, competition or regulatory matters in which the Group is involved may give rise to changes in law or regulation as part of a wider response by relevant law makers and regulators. An adverse decision in any one matter, either against the Group or another financial institution facing similar claims, could lead to further claims against the Group.

vi) Risks arising from regulatory change and scrutiny

The financial services industry continues to be the focus of significant regulatory change and scrutiny which may adversely affect the Group s business, financial performance, capital and risk management strategies.

a) Regulatory change

The Group, in common with much of the financial services industry, continues to be subject to significant levels of regulatory change and increasing scrutiny in many of the countries in which it operates (including, in particular, the UK and the US and in light of its significant investment banking operations). This has led to a more intensive

approach to supervision and oversight, increased expectations and enhanced requirements, including with regard to: (i) capital, liquidity and leverage requirements (for example arising from Basel III and CRD IV); (ii) structural reform and recovery and resolution planning; and (iii) market infrastructure reforms such as the clearing of over-the-counter derivatives. As a result, regulatory risk will continue to be a focus of senior management attention and consume significant levels of business resources. Furthermore, this more intensive approach and the enhanced requirements, uncertainty and extent of international regulatory coordination 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 structure, capital and funding structures and business mix or to exit certain business activities altogether or to determine not to expand in areas despite their otherwise attractive potential.

For further information see Regulatory Developments in the section on Supervision and Regulation.

b) Additional PRA supervisory expectations, including changes to CRD IV (emerging risk)

The Group s results and ability to conduct its business may be negatively affected by changes to CRD IV or additional supervisory expectations.

To protect financial stability the Financial Policy Committee of the Bank of England (FPC) has legal powers to make recommendations about the application of prudential requirements. In addition, it may, for example, be given powers to direct the PRA and FCA to adjust capital requirements through Sectoral Capital Requirements (SCR). Directions would apply to all UK banks and building societies, rather than to the Group specifically. The FPC issued its review of the leverage ratio in October 2014 containing a requirement of a minimum leverage ratio of 3% to supersede the previous PRA expectation of a 3% leverage ratio. That review also introduced a supplementary leverage ratio for G-SIBs to be implemented from 2016 and countercyclical leverage ratio buffers would be implemented at the same time as countercyclical buffers are implemented for RWA purposes.

Changes to CRD IV requirements, UK regulators interpretations of them, or additional supervisory expectations, either individually or in aggregate, may lead to unexpected enhanced requirements in relation to the Group s capital, leverage, liquidity and funding ratios or alter the way such ratios are calculated. This may result in a need for further management actions to meet the changed requirements, such as: increasing capital or liquidity resources, reducing leverage and risk weighted assets; modifying legal entity structure (including with regard to issuance and deployment of capital and funding for the Group); changing the Group s business mix or exiting other businesses; and/or undertaking other actions to strengthen the Group s position.

c) Market infrastructure reforms

The European Market Infrastructure Regulation (EMIR) introduces requirements to improve transparency and reduce the risks associated with the derivatives market. Certain of these requirements came into force in 2013 and 2014 and still more will become effective in 2015. EMIR requires EU-established entities that enter into any form of derivative contract to: report every derivative contract entered into to a trade repository; implement new risk management standards for all bilateral over-the-counter derivative trades that are not cleared by a central counterparty; and clear, through a central counterparty, over-the-counter derivatives that are subject to a mandatory clearing obligation (although this clearing obligation will only apply to certain counterparties).

CRD IV aims to complement EMIR by applying higher capital requirements for bilateral, over-the-counter derivative trades. Lower capital requirements for cleared trades are only available if the central counterparty is recognised as a qualifying central counterparty , which has been authorised or recognised under EMIR (in accordance with related binding technical standards). Further significant market infrastructure reforms will be introduced by amendments to the EU Markets in Financial Instruments Directive that are expected to be implemented in 2016.

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In the US, the Dodd-Frank Act also mandates that many types of derivatives that were previously traded in the over-the-counter markets must be traded on an exchange or swap execution facility and must be centrally cleared through a regulated clearing house. In addition, participants in these markets are now made subject to Commodity Futures Trading Commission (CFTC) and Securities and Exchange Commission (SEC) regulation and oversight.

It is possible that other additional regulations, and the related expenses and requirements, will increase the cost of and restrict participation in the derivative markets, thereby increasing the costs of engaging in hedging or other transactions and reducing liquidity and the use of the derivative markets.

Changes in regulation of the derivative markets could adversely affect the business of the Group and its affiliates in these markets and could make it more difficult and expensive to conduct hedging and trading activities, which could in turn reduce the demand for swap dealer and similar services of the Group and its subsidiaries. In addition, as a result of these increased costs, the new regulation of the derivative markets may also result in the Group deciding to reduce its activity in these markets.

d) Structural reform and bank recovery and resolution

A number of jurisdictions have enacted or are considering legislation and rulemaking that could have a significant impact on the structure, business risk and management of the Group and of the financial services industry more generally. Detailed information on the provisions set out below can be found in Regulatory Developments paragraphs in the section on Supervision and Regulation.

Key developments that are relevant to the Group include:

¡ The UK Financial Services (Banking Reform) Act 2013 (the Banking Reform Act), gives UK authorities the power to implement key recommendations of the Independent Commission on Banking, including the separation of the UK and EEA retail banking activities of the largest UK banks into a legally, operationally and economically separate and independent entity (so-called ring fencing). It is expected that banks will have to comply with these ring-fencing requirements from January 2019;

¡ The European Commission structural reform proposals of January 2014 (which are still in discussion) for a directive to implement recommendations of the EU High Level Expert Group Review (the Liikanen Review). The directive would apply to EU globally significant financial institutions;

¡ Implementation of the requirement to create a US intermediate holding company (IHC) structure to hold its US banking and non-banking subsidiaries, including Barclays Capital Inc., the Group s US broker-dealer subsidiary. The

IHC will generally be subject to supervision and regulation, including as to regulatory capital and stress testing, by the Federal Reserve Bank (FRB) as if it were a US bank holding company of comparable size. The Group will be required to form its IHC by 1 July 2016. The IHC will be subject to the US generally applicable minimum leverage capital requirement (which is different than to Basel III international leverage ratio, including to the extent that the generally applicable US leverage ratio does not include off-balance sheet exposures) starting 1 January 2018. The Group continues to evaluate the implications of the FRB s IHC final rules (issued in February 2014) for the Group. Nevertheless, the Group currently believes that, in the aggregate, the final rules (and, in particular, the leverage requirements in the final rules that will be applicable to the IHC in 2018) are likely to increase the operational costs and capital requirements and/or require changes to the business mix of the Group s US operations, which ultimately may have an adverse effect on the Group s overall result of operations; and

¡ Implementation of the so-called Volcker Rule under the Dodd-Frank Act. The Volcker Rule, once fully effective, will prohibit banking entities, including Barclays PLC, Barclays Bank PLC and their various subsidiaries and affiliates from undertaking certain proprietary trading activities and will limit the sponsorship of, and investment in, private equity funds and hedge funds, in each case broadly defined,
by such entities. The rules will also require the Group to develop an extensive compliance and monitoring programme (both inside and outside of the US), subject to various executive officer attestation requirements, addressing proprietary trading and covered fund activities, and the Group therefore expects compliance costs to increase. The final rule is highly complex and its full impact will not be known with certainty until market practices and structures develop under it. Subject entities are generally required to be in compliance with the prohibition on proprietary trading and the requirement to develop an extensive compliance programme by July 2015 (with certain provisions subject to possible extensions).

These laws and regulations and the way in which they are interpreted and implemented by regulators may have a number of significant consequences, including changes to the legal entity structure of the Group, changes to how and where capital and funding is raised and deployed within the Group, increased requirements for loss-absorbing capacity within the Group and/or at the level of certain legal entities or sub-groups within the Group and potential modifications to the business mix and model (including potential exit of certain business activities). These and other regulatory changes and the resulting actions taken to address such regulatory changes, may have an adverse impact on the Group s profitability, operating flexibility, flexibility of deployment of capital and funding, return on equity, ability to pay dividends and/or financial condition. It is not yet possible to predict the detail of such legislation or regulatory rulemaking or the ultimate consequences to the Group which could be material.

e) Regulatory action in the event of a bank failure

The UK Banking Act 2009, as amended (the Banking Act) provides for a regime to allow the Bank of England (or, in certain circumstances, HM Treasury) to resolve failing banks in the UK. Under the Banking Act, these authorities are given powers to make share transfer orders and property transfer orders. Following the Banking Reform Act the authorities will also have at their disposal a statutory bail-in power. This bail-in power, when it is made available to the UK resolution authority, will enable it to recapitalise a failed institution by allocating losses to its shareholders and unsecured creditors. The bail-in power will enable the UK resolution authority to cancel liabilities or modify the terms of contracts for the purposes of reducing or deferring the liabilities of the bank under resolution and the power to convert liabilities into another form (e.g. shares). In addition to the bail-in power, the powers granted to the relevant UK resolution authority under the Banking Act include the power to: (i) direct the sale of the relevant financial institution or the whole or part of its business on commercial terms without requiring the consent of the shareholders or complying with the procedural requirements that would otherwise apply; (ii) transfer all or part of the business of the relevant financial institution to a bridge bank (a publicly controlled entity); and (iii) transfer the impaired or problem assets of the relevant financial institution to an asset management vehicle to allow them to be managed over time. The EU Bank Recovery and Resolution Directive (BRRD) contains provisions similar to the Banking Act on a European level, many of which augment and increase the powers available to regulators in the event of a bank failure. Further, parallel developments at international level may result in increased risks for banks, for example the Financial

Stability Board (FSB) proposals for harmonising key principles for TLAC globally.

If these powers were to be exercised (or there is an increased risk of exercise) in respect of the Group or any entity within the Group such exercise could result in a material adverse effect on the rights or interests of shareholders and creditors including holders of debt securities and/or could have a material adverse effect on the market price of shares and other securities issued by the Group. Such effects could include losses of shareholdings/associated rights including by the dilution of percentage ownership of the Group s share capital, and may result in creditors, including debt holders, losing all or a part of their investment in the Group s securities that could be subject to such powers.

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f) Recovery and resolution planning

There continues to be a strong regulatory focus on resolvability from international and UK regulators. The Group made its first formal Recovery and Resolution Plan (RRP) submissions to the UK and US regulators in mid-2012 and has continued to work with the relevant authorities to identify and address impediments to resolvability.

In the UK, RRP work is now considered part of continuing supervision. Removal of barriers to resolution will be considered as part of the PRA s supervisory strategy for each firm, and the PRA can require firms to make significant changes in order to enhance resolvability.

In the US, Barclays is one of several systemically important banks (as one of the so-called first wave filers) required to file resolution plans with the Federal Reserve and the FDIC under provisions of the Dodd-Frank Act. The regulators provided feedback in August 2014 with respect to the 2013 resolution plans submitted by first wave filers. This feedback required such filers to make substantive improvements to their plans for filing in 2015 or face potential punitive actions which, in extremis, could lead to forced divestitures or reductions in operational footprints in the US. Barclays is working with its regulators to address these issues and will file its revised plan in June 2015. It is uncertain when or in what form US regulators will review and assess Barclays US resolution plan filing.

In South Africa, the South African Treasury and the South Africa Reserve Bank are considering material new legislation and regulation to adopt a resolution and depositor guarantee scheme in alignment with FSB principles. BAGL and Absa Bank will be subject to these schemes as they are adopted. It is not clear what shape these schemes will take or when they will be adopted, but current proposals for a funded deposit insurance scheme and for operational continuity could result in material new expense impacts for the BAGL group.

Whilst the Group believes that it is making good progress in reducing impediments to resolution, should the relevant authorities ultimately decide that the Group or any significant subsidiary is not resolvable, the impact of such structural changes (whether in connection with RRP or other structural reform initiatives) could impact capital, liquidity and leverage ratios, as well as the overall profitability of the Group, for example via duplicated infrastructure costs, lost cross-rate revenues and additional funding costs.

Conduct risk

Any inappropriate judgements or actions taken by the Group, in the execution of business activities or otherwise, may adversely impact the Group or its employees. In addition, any such actions may have a detrimental impact on the Group s customers, clients or counterparties.

Such judgements or actions may negatively impact the Group in a number of ways including, for example, negative publicity and consequent erosion of reputation, loss of revenue, imposition of fines, litigation, higher scrutiny and/or intervention from regulators, regulatory or legislative action, loss of existing or potential client business, criminal and civil penalties and other damages, reduced workforce morale, and difficulties in recruiting and retaining talent. The Group may self-identify incidents of inappropriate judgement which might include non-compliance with regulatory requirements where consumers have suffered detriment leading to remediation of affected customers.

There are a number of areas where the Group has sustained financial and reputational damage from previous periods and where the consequences continued in 2014 and are likely to have further adverse effects in 2015 and possibly beyond. Further details on current regulatory investigations are provided in Note 29 Legal, Competition and Regulatory Matters.

As a global financial services firm, the Group is subject to the risks associated with money laundering, terrorist financing, bribery and corruption and economic sanctions and may be adversely impacted if it does not adequately mitigate the risk that its employees or third parties facilitate or that its products and services may be used to facilitate financial crime activities.

Furthermore, the Group s brand may be adversely impacted from any association, action or inaction which is perceived by stakeholders to be inappropriate or unethical and not in keeping with the Group s stated purpose and values.

Failure to appropriately manage these risks and the potential negative impact to the Group s reputation may reduce, directly or indirectly, the attractiveness of the Group to stakeholders, including customers and clients. Furthermore, such a failure may undermine market integrity and result in detriment to the Group s clients, customers, counterparties or employees leading to remediation of affected customers by the Group.

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Risk review

Risk management

An overview of Barclays approach to risk management

For a more detailed breakdown on our Risk review and Risk management contents please see pages 113 and 114.

More detailed information on how Barclays manages these risks can be found in Barclays plc Pillar 3 Report.

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Barclays risk management strategy

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Risk review

Risk management

The following pages provide an overview of the Group s approach to risk management. A more comprehensive overview together with more specific information on Group policies can be found in Barclays PLC 2014 Pillar 3 Report or at barclays.com

Introduction

This section outlines the Group s strategy for managing risk and how risk culture has been developed to ensure that there is a set of objectives and practices which are shared across the Group. It provides details of the Group s governance, committee structure and how responsibilities are assigned.

Risk management strategy

The Group has clear risk management objectives and a well-established strategy to deliver them, through core risk management processes.

At a strategic level, the risk management objectives are to:

- Identify the Group s significant risks;
- Formulate the Group s risk appetite and ensure that the business profile and plans are consistent with it;
- Optimise risk/return decisions by taking them as closely as possible to the business, while establishing strong and independent review and challenge structures;
- Ensure that business growth plans are properly supported by effective risk infrastructure;
- Manage the risk profile to ensure that specific financial deliverables remain possible under a range of adverse business conditions; and
- Help executives improve the control and co-ordination of risk taking across the business.

A key element of setting clear management objectives is the Enterprise Risk Management Framework (ERMF), which sets out the activities, tools, techniques and organisational arrangements so that material risks facing the Group can be better identified and understood, and that appropriate responses are in place to protect Barclays and prevent detriment to its customers, employees or community. This will help the Group meet its goals, and enhance its ability to respond to new opportunities.

The aim of the risk management process is to provide a structured, practical and easily understood set of three steps, Evaluate, Respond and Monitor (the E-R-M process), that enables management to identify and assess those risks, determine the appropriate risk response, and then monitor the effectiveness of the risk response and changes to the risk profile.

1. Evaluate: risk evaluation must be carried out by those individuals, teams and departments that are best placed to identify and assess the potential risks, and include those responsible for delivering the objectives under review.

2. Respond: the appropriate risk response effectively and efficiently ensures that risks are kept within appetite, which is the level of risk that the Group is prepared to accept while pursuing its business strategy. There are three types of response: i) accept the risk but take the necessary mitigating actions such as using risk controls; ii) stop the existing activity/do not start the proposed activity; or iii) continue the activity but lay off risks to another party e.g. insurance.

3. Monitor: once risks have been identified and measured, and controls put in place, progress towards objectives must be tracked. Monitoring must be ongoing and can prompt re-evaluation of the risks and/or changes in responses. Monitoring must be carried out proactively and is wider than just reporting and includes ensuring risks are being maintained within risk appetite, and checking that controls are functioning as intended and remain fit for purpose.

Barclays risk management strategy

The process is orientated around material risks impacting delivery of objectives, and is used to promote an efficient and effective approach to risk management. This three-step risk management process:

- Can be applied to every objective at every level in the bank, both top-down or bottom-up;
- Is embedded into the business decision making process;
- Guides the Group s response to changes in the external or internal environment in which existing activities are conducted; and
- Involves all staff and all three lines of defence (see page 127).

Governance structure

Risk exists when the outcome of taking a particular decision or course of action is uncertain and could potentially impact whether, or how well, the Group delivers on its objectives.

The Group faces risks throughout its business, every day, in everything it does. Some risks are taken after appropriate consideration like lending money to a customer. Other risks may arise from unintended consequences of internal actions, for example an IT system failure or poor sales practices. Finally, some risks are the result of events outside the Group but which impact its business such as major exposure through trading or lending to a market counterparty which later fails.

All employees must play their part in the Group s risk management, regardless of position, function or location. All employees are required to be familiar with risk management policies that are relevant to their activities, know how to escalate actual or potential risk issues, and have a role-appropriate level of awareness of the ERMF, risk management process and governance arrangements.

There are four key Board-level committees which review and monitor risk across the Group. These are: the Board; the Board Enterprise Wide Risk Committee; the Board Financial Risk Committee and the Board Conduct, Operational and Reputational Risk Committee.

The Board

One of the Board s (Board of Directors of Barclays PLC) responsibilities is the approval of risk appetite, which is the level of risk the Group chooses to take in pursuit of its business objectives. The Chief Risk Officer regularly presents a report to the Board summarising developments in the risk environment and performance trends in the key portfolios. The Board is also responsible for the Internal Control and Assurance Framework (Group Control Framework). It oversees the management of the most significant risks through the regular review of risk exposures and related key controls. Executive management responsibilities relating to this are set out in the ERMF.

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Board oversight and flow of risk related information

The Board Enterprise Wide Risk Committee (BEWRC)

The BEWRC is a committee of the Board, from which it derives its authority and to which it regularly reports. The principal purpose of the Committee is to review, on behalf of the Board, management s recommendations on risk, in particular:

¡ Consider and recommend to the Board the Group s overall risk appetite;

¡ Review, on behalf of the Board, the Group s overall risk profile;

¡ Satisfy itself on the design and completeness of the Group s ERMF, including the Principal Risk categories; and

¡ Consider key enterprise wide risk themes.

BEWRC membership comprises the Group Chairman and Chairmen of the Board Audit Committee, Board Conduct, Operational and Reputational Risk Committee, Board Financial Risk Committee and Board Remuneration Committee. The Group Chief Executive Officer (CEO), Group Chief Risk Officer (CRO), Group Finance Director, Head of Compliance, General Counsel and Chief Internal Auditor are mandatory attendees.

The Board Financial Risk Committee (BFRC)

The BFRC monitors the Group s risk profile against the agreed financial appetite. Where actual performance differs from expectations, the actions being taken by management are reviewed to ensure that the BFRC is comfortable with them. After each meeting, the Chair of the BFRC prepares a report for the next meeting of the Board. All members are non-executive Directors. The Group Finance Director and the Chief Risk Officer attend each meeting as a matter of course.

The BFRC receives regular and comprehensive reports on risk methodologies and the Group s risk profile including the key 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 CRO or senior risk managers in the businesses. The Chair of the Committee prepares a statement each year on its activities.

The Board Conduct, Operational and Reputational Risk Committee (BCORR)

The BCORR was created to strengthen the Board-level governance over conduct risk and reputation matters. It reviews the effectiveness of the processes by which the Group identifies and manages conduct and reputation risk and considers whether business decisions will compromise the Group s ethical policies or core business beliefs and values. It also considers the Group s risk appetite statement for operational risk and evaluates the Group s operational risk profile and operational risk monitoring.

In addition, the Board Audit and Board Remuneration Committees receive regular risk reports to assist them in the undertaking of their duties.

The Board Audit Committee (BAC)

The BAC receives, among other reports, quarterly reports on material control issues of significance, quarterly papers on accounting judgements (including impairment), and a half-yearly review of the adequacy of impairment allowances, which it reviews relative to the risk inherent in the portfolios, the business environment, the Group s policies and methodologies and the performance trends of peer banks. The Chairman of the BAC also sits on the BFRC and BCORR.

The Board Remuneration Committee (RemCo)

The RemCo receives a detailed report on risk management performance from the BFRC, regular updates on the risk profile and proposals for the ex-ante risk adjustment. These inputs are considered in the setting of performance incentives.

Summaries of the relevant business, professional and risk management experience of the Directors of the Board are given in the Board of Directors section on page 34. The terms of reference and additional details on membership activities for each of the principal Board Committees are available from the Corporate Governance section at: barclays.com/corporategovernance.

The CRO manages the independent Risk function and chairs the Financial Risk Committee (FRC) and the Operational Risk and Control Committee (ORCC), which monitor the Group s financial and non-financial risk profile relative to established risk appetite.

The Group Treasurer heads the Group Treasury function and chairs the Treasury Committee which manages the Group s liquidity, maturity transformation and structural interest rate exposure through the

Risk review

Risk management

setting of policies and controls; monitors the Group s liquidity and interest rate maturity mismatch; monitors usage of regulatory and economic capital; and has oversight of the management of the Group s capital plan.

The Head of Compliance chairs the Conduct and Reputational Risk Committee (CRRC) which assesses quality of the application of the Reputation and Conduct Risk Control Frameworks. It also recommends risk appetite, sets policies to ensure consistent adherence to that appetite, and reviews known and emerging reputational and conduct related risks to consider if action is required.

The Enterprise Wide Risk Management Committee (EWRMC) was established by, and derives its authority from, the CRO. It supports the CRO in the provision of oversight and challenge of the systems and controls in respect of risk management. EWRMC membership includes the CRO, CEO, Group Finance Director, Group General Counsel, and Head of Compliance.

Risk governance and assigning responsibilities

Responsibility for risk management resides at all levels of the Group, from the Board and the Executive Committee down through the organisation to each business manager and risk specialist. These responsibilities are distributed so that risk/return decisions are: taken at the most appropriate level; as close as possible to the business and, subject to robust and effective review and challenge. The responsibilities for effective review and challenge reside at all levels.

The ERMF was introduced as part of the Transform programme and sets out the activities, tools, techniques and organisational arrangements to ensure that all material risks are identified and understood, and that appropriate responses are in place to protect the Group and prevent detriment to its customers, colleagues or

community, enabling the Group to meets its goals, and enhance its ability to respond to new opportunities.

It covers those risks incurred by the Group that are foreseeable, continuous and material enough to merit establishing specific Group-wide control frameworks. These are known as Key Risks. See Principal Risks on page 141 for more information.

The ERMF is intended to be widely read with the aim of articulating a clear, consistent, comprehensive and effective approach for the management of all risks in the Group and creating the proper context for setting standards and establishing the right practices throughout the Group. The ERMF sets out a philosophy and approach that is applicable to the whole bank, all colleagues and to all types of risk and defines the roles and responsibilities of all employees with respect to risk management, including the CRO and the CEO. It also sets out specific requirements for key individuals, including the CRO and CEO, and the overall governance framework that will oversee its effective operation. See Risk Culture in Barclays PLC Pillar 3 Report for more information.

The EMRF supports risk management and control by ensuring that there is a:

- Sustainable and consistent implementation of the three lines of defence across all businesses and functions;
- Framework for the management of Principal Risks;
- Consistent application of Barclays risk appetite across all Principal Risks; and
- Clear and simple policy hierarchy.

Reporting and control

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Three lines of defence

The enterprise risk management process is the defence and organising businesses and functions into three lines enhances the E-R-M process by formalising independence and challenge, while still promoting collaboration and the flow of information between all areas. The three lines of defence operating model enables the Group to separate risk management activities:

First line: own and take risk, and implement controls

First line activities are characterised by:

¡ Ownership of and direct responsibility for the Group s returns or elements of Barclays results;

¡ Ownership of major operations, systems and processes fundamental to the operation of the bank; and

¡ Direct linkage of objective setting, performance assessment and reward to P&L performance.

Second line: oversee and challenge the first line, provide second line risk management activity and support controls

Second line activities are characterised by:

¡ Oversight, monitoring and challenge of the first line of defence activities;

¡ Design, ownership or operation of Key Risk Control Frameworks impacting the activities of the first line of defence;

¡ Operation of certain second line risk management activities (e.g. work-outs); and

¡ No direct linkage of objective setting, performance assessment and reward to revenue (measures related to mitigation of losses and balancing risk and reward are permissible).

Third line: provide assurance that the E-R-M process is fit for purpose, and that it is being carried out as intended

Third line activities are characterised by:

- ¡ Providing independent and timely assurance to the Board and Executive Management over the effectiveness of governance, risk management and control.

Principal Risks

A Principal Risk comprises individual Key Risk types to allow for more granular analysis of the associated risk. As at 31 December 2014 the six Principal Risks were: i) Credit; ii) Market; iii) Funding; iv) Operational; v) Conduct; and vi) Reputation. For 2015, reputation risk will be recognised as a Key Risk within Conduct Risk given the close alignment between them and the fact that as separate Principal Risks they had a common Principal Risk Officer.

Risk management responsibilities are laid out in the ERMF, which covers the categories of risk in which the Group has its most significant actual or potential risk exposures. The ERMF: creates clear ownership and accountability; ensures the Group s most significant risk exposures are understood and managed in accordance with agreed risk appetite and risk tolerances; and ensures regular reporting of both risk exposures and the operating effectiveness of controls.

Each Key Risk is owned by a senior individual known as the Key Risk Officer who is responsible for developing a risk appetite statement and overseeing and managing the risk in line with the ERMF. This includes the documentation, communication and maintenance of a risk control framework which makes clear, for every business across the firm, the mandated control requirements in managing exposures to that Key Risk. These control requirements are given further specification, according to the business or risk type, to provide a complete and appropriate system of internal control.

Business function heads are responsible for obtaining ongoing assurance that the key controls they have put in place to manage the risks to their business objectives are operating effectively. Reviews are undertaken on a six-monthly basis and support the regulatory requirement for the Group to make an annual statement about its system of internal controls. At the business level executive management hold specific Business Risk Oversight Meetings to monitor all Principal Risks.

Key Risk Officers report their assessments of the risk exposure and control effectiveness to Group-level oversight committees and their assessments form the basis of the reports that go to the:

Board Financial Risk Committee:

- ¡ Financial Risk Committee has oversight of Credit and Market Risks

- ¡ Treasury Committee has oversight of Funding Risk.

Board Conduct, Operational and Reputation Risk Committee:

- ¡ Operational Risk and Control Committee has oversight of all Operational Risk types, with the exception of Tax Risk, which is primarily overseen by the Tax Risk Committee

- Conduct and Reputation Risk Committee has oversight of the Conduct and Reputation Risks.

Each Key Risk Officer also undertakes an annual programme of risk-based conformance reviews. A conformance review is undertaken by individuals who are independent of the management team running the operations and assesses the quality of conformance testing.

The following sections provide an overview of each of the six Principal Risks together with details of the structure and organisation of the relevant management function and its roles and responsibilities including how the impact of the risk to the Group may be minimised.

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Risk management

Credit risk management

Credit risk

The risk of suffering financial loss should any of the Group s customers, clients or market counterparties fail to fulfil their contractual obligations to the Group.

Overview

The granting of credit is one of the Group s major sources of income and, as a significant risk, the Group dedicates considerable resources to its control. The credit risk that the Group faces arises mainly from wholesale and retail loans and advances together with the counterparty credit risk arising from derivative contracts entered into with clients. Other sources of credit risk arise from trading activities, including: debt securities, settlement balances with market counterparties, available for sale assets and reverse repurchase loans.

Credit risk management objectives are to:

¡ Maintain a framework of controls to ensure credit risk-taking is based on sound credit risk management principles;

¡ 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; and

¡ Ensure that risk-reward objectives are met.
More information of the reporting of credit risk can be found in Barclays PLC Pillar 3 Report.

Organisation and structure

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

Responsibilities of credit risk management has been structured so that decisions are taken as close as possible to the business, while ensuring robust review and challenge of performance, risk infrastructure and strategic plans. The credit risk management teams in each business are accountable to the relevant business Chief Risk Officer who, in turn, reports to the CRO.

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Roles and responsibilities

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

For wholesale portfolios, credit risk approval is undertaken by experienced credit risk professionals operating within a clearly defined delegated authority framework, with only the most senior credit officers entrusted with the higher levels of delegated authority. The largest credit exposures are approved at the Credit Committee which is managed by the central risk function. In the wholesale portfolios, credit risk managers are organised in sanctioning teams by geography, industry and/or product.

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

Credit risk mitigation

The Group employs a range of techniques and strategies to actively mitigate credit risks to which it is exposed. These can broadly be divided into three types: netting and set-off; collateral; and risk transfer.

Netting and set-off

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

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

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 (CSA)) with counterparties with which the Group has master netting agreements in place

- 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 credit worthy than the original counterparty, then overall credit risk will have been reduced

- Where recourse to the first counterparty remains, both counterparties must default before a loss materialises. This will be less likely than the default of either counterparty individually so credit risk is reduced

Detailed policies are in place to ensure that credit risk mitigation is appropriately recognised and recorded and more information can be found in the Barclays PLC Pillar 3 Report.

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Risk management

Market risk management

Market risk

The risk of a reduction to earnings or capital due to volatility of the trading book positions or an inability to hedge the banking book balance sheet.

Overview

Traded market risk

Traded 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.

Non-traded market risk

Banking book operations generate non-traded market risk, primarily through interest rate risk arising from the sensitivity of net interest margins to changes in interest rates. The principal banking business PCB engages in internal derivative trades with Treasury to manage this interest rate risk to within its defined risk appetite, however, the businesses remain susceptible to market risk from four key sources:

¡ Prepayment risk: Balance run-off may be faster or slower than expected due to customer behaviour in response to general economic conditions or interest rates. This can lead to a mismatch between the actual balance of products and the hedges executed with Treasury based on initial expectations

¡ Recruitment risk: The volume of new business may be lower or higher than expected requiring the business to unwind or execute hedging transactions with Treasury at different rates than expected

¡

Residual risk and margin compression: The business may retain a small element of interest rate risk to facilitate the day-to-day management of customer business. Additionally, in the current low rate environment, deposits on which the Group sets the interest rate are exposed to margin compression. This is because for any further fall in base rate the Group must absorb an increasing amount of the rate move in its margin

- Lag risk: The risk of being unable to re-price products immediately after a change in interest rates due to mandatory notification periods. This is highly prevalent in managed rates saving products (e.g. Every Day Saver) where customers must be informed in writing of any planned reduction in their savings rate

Organisation and structure

Traded market risk in the business resides primarily in Investment Bank, Group Treasury, Africa Banking and Non-Core. These businesses have the mandate to incur traded market risk. Non-traded market risk is mostly incurred in PCB and Barclaycard.

Pension risk

The Group maintains a number of defined benefit pension schemes for past and current employees. The ability of the pension fund to meet the projected pension payments is maintained principally through investments.

Pension risk arises because the estimated market value of the pension fund assets might decline; or their investment returns might reduce; or the estimated value of the pension liabilities might increase. The Group monitors the market risks arising from its defined benefit pension schemes, and works with the 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.

Insurance risk

Insurance risk is solely managed within Africa Banking where four categories of insurance risk are recognised, namely short-term insurance underwriting risk, life insurance underwriting risk, life insurance mismatch risk and life and insurance investment risk.

Insurance risk arises when:

- Aggregate insurance premiums received from policyholders under a portfolio of insurance contracts are inadequate to cover the claims arising from those policies and the expenses associated with the management of the portfolio of policies and claims;

- Premiums are not invested to adequately match the duration, timing and size of expected claims; or

- Unexpected fluctuations in claims arise or when excessive exposure (e.g. in individual or aggregate exposures) relative to capacity is retained in the entity.

Insurance entities also incur market risk (on the investment of accumulated premiums and shareholder capital), credit risk (counterparty exposure on investments and reinsurance transactions), liquidity risk and operational risk from their investments and financial operations.

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Overview of the business market risk control structure

Organisation and structure

Traded market risk in the businesses resides primarily in the Investment Bank, Treasury, Africa Banking and BNC. The businesses have the mandate to incur traded market risk. Non-traded market risk is mostly incurred in PCB and Barclaycard.

Market risk oversight and challenge is provided by business committees, Group committees, including the Market Risk Committee and Group Market Risk. The chart above gives an overview of the business control structure.

Roles and responsibilities

The objectives of market risk management are to:

- Understand and control market risk by robust measurement, limit setting, reporting and oversight;
- Facilitate business growth within a controlled and transparent risk management framework;
- Ensure that traded market risk in the businesses resides primarily in certain areas, and that it is controlled according to the allocated appetite;
- Control non-traded market risk in line with approved appetite;
- Control insurance risk in line with approved appetite; and
- Support the BNC strategy of asset reductions by ensuring that it remains within agreed risk appetite.

To ensure the above objectives are met, a well-established governance structure is in place, whereby the risks are identified, assessed, controlled and reported throughout the organisation.

More information on market risk management can be found in Barclays PLC Pillar 3 Report.

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Risk management

Funding and capital risk management

Funding risk

The ability of the Group to achieve its business plans may be adversely impacted if it does not effectively manage its capital (including leverage) and liquidity ratios. Group Treasury manage funding risk on a day-to-day basis with the Group Treasury Committee acting as the principle management body.

In 2014, to ensure effective oversight and segregation of duties and in line with the ERMF, the Key Risk Officer duties and conformance responsibilities were transferred from Treasury to Risk.

An overview on how capital and liquidity risks are managed is covered below:

Capital risk

Capital risk is the risk that the Group has insufficient capital resources to:

- Meet minimum regulatory requirements in the UK and in other jurisdictions such as the United States and South Africa where regulated activities are undertaken. The Group s authority to operate as a bank is dependent upon the maintenance of adequate capital resources;

- Support its credit rating. A weaker credit rating would increase the Group s cost of funds; and

- Support its growth and strategic options.

Overview

Organisation and structure

Capital management is integral to the Group s approach to financial stability and sustainability management and is therefore embedded in the way businesses and legal entities operate. Capital demand and supply is actively managed on a centralised basis, at a business level, at a local entity level and on a regional basis taking into account the regulatory, economic and commercial environment in which Barclays operates.

Roles and responsibilities

The Group s capital management strategy is driven by the strategic aims of the Group and the risk appetite set by the Board. The Group s objectives are achieved through well embedded capital management practices:

Capital planning

Capital forecasts are managed on a top-down and bottom-up analysis through both short term (one year) and medium-term (three years) financial planning cycles. Barclays capital plans are developed with the objective of maintaining capital that is adequate in quantity and quality to support the Group s risk profile, regulatory and business needs, including Transform financial commitments. As a result, the Group holds a diversified capital base that provides strong loss absorbing capacity and optimised returns.

Barclays capital plans are continually monitored against relevant internal target capital ratios to ensure they remain appropriate, and consider risks to the plan including possible future regulatory changes.

Local management ensures compliance with an entity s minimum regulatory capital requirements by reporting to local Asset and Liability Committees with oversight by the Group s Treasury Committee, as required.

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Regulatory requirements

Capital planning is set in consideration of minimum regulatory requirements in all jurisdictions in which the Group operates. Barclays regulatory capital requirements are determined by the PRA under the Basel III and CRD IV requirements.

Under these regulatory frameworks, capital requirements are set in consideration of the level of risk that the firm is exposed to which is measured through both risk-weighted assets (RWAs) and leverage.

Capital held to support the level of risk identified is set in consideration of minimum ratio requirements and internal buffers. Capital requirements are set to support the firm s level of risk both on a going concern basis and in resolution.

Governance

The Group and legal entity capital plans are underpinned by the Capital Risk Framework, which includes capital management policies and practices approved by the Treasury Committee. These plans are implemented consistently in order to deliver on the Group objectives.

The Board approves the Group capital plan, stress tests and recovery plan. The Treasury Committee manages compliance with the Group s capital management objectives. The Committee reviews actual and forecast capital demand and resources on a monthly basis. The Board Risk Committee annually reviews risk appetite and then analyses the impacts of stress scenarios on the Group capital forecast in order to understand and manage the Group s projected capital adequacy.

Monitoring and managing capital

Capital is monitored and managed on an ongoing basis through:

Stress testing: internal stress testing is undertaken to quantify and understand the impact of sensitivities on the capital plan and capital ratios, arising from 1 in 7 year and 1 in 25 year stresses. Actual recent economic, market and peer institution stresses are used to inform the assumptions of the stress tests and assess the effectiveness of mitigations strategies.

The Group also undertakes stress tests prescribed by the PRA and ECB. Legal entities undertake stress tests prescribed by their local regulators. These stress tests inform decisions on the size and quality of capital buffer required and the results are incorporated into the Group capital plan to ensure adequacy of capital under normal and severe, but plausible, stressed conditions.

Risk mitigation: as part of the stress testing process actions are identified that should be taken to mitigate the risks that could arise in the event of material adverse changes in the current economic and business outlook.

As an additional layer of protection, the Barclays Recovery Plan defines the actions and implementation strategies available for the Group to increase or preserve capital resources in the event that stress events are more extreme than anticipated. In addition, the strong regulatory focus on resolvability has continued in 2014, from both UK and international regulators. The Group continues to work with the authorities on recovery and resolution planning (RRP), and the detailed practicalities of the resolution process, including the provision of information that would be required in the event of a resolution, so as to enhance Barclays resolvability.

Senior management awareness and transparency: Treasury works closely with Central Risk, businesses and legal entities to support a proactive approach to identifying sources of capital ratio volatilities which are considered in the Group s capital plan. Capital risks against firm-specific and macroeconomic early warning indicators are monitored and reported to the Treasury Committee, associated with clear escalation channels to senior management.

Capital management information is readily available at all times to support the Executive Managements strategic and day-to-day business decision making, as may be required.

The Group submits its Board approved ICAAP document to the PRA on an annual basis, which forms the basis of the Individual Capital Guidance (ICG) set by the PRA.

Capital allocation: capital allocations are approved by the Group Executive Committee and monitored by the Treasury Committee, taking into consideration the risk appetite, growth and strategic aims of the Group. Barclays Bank PLC (BBPLC) is the primary source of capital to its legal entities. Regulated legal entities are, at a minimum, allocated adequate capital to meet their current and forecast regulatory and business requirements.

Transferability of capital: the Group s policy is for surplus capital held in Group entities to be repatriated to BBPLC in the form of dividends and/or capital repatriation, subject to local regulatory requirements, exchange controls and tax implications. This approach provides optimal flexibility on the re-deployment of capital across legal entities. The Group is not aware of any material impediments to the prompt transfer of capital resources, in line with the above policy, or repayment of intra-Group liabilities when due.

More information on capital risk management can be found in Barclays PLC Pillar 3 document pages 158 and 159.

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Risk review

Risk management

Liquidity risk management

Liquidity risk

The risk that the firm, although solvent, either does not have sufficient financial resources available to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost. This also results in a firm s inability to meet regulatory liquidity requirements. This risk is inherent in all banking operations and can be affected by a wide range of Group-specific and market-wide events.

Overview

Liquidity risk is recognised as a Key Risk within funding risk. Efficient management of liquidity is essential to the Group in retaining the confidence of the financial markets and ensuring that the business is sustainable. Liquidity risk is managed through the Liquidity Risk Management Framework (the Liquidity Framework) which is designed to maintain liquidity resources that are sufficient in amount and quality, and a funding profile, appropriate to maintain market confidence in the Group s name and meet the liquidity risk appetite as expressed by the Board.

This is achieved via a combination of policy formation, review and governance, analysis, stress testing, limit setting and monitoring. Together, these meet internal and regulatory requirements.

Organisation and structure

Barclays Treasury operates a centralised governance control process that covers all of the Group s liquidity risk management activities. As required under the Enterprise Risk Management Framework the Treasury Key Risk Officer (KRO) approves the Liquidity Framework under which the treasury function operates. The Treasury KRO reports into the Head of Financial Risk (Principal Risk Officer) and has an independent reporting line to the risk function. The Liquidity Framework is subject to annual review. The Liquidity Framework describes liquidity policies and controls that the Group has implemented to manage liquidity risk within the Liquidity Risk Appetite.

The Board sets the Group s Liquidity Risk Appetite (LRA), being the level of risk the Group chooses to take in pursuit of its business objectives and in meeting its regulatory obligations. The Treasury Committee is responsible for the management and governance of the mandate defined by the Board and includes the following sub-committees:

¡ The Funding and Liquidity Risk Committee is responsible for the review, challenge and recommendation of the Liquidity Framework to the Treasury Committee; and

¡ The Liquidity Management Committee, which is responsible for managing the liquidity of the Group through a liquidity event.

Liquidity risk management framework

The Group has a comprehensive Liquidity Framework for managing the Group s liquidity risk. The Liquidity Framework describes liquidity policies and controls that the Group has implemented to manage liquidity risk within the LRA. The Liquidity Framework is designed to deliver the appropriate term and structure of funding consistent with the LRA set by the Board.

Liquidity is monitored and managed on an on-going basis through:

Risk appetite and planning: established LRA together with the appropriate limits for the management of 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.

Liquidity limits: management of limits on a variety of on and off-balance sheet exposures and these serve to control the overall extent and composition of liquidity risk taken by managing exposure to the cash outflows.

Internal pricing and incentives: active management of the composition and duration of the balance sheet and of contingent liquidity risk through the transfer of liquidity premium directly to the businesses.

Early warning indicators: monitoring of a range of market indicators for early signs of liquidity risk in the market or specific to Barclays. These are designed to immediately identify the emergence of increased liquidity risk to maximise the time available to execute appropriate mitigating actions.

Contingency Funding Plan: maintenance of a Contingency Funding Plan (CFP) which is designed to provide a framework where a liquidity stress could be effectively managed. The CFP provides a communication plan and includes management actions to respond to liquidity stresses of varying severity.

Recovery Resolution Plan: in accordance with the requirements of the PRA Rulebook: Recovery & Resolution, Barclays has developed a Group Recovery Plan. The key objectives are to provide the Group with a range of options to ensure the viability of the firm in a stress, set consistent Early Warning Indicators and to enable the Group to be adequately prepared to respond to stressed conditions. The Group continues to work closely with the PRA on developing the resolution plan.

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Risk review

Risk management

Operational risk management

Operational risk

Any instance where there is a potential or actual impact to the Group resulting from inadequate or failed internal processes, people, systems, or from an external event. The impacts to the Group can be financial, including losses or an unexpected financial gain, as well as non-financial such as customer detriment, reputational or regulatory consequences.

Overview

The management of operational risk has two key objectives to:

¡ Minimise the impact of losses suffered, both in the normal course of business (small losses) and from extreme events (large losses); and

¡ Improve the effective management of the Group and strengthen its brand and external reputation.

The Group is committed to the management and measurement of operational risk and was granted a waiver by the FSA (now the PRA) to operate an Advanced Measurement Approach (AMA) for operational risk, which commenced in January 2008. The majority of the Group calculates regulatory capital requirements using AMA (93% of capital requirements); however, in specific areas, the Basic Indicator Approach (7%) is applied. The Group works to benchmark its internal operational risk management and measurement practices with peer banks and to drive the further development of advanced techniques.

Organisation and structure

The Group is committed to operating within a strong system of internal control that enables business to be transacted and risk taken without exposing itself to unacceptable potential losses or reputational damage. The key elements of the Group s system of internal control, which is aligned to the recommendations of the Committee of Sponsoring Organizations of the Treadway Commission s (COSO) Internal Control Integrated Framework, are set out in the risk control frameworks relating to each of the Group s Key Risks and in the Group Operational Risk Framework.

Operational risk comprises a number of specific Key Risks defined as follows:

¡ Cyber security: risk of loss or detriment to the Group s business and customers as a result of actions committed or facilitated through the use of networked information systems

¡ External supplier: inadequate selection and ongoing management of external suppliers

¡ Financial reporting: reporting misstatement or omission within external financial or regulatory reporting

¡ Fraud: dishonest behaviour with the intent to make a gain or cause a loss to others

¡ Information: inadequate protection of the Group s information in accordance with its value and sensitivity

¡ Legal: failure to identify and manage legal risks

¡ Payments: failure in operation of payments processes

¡ People: inadequate people capabilities, and/or performance/reward structures, and/or inappropriate behaviours

¡ Premises and security: unavailability of premises (to meet business demand) and/or safe working environments, and inadequate protection of physical assets, employees and customers against external threats

¡ Taxation: failure to comply with tax laws and practice which could lead to financial penalties, additional tax charges or reputational damage

¡ Technology: failure to develop and deploy secure, stable and reliable technology solutions

¡ Transaction operations: failure in the management of critical transaction processes

In order to ensure complete coverage of the potential adverse impacts on the Group arising from operational risk, the operational risk taxonomy extends beyond the operational key risks listed above to cover areas included within conduct risk. For more information on conduct risk please see pages 137 and 138.

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Risk review

Risk management

Operational risk management

Roles and responsibilities

The prime responsibility for the management of operational risk and the compliance with control requirements rests with the business and functional units where the risk arises. The Operational Risk function acts in a second line of defence capacity and provides oversight and challenge of the business operational risk profile escalating issues as appropriate.

The Head of Operational Risk is responsible for establishing, owning and maintaining an appropriate Group-wide Operational Risk Framework and for overseeing the portfolio of Operational Risk across the Group. The Operational Risk & Control Committee (OR&CC) is the senior executive body responsible for the oversight and challenge of operational risk and the control environment. Depending on their nature, the outputs of the OR&CC are presented to the BCORR or the BAC.

At the business level, operational risk is monitored by executive management through specific meetings which cover governance, risk and control. Businesses 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, material control issues, operational risk events and a review of scenarios and capital.

Operational risk management is represented at these business meetings and provides specific risk input into the issues highlighted and the overall risk profile of the business. Operational risk issues escalated from these meetings are considered at the OR&CC and from time to time businesses are required to present a deep-dive of their operational risk and control environment. The committee then considers material control issues and their effective remediation. On control issues the OR&CC additionally presents to the BAC.

Specific reports are prepared by businesses, Key Risk Officers and Operational Risk on a regular basis for OR&CC, BCORR and BAC.

Risk and control self-assessments and key indicators

The Group identifies and assesses all material risks within each business and evaluates the key controls in place to mitigate those risks. Managers in the businesses use self-assessment techniques to identify risks, evaluate the effectiveness of key controls in place, and assess whether the risks are effectively managed within business risk appetite. The businesses are then able to make decisions on what, if any, action is required to reduce the level of risk to the Group. These risk assessments are monitored on a regular basis to ensure that each business continually understands the risks it faces.

Key indicators (KIs) are metrics which allow the Group to monitor its operational risk profile. KIs include measurable thresholds that reflect the risk appetite of the business and are monitored to alert management when risk levels exceed acceptable ranges or risk appetite levels and drive timely decision-making and actions.

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Risk review

Risk management

Conduct risk management

Conduct risk

The risk that detriment is caused to customers, clients, counterparties or the Group because of inappropriate judgement in the execution of the Group s business activities.

Overview

The Group defines, manages and mitigates conduct risk with the goal of providing good customer outcomes and protecting market integrity. The Group has defined 10 outcomes which are positive indicators that it is delivering good customer outcomes and protecting market integrity:

- Culture places customer interests at the heart of strategy, planning, decision making and judgements
- Strategy is to develop long-term banking relationships with customers by providing products and services that meet their needs and do not cause detriment
- Does not disadvantage or exploit customers, customer segments or markets, and does not distort market competition
- Proactively identifies conduct risks and intervenes before they crystallise by managing, escalating and mitigating them promptly
- Products, services and distribution channels are designed, monitored and managed to provide value, accessibility, transparency, and to meet the needs of customers
- Provides banking products and services that meet customers expectations and perform as represented. Representations are accurate and comprehensible so customers understand the products and services they are

purchasing

- Addresses any customer detriment and dissatisfaction in a timely and fair manner

- Safeguards the privacy of personal data

- Does not conduct or facilitate market abuse

- Does not conduct or facilitate financial crime

Organisation and structure

The Conduct and Reputational Risk Committee (CRRC) is a sub-committee of the BCORR. The principal purpose of the CRRC is to review and monitor the effectiveness of Barclays management of Conduct and Reputation Risk. The Conduct Risk Committee (CRC) is a senior executive body responsible for the oversight and challenge of Conduct Risk and the control environment within Barclays. The outputs of the CRC are presented to the CRRC and the BCORR.

In addition, specific committees monitor conduct risk and the control environment at the business level.

Roles and responsibilities

The Conduct Risk Principal Risk Framework (PRF) comprises a number of elements that allow the Group to manage and measure its conduct risk profile. The PRF is implemented across the Group:

- Vertically, through an organisational structure that requires all businesses to implement and operate their own conduct risk framework that meets the requirements detailed within the ERMF

- Horizontally, with Group Key Risk Officers (KROs) required to monitor information relevant to their Key Risk from each element of the Conduct Risk PRF

The primary responsibility for managing conduct risk and compliance with control requirements is with the business where the risk arises. The Conduct Risk Accountable Executive for each business is responsible for ensuring the implementation of, and compliance with, the Group Conduct Risk framework.

The Conduct Principal Risk Owner is responsible for owning and maintaining an appropriate Group-wide Conduct Risk PRF and for overseeing Group-wide Conduct Risk management.

Businesses are required to report their conduct risks on both a quarterly and an event-driven basis. The quarterly reports detail conduct risks inherent within the business strategy and include forward-looking horizon-scanning analysis as well as backward-looking evidence-based indicators from both internal and external sources.

Business-level reports are reviewed within Compliance. Compliance then creates Group-level reports for consideration by CRC, CRRC and BCORR. The Group periodically assesses its management of conduct risk through independent audits and addresses issues identified.

Event-driven reporting consists of any risks or issues that breach certain thresholds for severity and probability. Any such risks or issues must be promptly escalated to the business and the appropriate KRO.

Risk management

Conduct risk management

Management of conduct risk

Conduct risk management includes the following elements:

Conduct material risk assessments: accountable executives must complete a top-down assessment of their business model and strategy. The analysis should take into consideration both internal (e.g. historic and current business strategy and banking activities) and external factors (e.g. economic and regulatory environment). This must identify all conduct risks arising from the business model, strategy or banking activity and must include recommendations and management actions to address the conduct risks identified. These assessments must then be presented to Business Risk Oversight Committees. These assessments are reflected in Conduct Risk Reports.

Conduct risk appetite: conduct risk is a non-financial risk and is intrinsic in all of Barclays banking activities. There is no appetite for customer detriment resulting from inappropriate judgements in the execution of its business activities. Conduct risk appetite is aligned to the Group Risk Appetite Framework. BCORR considers and recommends to the Board for approval, via the BEWRC, the Group s conduct risk appetite statement.

Conduct risk reporting: accountable executives must produce a quarterly Conduct Risk Report which documents their businesses approach to understand, monitor, manage and control conduct risk.

Risk and issue reporting: risk and issue reporting provides additional senior management visibility of any conduct risks or issues that breach certain severity and probability thresholds. Thresholds have been set across the Group; any risk or issue that breaches these must be reported to BCORR (via CRRC). In addition, any risks or issues that breach more significant probability thresholds must also be escalated promptly to the business and the appropriate KRO.

Business conduct performance management information: businesses are expected to evaluate how effectively they are managing conduct risks including against metrics that align with the Key Risk Frameworks and the 10 outcomes. Barclays is developing a range of business-specific and Group metrics and measures, which will further improve its ability to monitor and assess the identification and management of conduct risks.

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Risk review

Risk management

Reputation risk management

Reputation risk

The risk of damage to the Group s brand arising from any association, action or inaction which is perceived by stakeholders (e.g. customers, clients, colleagues, shareholders, regulators, opinion formers) to be inappropriate or unethical.

Overview

Damage to the Group s brand and consequent erosion of reputation reduces the attractiveness of the Group to stakeholders and may 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.

Reputation risk may arise in many different ways, for example:

¡ Failure to act in good faith and in accordance with the Group s values and code of conduct

¡ Failure (real or perceived) to comply with the law or regulation, or association (real or implied) with illegal activity

¡ Failures in corporate governance, management or technical systems

¡ Failure to comply with internal standards and policies

¡ Association with controversial sectors or clients

¡ Association with controversial transactions, projects, countries or governments

- Association with controversial business decisions, including but not restricted to, decisions relating to: products (in particular new products), delivery channels, promotions/advertising, acquisitions, branch representation, sourcing/supply chain relationships, staff locations, treatment of financial transactions

- Association with poor employment practices.

In each case, the risk may arise from failure to comply with either stated or expected norms, which are likely to change over time, so an assessment of reputation risk cannot be static. If not managed effectively, stakeholder expectations of responsible corporate behaviour will not be met.

The Group designated reputation risk as a Principal Risk and developed procedures and resources, including the Reputation Risk Principal and Key Risk Framework (the Framework), to support businesses and functions in dealing with reputation risks arising in their areas of activity. This Framework is aligned to the overarching Group ERMF. In 2015 reputation risk has been re-designated as a Key Risk under the Conduct Risk Principal Risk.

The Framework sets out what is required to ensure reputation risk is managed effectively and consistently across the bank. Reputation risk is by nature pervasive and can be difficult to quantify, requiring more subjective judgement than many other risks. The Framework is designed explicitly in the light of that subjectivity and, together with supporting tools, policies and procedures, provides an holistic view of how the Group managed reputation risk during the year.

The following policies, tools and guidance support the Group s businesses and functions in implementing the requirements of the Framework:

- The Barclays Way (Code of Conduct) sets out in one place what it means to work in the Group and the standards and behaviours expected of all colleagues. It gives examples of how the Barclays Values should be put into practice in decision-making and highlights the responsibility of individuals to challenge poor practice whenever and wherever it occurs

- The Barclays Guide outlines the Group s governance framework and contains information about how the Group organises, manages and governs itself

- Reputation Risk Appetite is the level of risk that the Group is prepared to accept while pursuing its business strategy, recognising a range of possible outcomes as business plans are implemented

- The Barclays Lens is an assessment tool made up of five simple questions designed to ensure that the interests of customers, clients, shareholders and communities are taken into account in the decisions made every day. The Lens is applied alongside other decision-making tools to help the Group move beyond legal, regulatory and compliance concerns to consider broader societal impacts and opportunities.

Organisation and structure

The reputation risk governance structure links the Board of Barclays Bank PLC, senior management and other fora to create a vehicle for the oversight of reputation risk. The CRRC is the designated Key Risk forum for reputation risk.

The Group Reputational Committee is a sub-committee of the CRRC, from which it derives its authority. It has license to investigate any matters within its responsibilities and obtain information as required from any employee of the Group, and to make decisions to resolve reputation issues escalated to it.

Each business (and functions where appropriate) has a clearly defined procedure for escalation of reputation risks as part of their risk oversight process. This includes a reputation risk sub-committee (or equivalent) of their Executive Committee, which has representation from appropriate specialists e.g. the Head of Communications. Business Risk Oversight Committee meetings consider all Principal Risks, and reputation risk as a Key Risk under conduct risk, as they relate to the associated businesses or region.

Risk review

Risk management

Reputation risk management

Roles and responsibilities

The principal responsibility for managing reputation risk lies with each business and function and, firstly, with the individuals responsible for making decisions that could impact Barclays reputation. There will, however, be circumstances where it is necessary to escalate the evaluation of the reputation risk associated with particular decisions beyond an individual, business or function.

The Group s businesses and functions escalate material reputation risk issues to the Group Reputation Committee via their risk oversight processes, which have a specified means of considering reputation-related issues on an ad hoc basis as they arise (e.g. a reputation risk sub-committee or equivalent). Issues may merit escalation due to: i) the degree of risk involved; ii) the fact that the issue sets a significant precedent; or iii) the fact that the issue impacts on more than one of the Group s businesses.

Each business (and function/region where appropriate) submits quarterly KRI reports to the Group reputation risk team, highlighting their most significant current and potential reputation risks and issues and how they are being managed. Reputation risk reporting takes the following forms:

¡ Quarterly reporting of key reputation risks via Business Risk Oversight Committees to Group Reputation Committee and CRRC

¡ Six-monthly reputation risk horizon scan reports, including current and emerging priority reputation risks to BCORR

¡ Ad hoc review of identified reputationally controversial issues/ transactions/relationships by business reputation committees, with escalation to Group Reputation Committee, where required.

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Risk review

Risk performance

Maintaining our risk profile at an acceptable and appropriate level is essential to ensure our continued performance. This section provides a review of the performance of the Group in 2014 for each of the six Principal Risks, which are credit, market, funding, operational, conduct, and reputation risks.

For a more detailed breakdown on our Risk review and Risk management contents please see pages 113 and 114.

Where appropriate, prior year disclosures have been restated to reflect the new structure of the Group adopted in May 2014.

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Risk review

Risk performance

Credit risk

Analysis of credit risk

Credit risk is the risk of the Group suffering financial loss if any of its customers, clients, or market counterparties fails to fulfil their contractual obligations to the Group.

This section details the Group s credit risk profile and provides information on the Group s exposure to loans and advances to customer and banks, maximum exposures with collateral held, and net impairment charges raised in the year. It provides information on balances that are categorised as credit risk loans, balances in forbearance, as well as exposure to and performance metrics for specific portfolios and asset types.

Key metrics

¡ Credit impairment charges in 2014

were 29% lower than 2013:

-£0.2bn Group Core

Lower charges reflected improved performance in the majority of businesses

-£0.1bn Retail Core

Lower charges in key PCB portfolios reflecting better economic conditions in the UK, and in South African mortgage portfolio

-£0.1bn Wholesale Core

Lower charge in Corporate Banking reflected one-off releases and lower defaults from large UK corporates

-£0.7bn Non-Core

Lower charge reflected non-recurrence of large single name loss in 2013, releases in the wholesale portfolio, and improved recoveries and lower delinquencies in the European mortgage portfolios

- Loans and advances to customers

  and banks decreased by 1% in 2014

- The loan loss rate fell to 46bps

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Credit risk is the risk of the Group suffering financial loss if any of its customers, clients, or market counterparties fails to fulfil their contractual obligations to the Group.

All disclosures in this section (pages 143 to 173) 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, and a summary of performance may be found below.

This section provides an analysis of areas of particular interest or potentially of higher risk, including: i) balance sheet, including the maximum exposure, and collateral, and loans and advances; ii) areas of concentrations, including the eurozone; iii) exposure to and performance metrics for specific portfolios and assets types, including home loans, credit cards and UK commercial real estate; iv) exposure and performance of loans on concession programmes, including forbearance; v) problem loans, including credit risk loans (CRLs); and vi) impairment, including impairment stock and management adjustments to model outputs.

More details of the topics covered in the section may be found in the credit risk section of the contents on page 113. Please see risk management section on pages 123 to 140 for details of governance, policies and procedures.

Summary of performance in the period

Credit impairment charges in 2014 fell 29% to £2.2bn, as performance improved in core UK and US portfolios reflecting economic growth and falling unemployment and low inflation in both regions. The economy in South Africa remains under pressure as economic growth contracted with prolonged strike actions in the mining and engineering industries and persistent electricity shortages. The Eurozone economies are also under pressure with growth prospects in the southern European countries remaining fragile and susceptible to external shocks.

The level of CRLs reduced by 30% to £9.3bn principally due to a reduction in balances in BNC as Spanish loans were reclassified as held for sale. The coverage ratios for home loans, unsecured retail portfolios and corporate loans remain broadly in line with expected severity rates for these types of portfolios.

Net loans and advances to customers and banks were stable at £470bn reflecting a decrease in Non-Core balances offset by increases across the majority of other businesses.

Lower loan impairment charges coupled with broadly stable loan balances resulted in the loan loss rate falling to 46bps (2013: 64bps). This reflects the stable or improving performance trends across the majority of the portfolios and

is the lowest annual rate since 1998 and significantly below the longer-term average.

Analysis of the Balance Sheet

Group s maximum exposure and collateral and other credit enhancements held

Basis of preparation

The following tables present a reconciliation between the Group s maximum exposure and its net exposure to credit risk; reflecting the financial effects of collateral, credit enhancements and other actions taken to mitigate the Group s 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 include only financial assets subject to credit risk. They exclude other financial assets not subject to credit risk, mainly equity securities held for trading, as available for sale or designated at fair value, and traded commodities. Assets designated at fair value in respect of linked liabilities to customers under investment contracts have also not been included as the Group is not exposed to credit risk on these assets. Credit losses in these portfolios, if any, would lead to a reduction in the linked liabilities and not result in a loss to the Group. For off-balance sheet exposures certain contingent liabilities not subject to credit risk such as performance guarantees are excluded.

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 144 and 145.

Overview

As at 31 December 2014, the Group s net exposure to credit risk after taking into account netting and set-off, collateral and risk transfer increased 4% to £746bn. The maximum exposure and the level of mitigation held remained broadly stable. Overall, the extent to which the Group holds mitigation against its total exposure reduced slightly to 53% (2013: 54%).

Of the remaining exposure left unmitigated, a significant portion relates to cash held at central banks, available for sale debt securities issued by governments, cash collateral and settlement balances, all of which are considered lower risk. Trading portfolio liability positions, which to a significant extent economically hedge trading portfolio assets but which are not held specifically for risk management purposes, are excluded from the analysis. The credit quality of counterparties to derivative, available for sale and wholesale loan assets are predominantly investment grade. Further analysis on the credit quality of assets is presented on pages 146 and 147.

Where collateral is obtained in the event of default, the Group does not, as a rule, 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 2014 as a result of the enforcement of collateral was £161m (2013: £234m).

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Risk review

Risk performance
Credit risk

Maximum exposure and effects of collateral and other credit enhancements (audited)

As at 31 December 2014	Maximum exposure £m	Netting and set-off £m	Collateral Cash £m	Collateral Non-cash £m	Risk transfer £m	Net exposure £m
On-balance sheet:						
Cash and balances at central banks	39,695					39,695
Items in the course of collection from other banks	1,210					1,210
Trading portfolio assets:						
Debt securities	65,997					65,997
Traded loans	2,693					2,693
Total trading portfolio assets	68,690					68,690
Financial assets designated at fair value:						
Loans and advances	20,198		(48)	(6,657)	(291)	13,202
Debt securities	4,448					4,448
Reverse repurchase agreements	5,236			(4,803)		433
Other financial assets	469					469
Total financial assets designated at fair value	30,351		(48)	(11,460)	(291)	18,552
Derivative financial instruments	439,909	(353,631)	(44,047)	(8,231)	(6,653)	27,347
Loans and advances to banks	42,111	(1,012)		(3,858)	(176)	37,065
Loans and advances to customers:						
Home loans	166,974		(274)	(164,389)	(815)	1,496
Credit cards, unsecured and other retail lending	69,022		(954)	(16,433)	(1,896)	49,739
Corporate loans	191,771	(9,162)	(620)	(40,201)	(5,122)	136,666
Total loans and advances to customers	427,767	(9,162)	(1,848)	(221,023)	(7,833)	187,901
Reverse repurchase agreements and other similar secured lending	131,753			(130,135)		1,618
Available for sale debt securities	85,539			(938)	(432)	84,169
Other assets	1,680					1,680
Total on-balance sheet	1,268,705	(363,805)	(45,943)	(375,645)	(15,385)	467,927
Off-balance sheet:						
Contingent liabilities	21,263		(781)	(848)	(270)	19,364
Documentary credits and other short term trade related transactions	1,091		(6)	(8)	(3)	1,074

Forward starting reverse repurchase agreements	**13,856**			**(13,841)**		**15**
Standby facilities, credit lines and other commitments	**276,315**		**(457)**	**(17,385)**	**(793)**	**257,680**
Total off-balance sheet	**312,525**		**(1,244)**	**(32,082)**	**(1,066)**	**278,133**
Total	**1,581,230**	**(363,805)**	**(47,187)**	**(407,727)**	**(16,451)**	**746,060**

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Maximum exposure and effects of collateral and other credit enhancements (audited)

As at 31 December 2013	Maximum exposure £m	Netting and set-off £m	Collateral Cash £m	Collateral Non-cash £m	Risk transfer £m	Net exposure £m
On-balance sheet:						
Cash and balances at central banks	45,687					45,687
Items in the course of collection from other banks	1,282					1,282
Trading portfolio assets:						
Debt securities	84,560					84,560
Traded loans	1,647					1,647
Total trading portfolio assets	86,207					86,207
Financial assets designated at fair value:						
Loans and advances	18,695			(6,840)	(301)	11,554
Debt securities	842					842
Reverse repurchase agreements	5,323			(5,006)		317
Other financial assets	678					678
Total financial assets designated at fair value	25,538			(11,846)	(301)	13,391
Derivative financial instruments	350,300	(279,802)	(36,733)	(7,888)	(8,830)	17,047
Loans and advances to banks	39,422	(1,012)		(3,798)	(391)	34,221
Loans and advances to customers:						
Home loans	179,527		(239)	(176,014)	(941)	2,333
Credit cards, unsecured and other retail lending	70,378	(8)	(1,182)	(18,566)	(2,243)	48,379

Corporate loans	184,332	(9,366)	(775)	(42,079)	(7,572)	124,540
Total loans and advances to customers	434,237	(9,374)	(2,196)	(236,659)	(10,756)	175,252
Reverse repurchase agreements and other similar secured lending	186,779			(184,896)		1,883
Available for sale debt securities	91,298			(777)		90,521
Other assets	1,998					1,998
Total on-balance sheet	1,262,748	(290,188)	(38,929)	(445,864)	(20,278)	467,489
Off-balance sheet:						
Contingent liabilities	19,675		(1,081)	(950)	(556)	17,088
Documentary credits and other short term trade related transactions	780		(3)	(35)	(4)	738
Forward starting reverse repurchase agreements	19,936			(19,565)		371
Standby facilities, credit lines and other commitments	254,855		(1,220)	(20,159)	(2,529)	230,947
Total off-balance sheet	295,246		(2,304)	(40,709)	(3,089)	249,144
Total	1,557,994	(290,188)	(41,233)	(486,573)	(23,367)	716,633

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The Group s approach to manage and represent credit quality

Asset credit quality

All loans and advances are categorised as either neither past due nor impaired , past due but not impaired , or past due and impaired , which includes restructured loans. For the purposes of the disclosures in the balance sheet credit quality section below and the analysis of loans and advances and impairment section (page 148):

- ¡ A loan is considered past due when the borrower has failed to make a payment when due under the terms of the loan contract
- ¡ The impairment allowance includes allowances against financial assets that have been individually impaired and those subject to collective impairment
- ¡ Loans neither past due nor impaired consist predominantly of wholesale and retail loans that are performing. These loans, although unimpaired, may carry an unidentified impairment
- ¡ Loans that are past due but not impaired consist predominantly of wholesale loans that are past due but individually assessed as not being impaired. These loans, although individually assessed as unimpaired, may carry an unidentified impairment provision
- ¡ Impaired loans that are individually assessed consist predominantly of wholesale loans that are past due and for which an individual allowance has been raised
- ¡ Impaired loans that are collectively assessed consist predominantly of retail loans that are one day or more past due for which a collective allowance is raised. Wholesale loans that are past due, individually assessed as unimpaired, but which carry an unidentified impairment provision, are excluded from this category.

Home loans and credit card receivables that are subject to forbearance in the retail portfolios are included in the collectively assessed impaired loans column in the tables in the analysis of loans and advances and impairment section (page 148). Included within wholesale loans that are designated as neither past due nor impaired is a portion of loans that have been subject to forbearance or similar strategies as part of the Group s ongoing relationship with clients. The

loans will have an internal rating reflective of the level of risk to which the Group is exposed, bearing in mind the circumstances of the forbearance, the overall performance and prospects of the client. Loans on forbearance programmes will typically, but not always, attract a higher risk rating than similar loans which are not. A portion of wholesale loans under forbearance is included in the past due but not impaired column, although not all loans subject to forbearance are necessarily impaired or past due. Where wholesale loans under forbearance have been impaired, these form part of individually assessed impaired loans.

The Group uses the following internal measures to determine credit quality for loans that are performing:

Default Grade	Retail lending Probability of default	Wholesale lending Probability of default	Credit Quality Description
1-3	0.0-0.60%	0.0-0.05%	Strong
4-5		0.05-0.15%	
6-8		0.15-0.30%	
9-11		0.30-0.60%	
12-14	0.60-10.00%	0.60-2.15%	Satisfactory
15-19		2.15-11.35%	
20-21	10.00%+	11.35%+	Higher Risk

For loans that are performing, 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 retail facilities, such as credit card balances and unsecured loans, which have been classified as satisfactory, regardless of the fact that the output of internal grading models may have indicated a higher classification. 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 some 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 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. These loans are all considered higher risk for the purpose of this analysis of credit quality.

Debt securities

For assets held at fair value, the carrying value on the balance sheet will include, among other things, the credit risk of the issuer. Most listed and some unlisted securities are rated by external rating agencies. The Group mainly uses

external credit ratings provided by Standard & Poor s 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 Group assets exposed to credit risk.

Overview

As at 31 December 2014, the ratio of the Group s assets classified as strong improved to 84% (2013: 83%) of total assets exposed to credit risk.

Traded assets remained mostly investment grade with the following proportions being categorised as strong; 94% (2013: 95%) of total derivative financial instruments, 91% (2013: 95%) of debt securities held for trading and 98% (2013: 96%) of debt securities held as available for sale. The credit quality of counterparties to reverse repurchase agreements held at amortised cost remained broadly stable at 78% (2013: 76%). The credit risk of these assets is significantly reduced as balances are largely collateralised.

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In the loan portfolios, 86% (2013: 85%) of home loans to customers are measured as strong. The majority of credit card, unsecured and other retail lending remained satisfactory, reflecting the unsecured nature of a significant proportion of the balance, comprising 71% (2013: 71%) of the total. The credit quality profile of the Group s wholesale lending improved with counterparties rated strong increasing to 72% (2013: 70%), primarily due to increases in collateral balances generally rated strong in the Investment Bank.

Further analysis of debt securities by issuer and issuer type, and netting and collateral arrangements on derivative financial instruments is presented on pages 165 and 166 respectively.

Balance sheet credit quality (audited)

As at 31 December 2014	Strong (including investment grade) £m	Satisfactory (BB+ to B) £m	Higher risk (B- and below) £m	Maximum exposure to credit risk £m	Strong (including investment grade) %	Satisfactory (BB+ to B) %	Higher risk (B- and below) %	Maximum exposure to credit risk %
Cash and balances at central banks	**39,695**			**39,695**	**100%**	**0%**	**0%**	**100%**
Items in the course of collection from other banks	**1,134**	**47**	**29**	**1,210**	**94%**	**4%**	**2%**	**100%**
Trading portfolio assets:								
Debt securities	**60,290**	**5,202**	**505**	**65,997**	**91%**	**8%**	**1%**	**100%**
Traded loans	**446**	**1,935**	**312**	**2,693**	**16%**	**72%**	**12%**	**100%**

Total trading portfolio assets	**60,736**	**7,137**	**817**	**68,690**	**89%**	**10%**	**1%**	**100%**
Financial assets designated at fair value:								
Loans and advances	**18,544**	**844**	**810**	**20,198**	**92%**	**4%**	**4%**	**100%**
Debt securities	**4,316**	**130**	**2**	**4,448**	**97%**	**3%**	**0%**	**100%**
Reverse repurchase agreements	**4,876**	**346**	**14**	**5,236**	**93%**	**7%**	**0%**	**100%**
Other financial assets	**269**	**168**	**32**	**469**	**57%**	**36%**	**7%**	**100%**
Total financial assets designated at fair value	**28,005**	**1,488**	**858**	**30,351**	**92%**	**5%**	**3%**	**100%**
Derivative financial instruments	**414,980**	**24,387**	**542**	**439,909**	**94%**	**6%**	**0%**	**100%**
Loans and advances to banks	**39,453**	**1,651**	**1,007**	**42,111**	**94%**	**4%**	**2%**	**100%**
Loans and advances to customers:								
Home loans	**143,700**	**13,900**	**9,374**	**166,974**	**86%**	**8%**	**6%**	**100%**
Credit cards, unsecured and other retail lending	**15,369**	**49,255**	**4,398**	**69,022**	**23%**	**71%**	**6%**	**100%**
Corporate loans	**137,102**	**42,483**	**12,186**	**191,771**	**72%**	**22%**	**6%**	**100%**
Total loans and advances to customers	**296,171**	**105,638**	**25,958**	**427,767**	**69%**	**25%**	**6%**	**100%**
Reverse repurchase	**102,609**	**29,142**	**2**	**131,753**	**78%**	**22%**	**0%**	**100%**

agreements and other similar secured lending								
Available for sale debt securities	**84,405**	**498**	**636**	**85,539**	**98%**	**1%**	**1%**	**100%**
Other assets	**1,336**	**282**	**62**	**1,680**	**79%**	**17%**	**4%**	**100%**
Total assets	**1,068,524**	**170,270**	**29,911**	**1,268,705**	**84%**	**13%**	**3%**	**100%**
As at 31 December 2013								
Cash and balances at central banks	45,687			45,687	100%	0%	0%	100%
Items in the course of collection from other banks	1,218	51	13	1,282	95%	4%	1%	100%
Trading portfolio assets:								
Debt securities	80,190	3,633	737	84,560	95%	4%	1%	100%
Traded loans	526	700	421	1,647	32%	42%	26%	100%
Total trading portfolio assets	80,716	4,333	1,158	86,207	94%	5%	1%	100%
Financial assets designated at fair value:								
Loans and advances	17,020	1,017	658	18,695	91%	5%	4%	100%
Debt securities	403	36	403	842	48%	4%	48%	100%
Reverse repurchase agreements	4,492	794	37	5,323	84%	15%	1%	100%
	255	191	232	678	38%	28%	34%	100%

Other financial assets								
Total financial assets designated at fair value	22,170	2,038	1,330	25,538	87%	8%	5%	100%
Derivative financial instruments	331,541	18,042	717	350,300	95%	5%	0%	100%
Loans and advances to banks	36,030	2,354	1,038	39,422	91%	6%	3%	100%
Loans and advances to customers:								
Home loans	153,299	14,373	11,855	179,527	85%	8%	7%	100%
Credit cards, unsecured and other retail lending	14,728	50,100	5,550	70,378	21%	71%	8%	100%
Corporate loans	128,309	46,263	9,760	184,332	70%	25%	5%	100%
Total loans and advances to customers	296,336	110,736	27,165	434,237	68%	26%	6%	100%
Reverse repurchase agreements and other similar secured lending	141,861	44,906	12	186,779	76%	24%	0%	100%
Available for sale debt securities	87,888	1,354	2,056	91,298	96%	2%	2%	100%
Other assets	1,598	340	60	1,998	80%	17%	3%	100%
Total assets	1,045,045	184,154	33,549	1,262,748	83%	14%	3%	100%

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Risk review

Risk performance

Credit risk

As the principal source of credit risk to the Group, loans and advances to customers and banks is analysed in detail below:

Loans and advances to customers and banks

Loan quality has improved in 2014 reflected by a lower loan loss rate, while balances increased most notably in Home Loans

Analysis of loans and advances and impairment to customers and banks

	Gross L&A	Impairment allowance	L&A net of impairment	Credit risk loans	CRLs % of gross L&A	Loan impairment charges[a]	Loan loss rates
	£m	£m	£m	£m	%	£m	bps
As at 31 December 2014							
Personal & Corporate Banking	145,114	971	144,143	2,064	1.4	263	18
Africa Banking	21,334	681	20,653	1,093	5.1	295	138
Barclaycard	38,376	1,815	36,561	1,765	4.6	1,183	308
Barclays Core	204,824	3,467	201,357	4,922	2.4	1,741	85
Barclays Non-Core	20,259	428	19,831	1,209	6.0	151	75
Total Group Retail	225,083	3,895	221,188	6,131	2.7	1,892	84
Investment Bank	106,377	44	106,333	71	0.1	(14)	(1)
Personal & Corporate	79,622	668	78,954	1,630	2.0	219	28

Banking							
Africa Banking	**16,312**	**246**	**16,066**	**665**	**4.1**	**54**	**33**
Head Office and Other Operations	**3,240**		**3,240**				
Barclays Core	**205,551**	**958**	**204,593**	**2,366**	**1.2**	**259**	**13**
Barclays Non-Core	**44,699**	**602**	**44,097**	**841**	**1.9**	**53**	**12**
Total Group Wholesale	**250,250**	**1,560**	**248,690**	**3,207**	**1.3**	**312**	**12**
Group Total	**475,333**	**5,455**	**469,878**	**9,338**	**2.0**	**2,204**	**46**
Traded loans	**2,693**	**n/a**	**2,693**				
Loans and advances designated at fair value	**20,198**	**n/a**	**20,198**				
Loans and advances held at fair value	**22,891**	**n/a**	**22,891**				
Total loans and advances	**498,224**	**5,455**	**492,769**				
As at 31 December 2013							
Personal & Corporate Banking	140,742	1,325	139,417	2,703	1.9	357	25
Africa Banking	21,586	674	20,912	1,205	5.6	388	180
Barclaycard	33,024	1,517	31,507	1,541	4.7	1,096	332
Barclays Core	195,352	3,516	191,836	5,449	2.8	1,841	94
Barclays Non-Core	40,867	856	40,011	2,118	5.2	320	78
Total Group Retail	236,219	4,372	231,847	7,567	3.2	2,161	91
Investment Bank	104,468		104,468			(30)	(3)
Personal & Corporate Banking	77,674	701	76,973	1,861	2.4	264	34
Africa Banking	15,793	352	15,441	722	4.6	89	56
Head Office and Other Operations	3,072		3,072			(3)	(10)
Barclays Core	201,007	1,053	199,954	2,583	1.3	320	16
Barclays Non-Core	43,691	1,833	41,858	3,148	7.2	581	133

Total Group Wholesale	244,698	2,886	241,812	5,731	2.3	901	37
Group Total	480,917	7,258	473,659	13,298	2.8	3,062	64
Traded loans	1,647	n/a	1,647				
Loans and advances designated at fair value	18,695	n/a	18,695				
Loans and advances held at fair value	20,342	n/a	20,342				
Total loans and advances	501,259	7,258	494,001				

Loans and advances to customers and banks at amortised cost net of impairment decreased to £469.9bn (2013: £473.7bn):

- Non-Core decreased £17.9bn to £63.9bn driven by reclassification of Spanish loans now held for sale and a reduction in Europe Retail driven by a run-off of assets;

- PCB increased £6.7bn to £223.1bn due to mortgage growth, resulting from increased market activity, and higher Corporate lending balances; and

- Barclaycard increased £5.1bn reflecting growth across all geographies, including the impact of promotional offers and the acquisition of portfolios in the US.

CRLs decreased £4.0bn to £9.3bn primarily due to a reduction within Non-Core of £3.2bn to £2.1bn as a result of the reclassification of Spanish loans now held for sale and a write-off of a single name exposure.

Loan impairment charges improved 28% to £2.2bn due to the non-recurrence of impairments on single name exposures, impairment releases on the wholesale portfolio as a result of confirmation on Government subsidies in the renewable energy sector and improved performance in Europe, primarily due to improved recoveries and delinquencies in the mortgages portfolio. This led to a decrease in the loan loss rate to 46bps (2013: 64bps).

Note

a Excluding impairment charges on available for sale investments and reverse repurchase agreements.

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Analysis of gross loans & advances by product

	Home Loans £m	Credit cards, unsecured and other retail lending £m	Corporate Loans £m	Group Total £m
As at 31 December 2014				
Personal & Corporate Banking	**136,022**	**23,837**	**64,877**	**224,736**
Africa Banking	**12,959**	**8,375**	**16,312**	**37,646**
Barclaycard		**38,376**		**38,376**
Investment Bank			**106,377**	**106,377**
Head Office and Other Operations			**3,240**	**3,240**
Total Core	**148,981**	**70,588**	**190,806**	**410,375**
Barclays Non-Core	**18,540**	**1,779**	**44,639**	**64,958**
Group Total	**167,521**	**72,367**	**235,445**	**475,333**
As at 31 December 2013				
Personal & Corporate Banking	132,833	25,636	59,947	218,416
Africa Banking	13,615	8,321	15,443	37,379
Barclaycard		33,024		33,024
Investment Bank			104,468	104,468
Head Office and Other Operations			3,072	3,072
Total Core	146,448	66,981	182,930	396,359
Barclays Non-Core	33,867	7,000	43,691	84,558
Group Total	180,315	73,981	226,621	480,917

Analysis of the concentration of credit risk

A concentration of credit risk exists when a number of counterparties are located in a 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 s policies with regard to managing concentration risk is presented on page 190.

Geographic concentrations

As at 31 December 2014, the geographic concentration of the Group s assets remained broadly consistent with 2013. 38% (2013: 37%) of the exposure is concentrated in the UK, 22% (2013: 23%) in Europe and 31% (2013: 29%) in the

Americas.

For balance sheet assets, the most significant change in concentrations was for cash held at central banks. A significant reduction in Europe was noted, primarily with the European Central Bank, following the change in composition of the liquidity pool with the Bank of England and the Federal Reserve. Balances in the UK and US contributed a higher proportion of the total as a result. Overall reverse repurchase agreements have decreased due to reduced matched book trading and a focus on reducing the leveraged balance sheet. This is reflected in balances within the Americas, UK and Europe.

Information on exposures to Eurozone countries is presented on pages 150 to 154.

Credit risk concentrations by geography (audited)

As at 31 December 2014	United Kingdom £m	Europe £m	Americas £m	Africa and Middle East £m	Asia £m	Total £m
On-balance sheet:						
Cash and balances at central banks	13,770	12,224	9,365	2,161	2,175	39,695
Items in the course of collection from other banks	644	158		408		1,210
Trading portfolio assets	12,921	15,638	31,061	2,498	6,572	68,690
Financial assets designated at fair value	21,274	1,591	3,986	2,999	501	30,351
Derivative financial instruments	133,400	147,421	129,771	2,332	26,985	439,909
Loans and advances to banks	7,472	12,793	13,227	3,250	5,369	42,111
Loans and advances to customers	241,543	60,018	76,561	39,241	10,404	427,767
Reverse repurchase agreements and other similar secured lending	20,551	22,655	81,368	928	6,251	131,753
Available for sale debt securities	22,888	33,368	22,846	4,770	1,667	85,539
Other assets	837		232	483	128	1,680
Total on-balance sheet	475,300	305,866	368,417	59,070	60,052	1,268,705
Off-balance sheet:						
Contingent liabilities	10,222	2,542	5,517	2,757	225	21,263
Documentary credits and other short-term trade related transactions	851	36		186	18	1,091
Forward starting reverse repurchase agreements	4,462	5,936	701	2	2,755	13,856
Standby facilities, credit lines and other commitments	108,025	34,886	116,343	14,911	2,150	276,315
Total off-balance sheet	123,560	43,400	122,561	17,856	5,148	312,525
Total	598,860	349,266	490,978	76,926	65,200	1,581,230

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Credit risk concentrations by geography (audited)

As at 31 December 2013	United Kingdom £m	Europe £m	Americas £m	Africa and Middle East £m	Asia £m	Total £m
On-balance sheet:						
Cash and balances at central banks	7,307	29,983	4,320	2,111	1,966	45,687
Items in the course of collection from other banks	756	242		284		1,282
Trading portfolio assets	15,936	21,040	37,113	2,165	9,953	86,207
Financial assets designated at fair value	17,487	2,632	3,399	1,372	648	25,538
Derivative financial instruments	108,095	114,931	98,568	2,904	25,802	350,300
Loans and advances to banks	6,457	12,510	10,468	2,553	7,434	39,422
Loans and advances to customers	236,686	74,021	70,661	39,584	13,285	434,237
Reverse repurchase agreements and other similar secured lending	34,027	32,820	102,922	1,887	15,123	186,779
Available for sale debt securities	29,540	33,816	20,189	5,875	1,878	91,298
Other assets	917	380	260	324	117	1,998
Total on-balance sheet	457,208	322,375	347,900	59,059	76,206	1,262,748
Off-balance sheet:						
Contingent liabilities	10,349	2,475	4,521	2,110	220	19,675
Documentary credits and other short-term trade related transactions	496	121		163		780
Forward starting reverse repurchase agreements	5,254	3,903	4,753	4	6,022	19,936
Standby facilities, credit lines and other commitments	102,456	35,612	99,240	15,584	1,963	254,855
Total off-balance sheet	118,555	42,111	108,514	17,861	8,205	295,246
Total	575,763	364,486	456,414	76,920	84,411	1,557,994

Exposures to Eurozone countries (audited)

Overview

The Group recognises the credit and market risk resulting from the on-going volatility in the Eurozone and continues to monitor events closely while taking coordinated steps to mitigate the risks associated with the challenging economic environment. Risks associated with a potential partial break-up of the European Union (EU) include:

¡ Direct risk arising from sovereign default of a country exiting the EU and the impact on the economy of, and the Group s counterparties in, that country;

¡ Indirect risk arising from the subsequent impact on the economy of, and the Group s counterparties in, other Eurozone countries; and

¡ Indirect risk arising from credit derivatives that reference Eurozone sovereign debt (see page 154).

Contingency planning began in early 2012 based on a series of potential scenarios that might arise from an escalation in the crisis. Multiple tests have subsequently been run to establish the impact on customers, systems, processes and staff in the event of the most plausible scenarios. Where issues have been identified, appropriate remedial actions have been completed.

As a consequence of renewed concerns over a potential Greek exit from the Eurozone, these contingency plans have been reviewed and refreshed to ensure they remain effective. Whilst the Group s net exposure to Greece is low, a risk of contagion spreading to other EU countries is evident and plans are in place for such a scenario.

During 2014, the Group s net on-balance sheet exposures to Spain, Italy, Portugal, Ireland, Cyprus and Greece reduced by 18% to £43bn. This primarily reflects a reduction of 17% in exposures to Spain, Italy and Portugal as part of the Non-Core strategy. During 2014, the net funding mismatch decreased 1.7bn to 9.9bn in Italy and decreased 1.1bn to 1.9bn in Portugal. The surplus in Spain increased 1.2bn to 4.3bn. For Ireland there is no local balance sheet funding requirement by the Group as total liabilities in this country exceeds assets.

Net exposure to Greece was £27m (2013: £85m) with negligible net funding required from Group. On a gross basis exposure to Greece was £1,279m (2013: £906m) consisting of derivative assets with financial institutions. The exposure is mitigated by offsetting derivative liabilities and cash collateral.

Other emerging risks being monitored outside the Eurozone include Russia and China.

¡ Net exposure to Russia of £1,943m largely consists of loans and advances to financial institutions of £1,076m. Gross exposure to Russia was £3,776m including derivative assets with financial institutions. The gross exposure is mitigated by offsetting derivative liabilities

¡ Net exposure to China of £4,831m largely consists of loans and advances (mainly cash collateral and settlement balances) to sovereign (£1,664m) and financial institutions (£1,388m). The gross exposure to China excluding offsetting derivative liabilities was £4,999m.

Basis of preparation

The Group presents the direct balance sheet exposure to credit and market risk by country, with the totals reflecting allowance for impairment, netting and cash collateral held where appropriate.

Trading and derivatives balances relate to Investment Bank activities, principally as market-maker for government bond positions. Positions are held at fair value, with daily movements taken through profit and loss:

- Trading assets and liabilities are presented by issuer type, whereby positions are netted to the extent allowable under IFRS. Where liability positions exceed asset positions by counterparty type, exposures are presented as nil

- Derivative assets and liabilities are presented by counterparty type, whereby positions are netted to the extent allowable under IFRS. Cash collateral held is then added to give a net credit exposure. Where liability positions and collateral held exceed asset positions by counterparty type, exposures are presented as nil

- Assets designated at fair value include debt and equity securities, loans and reverse repurchase agreements that have been designated at fair value.

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Available for sale investments principally relate to investments in government bonds and other debt securities. Balances are reported on a fair value basis, with movements in fair value going through other comprehensive income (OCI).

Loans and advances held at amortised cost[a] comprise: (i) retail lending portfolios, predominantly mortgages secured on residential property; and (ii) corporate lending portfolios. Settlement balances and cash collateral are excluded from this analysis.

Sovereign exposures reflect direct exposures to central and local governments[b], the majority of which are used for hedging interest rate risk and liquidity purposes. The remaining portion is actively managed reflecting our role as a leading primary dealer, market-maker and liquidity provider to our clients. Financial institution and corporate exposures reflect the country of operations of the counterparty or issuer depending on the asset class analysed (including foreign subsidiaries and without reference to cross-border guarantees). Retail exposures reflect the country of residence for retail customers and country of operations for business banking customers. Off-balance sheet exposure consists primarily of undrawn commitments and guarantees issued to third parties on behalf of our corporate clients.

Summary of Group Exposures

The following table shows the Group s exposure to Eurozone countries monitored internally as being higher risk and thus being the subject of particular management focus. Detailed analysis on these countries is on pages[c] 151 to 154. The net exposure provides the most appropriate measure of the credit risk to which the Group is exposed. The gross exposure is also presented below, alongside off-balance sheet contingent liabilities and commitments. Gross exposure reflects total exposures before the effects of economic hedging by way of trading portfolio liabilities, derivative liabilities and cash collateral, but after taking into account impairment allowances and IFRS netting.

Net exposure by country and counterparty (audited)

	Sovereign £m	Financial institutions £m	Corporate £m	Residential mortgages £m	Other retail lending £m	Total net on-balance sheet exposure £m	Contingent liabilities and commitments £m	Total net exposure £m
As at 31 December 2014								
Spain	108	14,043	1,149	12	248	15,560	2,863	18,423
Italy	1,716	485	1,128	13,530	1,114	17,973	3,033	21,006
Portugal	105	7	531	2,995	1,207	4,845	1,631	6,476
Ireland	37	3,175	1,453	43	50	4,758	2,070	6,828

Cyprus	**28**	**12**	**61**	**6**	**16**	**123**	**26**	**149**
Greece	**1**	**11**	**15**			**27**		**27**
As at 31 December 2013								
Spain	184	1,029	3,203	12,537	2,292	19,245	3,253	22,498
Italy	1,556	417	1,479	15,295	1,881	20,628	3,124	23,752
Portugal	372	38	891	3,413	1,548	6,262	2,288	8,550
Ireland	67	5,030	1,356	103	100	6,656	2,047	8,703
Cyprus		7	106	19	43	175	66	241
Greece	8	5	51	6	12	82	3	85

Gross exposure by country and counterparty (audited)

	Sovereign £m	Financial institutions £m	Corporate £m	Residential mortgages £m	Other retail lending £m	Total gross on-balance sheet exposure £m	Contingent liabilities and commitments £m	Total gross exposure £m
As at 31 December 2014								
Spain	**1,559**	**21,244**	**1,810**	**12**	**248**	**24,873**	**2,863**	**27,736**
Italy	**3,998**	**5,700**	**1,625**	**13,530**	**1,114**	**25,967**	**3,033**	**29,000**
Portugal	**227**	**83**	**538**	**2,995**	**1,207**	**5,050**	**1,631**	**6,681**
Ireland	**412**	**7,124**	**1,816**	**43**	**50**	**9,445**	**2,071**	**11,516**
Cyprus	**28**	**503**	**155**	**6**	**16**	**707**	**27**	**734**
Greece	**17**	**1,242**	**20**			**1,279**		**1,279**
As at 31 December 2013								
Spain	1,198	6,715	3,596	12,537	2,292	26,338	3,253	29,591
Italy	4,104	4,339	1,836	15,295	1,881	27,455	3,124	30,579
Portugal	526	171	950	3,413	1,548	6,608	2,288	8,896
Ireland	587	7,819	1,424	103	100	10,033	2,047	12,080
Cyprus		68	126	19	43	256	66	322
Greece	9	824	52	6	12	903	3	906

Notes

a The Group also enters into reverse repurchase agreements and other similar secured lending, which are materially fully collateralised.

b In addition, the Group held cash with the central banks of these countries totalling £0.2bn (2013: £0.2bn). Other material balances with central banks are classified within loans to financial institutions.

c Detailed analysis is not provided for Ireland as there is no redenomination risk due to local funding and due to significant risk relating to the underlying assets residing in an alternative country. The exposures for Cyprus and Greece are deemed immaterial to the Group.

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Credit risk

Spain (audited)

	Trading portfolio			Derivatives				Designated at fair value	Total	
	Assets	Liabilities	Net	Assets	Liabilities	Cash collateral	Net	Assets	2014	2013
As at 31 December	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Sovereign	1,442	(1,442)		59	(9)		50	33	83	140
Financial institutions	610	(126)	484	7,075	(5,771)	(1,304)		13,498	13,982	857
Corporate	584	(417)	167	399	(244)		155	347	669	905

	Amortised cost loans and advances				Off balance sheet contingent liabilities and commitments		Fair value through OCI available for sale (AFS) investments[a]			
	Gross	Impairment allowances	2014 total	2013 total	2014	2013	Cost	AFS reserve	2014 total	2013 total
As at 31 December	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Sovereign				21			22	3	25	23
Financial institutions	10		10	9	476	283	48	3	51	163
Residential mortgages	12		12	12,537		7				
Corporate	526	(51)	475	2,290	2,027	1,831	5		5	8
Other retail lending	266	(18)	248	2,292	360	1,132				

Total net exposure to Spain decreased 18% to £18,423m. This primarily reflects the run-down of businesses as part of the Non-Core strategy. Excluding the Spanish assets held for sale, the net on-balance sheet exposure was £2,383m (2013: £22,498m).

Sovereign

- £108m (2013: £184m) largely consisting of holdings in government bonds held at fair value through profit and loss.

Financial institutions

- £13,982m (2013: £857m) held at fair value through profit and loss, predominantly Spanish assets reclassified to held for sale relating to the sale of the business to Caixabank. Excluding Spanish assets held for sale the exposure was £866m (2013: £857m); and

- £51m (2013: £163m) AFS investments with £3m (2013: £4m) cumulative gain held in AFS reserve.

Residential mortgages, Corporate and Other Retail Lending

- The significant decrease within Residential mortgages to £12m (2013: £12,537m), Corporate to £475m (2013: £2,290m) and Other Retail Lending to £248m (2013: £2,292m) is primarily as a result of the reclassification of Spanish assets held for sale to the Financial institution category.

Italy (audited)

	Trading portfolio			Derivatives				Designated at fair value	Total	
	Assets	Liabilities	Net	Assets	Liabilities	Cash collateral	Net	Assets	2014	2013
As at 31 December	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Sovereign	2,191	(2,191)		1,783	(91)		1,692		1,692	1,399
Financial institutions	246	(81)	165	5,134	(3,636)	(1,498)		244	409	304
Corporate	306	(99)	207	470	(211)	(187)	72	143	422	592

	Amortised cost loans and advances				Off balance sheet contingent liabilities and commitments		Fair value through OCI available for sale (AFS) investments[a]			
	Gross	Impairment allowances	2014 total	2013 total	2014	2013	Cost	AFS reserve	2014 total	2013 total
As at 31 December	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Sovereign							21	3	24	157
Financial institutions	22	(1)	21	50	200	361	52	3	55	63
Residential mortgages	13,679	(149)	13,530	15,295	18	25				
Corporate	797	(123)	674	858	2,806	2,069	34	(2)	32	29
Other retail lending	1,248	(134)	1,114	1,881	9	669				

Total net exposure to Italy reduced 12% to £21,006m primarily reflecting a £1,765m decrease in residential mortgages as the existing portfolio paid down and new business lending was reduced.

Sovereign

¡ Increase of £160m to £1,716m driven by increases in net derivative positions.

Residential mortgages

¡ £13,530m (2013: £15,295m) secured on residential property with average balance weighted marked to market LTVs of 60% (2013: 60%) and CRL coverage of 24% (2013: 24%); and

¡ 90 day arrears and gross charge-off rates remained stable at 1.2% (2013: 1.1%) and 0.7% (2013: 0.7%) respectively.

Note

a Cost refers to the fair value of the asset at recognition, less any impairment booked. AFS reserve is the cumulative fair value gain or loss on the assets that is held in equity. Total is the fair value of the assets at the balance sheet date.

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Corporate

- £674m (2013: £858m) of loans and advances focused on large corporate clients with limited exposure to property sector; and

- Early warning list (EWL) balances reduced from £400m to £109m against a backdrop of limited impairment and improving good book measures. EWL balances as a percentage of loans and advances was 13.6% (2013: 40%).

Other retail lending

- £592m (2013: £982m) Italian salary advance loans where repayment is deducted at source by qualifying employers and the Group is insured in the event of termination of employment or death. Arrears rates (30 and 90 days) on salary loans improved to 2.0% (2013: 2.2%) and 0.8% (2013: 1.0%) respectively, while charge-off rates worsened to 18.7% (2013: 13.8%).

- £142m (2013: £394m) of credit cards and other unsecured loans.

Portugal (audited)

	Trading portfolio			Derivatives				Designated at fair value	Total	
As at 31 December	Assets £m	Liabilities £m	Net £m	Assets £m	Liabilities £m	Cash collateral £m	Net £m	Assets £m	2014 £m	2013 £m
Sovereign	126	(62)	64	60	(60)				64	21
Financial institutions	18	(14)	4	62	(62)				4	13
Corporate	71	(2)	69	24	(5)		19		88	61

Amortised cost loans and advances **Off-balance sheet contingent liabilities and** **Fair value through OCI**

As at 31 December	Gross £m	Impairment allowances £m	2014 total £m	2013 total £m	commitments 2014 £m	commitments 2013 £m	available for sale (AFS) investments[a] Cost £m	AFS reserve £m	2014 total £m	2013 total £m
Sovereign	**36**	**(9)**	**27**	41			**13**	**1**	**14**	310
Financial institutions	**1**		**1**	23	**4**	1	**2**		**2**	2
Residential mortgages	**3,042**	**(47)**	**2,995**	3,413	**4**	11				
Corporate	**689**	**(278)**	**411**	765	**646**	627	**32**		**32**	65
Other retail lending	**1,354**	**(147)**	**1,207**	1,548	**977**	1,649				

Total net exposure to Portugal decreased 24% to £6,476m reflecting a £1,149m decrease in loans and advances due to reduced lending as part of the Non-core strategy.

Sovereign

- Sovereign exposures decreased to £105m (2013: £372m) due to the disposal of AFS government bonds.

Residential mortgages

- £2,995m (2013: £3,413m) secured on residential property with average balance weighted LTVs of 75% (2013: 76%) and CRL coverage of 27% (2013: 34%); and

- 90 day arrears rates and recoveries remained stable at 0.5% (2013: 0.5%) and 3.6% (2013: 3.4%) respectively.

Corporate

- Net lending to corporates of £411m (2013: £765m), with CRLs of £376m (2013: £548m), impairment allowance of £278m (2013: £352m) and CRL coverage of 74% (2013: 64%);

- Net lending to the property and construction industry of £120m (2013: £217m) secured, in part, against real estate collateral, with CRLs of £178m (2013: £281m), impairment allowance of £129m (2013: £183m) and CRL coverage of 72% (2013: 65%); and

- Balances on EWL decreased £330m to £458m due to increased focus on recovery balances.

Other retail lending

- £785m (2013: £890m) credit cards and unsecured loans. 30 days arrears rates in cards portfolio deteriorated to 6.0% (2013: 4.9%) and charge-off rates were at 10.7% (2013: 8.2%).

Analysis of indirect exposures

Indirect exposure to sovereigns can arise through a number of different sources, including credit derivatives referencing sovereign debt; guarantees to savings and investment funds which hold sovereign risk; lending to financial institutions who themselves hold exposure to sovereigns and guarantees, implicit or explicit, by the sovereign to the Group s counterparties. A geographic and industrial analysis of the Group s loans and advances, including lending to European counterparties by type, is set out on pages 149 to 156.

Note

a Cost refers to the fair value of the asset at recognition, less any impairment booked. AFS reserve is the cumulative fair value gain or loss on the assets that is held in equity. Total is the fair value of the assets at the balance sheet date.

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Credit derivatives referencing sovereign debt

The Group enters into credit mitigation arrangements (principally credit default swaps and total return swaps) for which the reference asset is government debt. For Spain, Italy and Portugal, these have the net effect of reducing the Group s exposure in the event of sovereign default. An analysis of the Group s credit derivatives referencing sovereign debt is presented below.

	Spain	Italy	Portugal	Ireland	Cyprus	Greece
	£m	£m	£m	£m	£m	£m
As at 31 December 2014						
Fair value						
Bought	(48)	91	27	(30)	2	18
Sold	53	(61)	(22)	25	(2)	(21)
Net derivative fair value	5	30	5	(5)		(3)
Contract notional amount						
Bought	(5,308)	(11,735)	(2,283)	(1,730)	(18)	(65)
Sold	5,264	10,766	2,171	1,758	16	73
Net derivative notional amount	(44)	(969)	(112)	28	(2)	8
Net protection from credit derivatives in the event of sovereign default (notional less fair value)	(39)	(939)	(107)	23	(2)	5
As at 31 December 2013						
Net protection from credit derivatives in the event of sovereign default (notional less fair value)	(18)	(533)	(23)	62		

The fair values and notional amounts of credit derivative assets and liabilities would be lower than reported under IFRS if netting was permitted for assets and liabilities with the same counterparty or for which we hold cash collateral. An analysis of the effects of such netting is presented below.

Spain	Italy	Portugal	Ireland	Cyprus	Greece
£m	£m	£m	£m	£m	£m

As at 31 December 2014						
Fair value						
Bought	**(19)**	**59**	**19**	**(16)**	**1**	**17**
Sold	**24**	**(29)**	**(14)**	**11**	**(1)**	**(20)**
Net derivative fair value	**5**	**30**	**5**	**(5)**		**(3)**
Contract notional amount						
Bought	**(2,317)**	**(5,204)**	**(1,038)**	**(688)**	**(15)**	**(62)**
Sold	**2,273**	**4,235**	**926**	**716**	**13**	**70**
Net derivative notional amount	**(44)**	**(969)**	**(112)**	**28**	**(2)**	**8**
Net protection from credit derivatives in the event of sovereign default (notional less fair value)	**(39)**	**(939)**	**(107)**	**23**	**(2)**	**5**
As at 31 December 2013						
Net protection from credit derivatives in the event of sovereign default (notional less fair value)	(18)	(533)	(23)	62		

Credit derivatives are contracts whereby the default risk of an asset (reference asset) is transferred from the buyer to the seller of the credit derivative contract. Credit derivatives referencing sovereign assets are bought and sold to support client transactions and for risk management purposes. The contract notional amount represents the size of the credit derivative contracts that have been bought or sold, while the fair value represents the change in the value of the reference asset. The net protection or exposure from credit derivatives in the event of sovereign default amount represents a net purchase or sale of insurance by the Group. This insurance reduces or increases the Group s total exposure and should be considered alongside the direct exposures disclosed in the preceding pages.

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Industrial concentrations

As at 31 December 2014, the industrial concentration of the Group s assets remained broadly consistent year on year. 49% (2013: 49%) of total assets were concentrated towards banks and other financial institutions, predominantly within derivative financial instruments which increased during the year. The proportion of the overall balance concentrated towards governments and central banks remained stable at 11% (2013: 12%) and towards home loans at 12% (2013: 13%).

Credit risk concentrations by industry (audited)

As at 31 December 2014	Banks	Other financial insti-tutions	Manu-facturing	Const-ruction and property	Govern-ment and central bank	Energy and water	Wholesale and retail distrib-ution and leisure	Business and other services	Home loans	Cards, unsecured loans and other personal lending	Other	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
On-balance sheet:												
Cash and balances at central banks					39,695							39,695
Items in the course of collection from other banks	1,210											1,210
Trading portfolio assets	2,894	17,718	1,466	593	39,201	2,745	385	2,751			937	68,690
Financial assets designated at fair value	5,113	1,548	70	9,358	10,378	73	207	3,127	393		84	30,351
Derivative financial instruments	257,463	149,050	2,519	3,454	7,691	7,794	1,510	6,227			4,201	439,909

Loans and advances to banks	40,265				1,846							42,111
Loans and advances to customers		103,388	11,647	22,842	7,115	8,536	13,339	22,372	166,974	58,914	12,640	427,767
Reverse repurchase agreements and other similar secured lending	38,946	86,588		4,845	739		24	611				131,753
Available for sale debt securities	11,122	8,365	68	45	61,341	194	27	4,084			293	85,539
Other assets	635	995		14	24			12				1,680
Total on-balance sheet	357,648	367,652	15,770	41,151	168,030	19,342	15,492	39,184	167,367	58,914	18,155	1,268,705
Off-balance sheet:												
Contingent liabilities	1,159	5,177	2,709	698		2,757	1,157	6,496	45	191	874	21,263
Documentary credits and other short-term trade related transactions	470	12	197	14		1	218	62	55	28	34	1,091
Forward starting reverse repurchase agreements	2,128	11,724			4							13,856
Standby facilities, credit lines and other commitments	2,643	29,645	28,589	11,449	2,400	24,830	12,771	24,534	16,119	110,091	13,244	276,315
Total off-balance sheet	6,400	46,558	31,495	12,161	2,404	27,588	14,146	31,092	16,219	110,310	14,152	312,525
Total	364,048	414,210	47,265	53,312	170,434	46,930	29,638	70,276	183,586	169,224	32,307	1,581,230

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Credit risk

Credit risk concentrations by industry (audited)

As at 31 December 2013	Banks	Other financial institutions	Manufacturing	Construction and property	Government and central bank	Energy and water	Wholesale and retail distribution and leisure	Business and other services	Home loans	Cards, unsecured loans and other personal lending	Other	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
On-balance sheet:												
Cash and balances at central banks					45,687							45,687
Items in the course of collection from other banks	1,174				108							1,282
Trading portfolio assets	6,964	18,064	1,379	655	50,955	3,265	545	3,312			1,068	86,207
Financial assets designated at fair value	4,720	2,835	164	8,589	5,613	162	327	3,038			90	25,538
Derivative financial instruments	219,344	103,689	1,783	2,621	6,630	8,334	1,692	3,733		18	2,456	350,300
Loans and advances to banks	37,388				2,034							39,422
Loans and advances to		103,170	10,343	23,951	4,992	7,452	12,864	20,069	179,527	52,715	19,154	434,237

customers												
Reverse repurchase agreements and other similar secured lending	62,180	116,148		1,083	6,019		23	1,326				186,779
Available for sale debt securities	15,625	12,817	25	97	56,780		21	5,435			498	91,298
Other assets	470	1,295		17	82			134				1,998
Total on-balance sheet	347,865	358,018	13,694	37,013	178,900	19,213	15,472	37,047	179,527	52,733	23,266	1,262,748
Off-balance sheet:												
Contingent liabilities	1,620	4,783	2,243	882	302	2,275	1,391	4,709	9	295	1,166	19,675
Documentary credits and other short-term trade related transactions	270	4	51	10		9	181	171		82	2	780
Forward starting reverse repurchase agreements	13,884	5,650			2			400				19,936
Standby facilities, credit lines and other commitments	1,886	29,348	24,381	8,935	2,839	23,765	13,221	17,474	18,751	102,088	12,167	254,855
Total off-balance sheet	17,660	39,785	26,675	9,827	3,143	26,049	14,793	22,754	18,760	102,465	13,335	295,246
Total	365,525	397,803	40,369	46,840	182,043	45,262	30,265	59,801	198,287	155,198	36,601	1,557,994

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Analysis of specific portfolios and asset types

This section provides an analysis of principal portfolios and businesses in the retail and wholesale segments. In particular, home loans, credit cards, overdrafts and unsecured loans are covered for retail segments while exposures in Investment Bank and PCB including watch-list analysis are covered for wholesale segments.

In general, improved economic conditions in the UK and US aided better performance in 2014. While, European portfolios continued to show signs of stability, they remain susceptible to adverse market pressures. South African portfolios were resilient despite challenging market conditions with contracting economic growth.

Following an enhancement to the retail methodology in 2014, management adjustments to impairment allowances have now been aligned to the appropriate segments of a portfolio rather than a segment. As a result, the coverage ratio for the single segment would be higher in 2013 than 2014. The reverse would apply to segments to which management adjustments have now been allocated in 2014. There has been no impact on the overall impairment coverage at a portfolio level. This applies, in particular, to secured home loans and credits cards.

Secured home loans

Total home loans to retail customers of £161bn (2013: £173bn) represented 72% (2013: 73%) of the Group s total retail balances. The reduction in balances was principally due to the classification of Spain assets as held for sale (2013 home loans: £13bn).

The principal portfolios listed below account for 94% of home loans in the Group s retail portfolios, and comprise first lien mortgages.

Home loans principal portfolios

	Gross loans and advances	> 90 day arrears	Non-performing proportion of outstanding balances	Gross charge-off rates	Recoveries proportion of outstanding balances	Recoveries impairment coverage ratio
	£m	%	%	%	%	%
As at 31 December 2014						
PCB UK	126,668	0.2	0.6	0.4	0.4	8.3
Africa South Africa	11,513	0.7	4.8	1.9	4.1	31.1

BNC Italy	**13,761**	**1.2**	**4.2**	**0.7**	**3.0**	**28.0**
As at 31 December 2013						
PCB UK	122,880	0.3	0.8	0.5	0.5	14.7
Africa South Africa	12,172	0.7	6.2	2.6	5.6	34.7
BNC Italy	15,518	1.1	3.5	0.7	2.4	25.8

PCB UK: Gross loans and advances in the home loans portfolio increased by 3% to £127bn. Arrears and charge-off rates improved reflecting the continuing low base rate and improved economic conditions. Balance weighted LTV reduced to 51.6% (2013: 56.3%) due to an increase in average house prices, which was particularly marked in London and the south east. The house price increase resulted in a 60% reduction in home loans that have LTV >100% to £641m (2013: £1,596m).

Within the UK home loans portfolio:

- Owner-occupied interest-only home loans comprised 33% (2013: 36%) of total balances. The average balance weighted LTV on these loans reduced to 48.7% (2013: 54.2%), and >90 day arrears reduced to 0.1% (2013: 0.3%); and

- Buy-to-let home loans comprised 8% (2013: 8%) of total balances. The average balance weighted LTV reduced to 57.6% (2013: 62.9%), and >90 day arrears remained broadly steady at 0.1% (2013: 0.1%).

The recoveries impairment coverage reduced to 8.3% (2013: 14.7%). In 2014, management adjustments to impairment allowances were better aligned to appropriate segments of the portfolio, resulting in a reduction of the impairment allocated to the recoveries book. The overall impairment coverage of the total home loans portfolio remained unchanged.

Africa South Africa: Gross loans and advances reduced by 5% as inflow of new business was outweighed by the paydown on the existing book. The improvement in the charge-off rates to 1.9% (2013: 2.6%) was due to the continued strong performance of new lending as well as focused collections strategies that led to the reduction of the recoveries book. Balances with >100% LTV reduced 28% to £390m, primarily due to a reduction in the size of the recoveries book.

BNC Italy: Gross loans and advances reduced by 11% reflecting the amortisation of the existing portfolio, depreciation of local currency, and reduced new business flows. The impact of a reduction in the average house price was offset by paydown of the existing book, and the average balance weighted LTV remained steady at 60.0%. The proportion of home loans in recoveries increased to 3.0% (2013: 2.4%). This was due to the lengthy local legal process and difficult property market conditions.

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

	PCB UK		Africa South Africa		BNC Italy	
	2014	2013	**2014**	2013	**2014**	2013
As at 31 December	%	%	%	%	%	%
<=75%	**90.2**	84.2	**74.6**	69.6	**76.3**	74.9
>75% and <=80%	**4.2**	6.9	**7.7**	8.8	**12.2**	14.2
>80% and <=85%	**2.3**	3.4	**5.9**	7.1	**5.6**	6.0
>85% and <=90%	**1.4**	2.1	**4.3**	4.8	**2.2**	1.8
>90% and <=95%	**1.0**	1.3	**2.5**	3.3	**1.0**	0.9
>95% and <=100%	**0.4**	0.8	**1.5**	1.9	**0.7**	0.6
>100%	**0.5**	1.3	**3.5**	4.5	**2.0**	1.6
Portfolio marked to market LTV (%):						
Balance weighted	**51.6**	56.3	**59.9**	62.3	**60.0**	60.0
Valuation weighted	**39.8**	43.6	**40.2**	42.1	**46.2**	46.5
Performing balances (%):						
Balance weighted	**51.5**	56.2	**58.6**	60.5	**58.0**	58.6
Valuation weighted	**39.7**	43.5	**39.5**	41.1	**45.5**	46.5
Non-performing balances (%):						
Balance weighted	**62.1**	68.9	**87.0**	92.9	**107.0**	98.8
Valuation weighted[b]	**49.8**	55.1	**64.7**	71.4	**69.8**	67.8
For >100% LTVs:						
Balances (£m)	**641**	1,596	**390**	540	**284**	244
Marked to market collateral (£m)	**558**	1,411	**324**	452	**214**	191
Average LTV: balance weighted (%)	**120.9**	120.5	**124.2**	123.1	**161.4**	151.1
Average LTV: valuation weighted (%)	**114.8**	113.2	**120.3**	119.5	**133.0**	128.2
% of balances in recoveries	**4.4**	3.2	**37.1**	45.6	**66.8**	62.1

Home loans principal portfolios new lending

	PCB	UK	Africa	South Africa	BNC	Italy
	2014	2013	**2014**	2013	**2014**	2013
As at 31 December	**%**	%	**%**	%	**%**	%
New bookings (£m)[c]	**20,349**	17,100	**1,590**	1,654	**137**	494
New mortgages proportion above 85% LTV (%)	**6.6**	3.8	**33.5**	30.4		
Average LTV on new mortgages: balance weighted (%)	**64.8**	64.2	**74.8**	74.9	**61.2**	59.8
Average LTV on new mortgages: valuation weighted (%)	**57.0**	57.1	**65.4**	64.9	**51.5**	52.2

UK: During 2014, there was increased appetite for new lending in the UK as confidence in the housing market improved. New bookings rose by 19% to £20.3bn, which was broadly in line with the growth in the industry.

South Africa: The proportion of new home loans above 85% LTV increased to 33.5% (2013: 30.4%) due to a revised strategy for existing bank customers which allows a greater proportion of higher LTV loans to be booked for low risk customers.

Italy: New bookings reduced by over 70% to £137m, which was reflective of the Group s continuing cautious lending practices in this region.

Exposures to interest-only home loans

The Group provides interest-only mortgages to customers, mainly in the UK. Under the terms of these loans, the customer makes payments of interest only for the entire term of the mortgage, although customers may make early repayments of the principal within the terms of their agreement. Subject to such early repayments, the entire principal remains outstanding until the end of the loan term and the customer is responsible for repaying this on maturity. The repayment may also be a result of the sale of the mortgaged property.

Interest-only lending is subject to bespoke underwriting criteria that includes: a maximum size of loan, maximum LTV ratios, affordability and maximum loan term among other criteria. Borrowers on interest-only terms must have a repayment strategy in place to repay the loan at maturity and a customer contact strategy has been developed to ensure ongoing communications are in place with interest-only customers at various points during the term of the mortgage. The contact strategy is varied dependent on our view of the risk of the customer.

Interest-only mortgages account for £51bn (2013: £53bn) of the total balance of £127bn (2013: £123bn) of the UK home loans portfolio and consist of £42bn (2013: £45bn) to owner-occupied customers and £9bn (2013: £8bn) to buy-to-let customers.

Interest-only mortgages to owner occupied customers comprise £35bn (2013: £37bn) of interest-only mortgages and £7bn (2013: £7bn) being the interest-only component of part and part (P&P)[d] mortgages.

Notes

a Portfolio marked to market based on the most updated valuation including recoveries balances. Updated valuations reflect the application of the latest house price index available in the country as at 31 December 2014.
b Valuation weighted LTV for Italy home loans for 2013 was restated to include the recovery balances in line with other home loan disclosures.
c 2013 new bookings for South Africa home loans was revised to fully include new advances to existing customers.
d Analysis excludes the interest only portion of the part and part book which contributes £6.6bn (2013: £7.3bn) to the total interest-only balance of £41.9bn (2013: £44.5bn). Total exposure on the part and part book is £9.8bn (2013: £11bn) and represents 7% of total UK home loans portfolio.

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Exposure to interest-only owner-occupied home loans excluding P&P interest only[a]

As at 31 December	2014	2013
Interest-only balances (£m)	**35,328**	37,268
Interest-only home loans maturity years (£m):		
2015	**649**	738
2016	**864**	985
2017	**1,180**	1,323
2018	**1,249**	1,377
2019	**1,195**	1,284
2020-2024	**7,218**	7,581
Post 2024	**22,694**	23,119
Total Impairment coverage (bps)	**8**	2
Marked to market LTV: total balances (%)		
Balance weighted	**48.7**	54.2
Valuation weighted	**37.6**	42.4
For >100% LTVs: (£m)		
Balances	**349**	765
Marked to market collateral	**302**	669
Overview of performing portfolio		
Performing balances (£m)	**35,155**	37,050
Marked to market LTV: performing balances (%)		
Balance weighted	**48.6**	55.0
Valuation weighted	**37.5**	42.3
Overview of non-performing portfolio		
Non-performing balances (£m)	**173**	218
Non-performing proportion of interest only balances excluding P&P IO (%)	**0.5**	0.6
Marked to market LTV: non-performing balances (%)		
Balance weighted	**66.2**	71.7
Valuation weighted	**54.1**	56.5

The average balance weighted LTV for interest-only owner-occupied balances reduced to 48.7% (2013: 54.2%) as property prices appreciated. The increase in impairment coverage to 8bps (2013: 2bps) was due to (i) enhancement in credit risk methodology wherein management adjustments to impairment allowances were allocated more granularly to their appropriate segments; and (ii) a broadening of the High Risk definition used on interest-only mortgages. The overall impairment coverage of the total home loans portfolio remained unchanged.

Exposures to mortgage current accounts (MCA) reserves

The MCA reserve is a secured overdraft facility previously available to home loan customers in the UK on either a fully amortising or interest-only mortgage loan, which allows customers to borrow against the equity in their home. It permits draw-down up to an agreed available limit on a separate but connected account to the main mortgage loan facility. The balance drawn must be repaid on redemption of the mortgage.

Of the total 944k home loan customers in the UK, 505k have MCA reserves, with total reserve limits of £17.9bn (2013: £18.3bn).

As at 31 December	**2014**	**2013**
Total outstanding of home loans with MCA reserve balances (£bn)	**62.2**	72.7
As a proportion of outstanding UK home loan balances (%)	**49.1**	59.2
Home loan customers with active reserves (000s)	**505**	573
Total reserve limits (£bn)	**17.9**	18.3
Utilisation rate (%)	**32.3**	31.9
Marked To market LTV: balance weighted (%)	**47.7**	53.9

Total outstanding balances reflect the aggregate of the mortgage account and the drawn reserve. The 14% decrease in balances to £62.2bn was due to reductions in the main mortgage account following a withdrawal of the product from sale in December 2012. The rate of reduction was consistent with the previous year.

Utilisation was broadly steady at 32.3% (2013: 31.9%), while the average balance weighted LTV reduced to 47.7% (2013: 53.9%) due to an increase in average house prices and paydown of the main mortgage loan.

Although the product has been withdrawn from sale, existing customers can continue to draw against their available reserves.

Note

a Analysis excludes the interest only portion of the part and part book which contributes £6.6bn (2013: £7.3bn) to the total interest-only balance of £41.9bn (2013: £44.5bn). Total exposure on the part and part book is £9.8bn (2013: £11bn) and represents 7% of total UK home loans portfolio.

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Risk review

Risk performance

Credit risk

Credit cards, overdrafts and unsecured loans

Gross loans and advances in credit cards, overdrafts and unsecured loans in Barclays Core retail portfolios increased 13% to £49.2bn (2013: £43.4bn), primarily due to increases in US and UK cards. The principal portfolios listed below account for 94% (2013: 94%) of Core portfolios.

Principal portfolios

	Gross loans and advances £m	30 day arrears, excluding recoveries %	90 day arrears, excluding recoveries %	Gross charge-off rates %	Recoveries proportion of outstanding balances %	Recoveries impairment coverage ratio %
As at 31 December 2014						
Barclaycard						
UK cards[a]	**17,447**	**2.5**	**1.2**	**4.3**	**4.9**	**87.6**
US cards[a,b]	**14,005**	**2.1**	**1.0**	**3.7**	**1.8**	**87.1**
Barclays Partner Finance	**3,399**	**1.5**	**0.7**	**2.4**	**2.7**	**76.8**
Germany cards	**1,355**	**2.5**	**1.1**	**3.8**	**3.4**	**82.8**
Iberia cards	**968**	**6.0**	**2.5**	**8.2**	**6.3**	**84.9**
Personal & Corporate Banking						
UK personal loans	**4,953**	**2.0**	**0.9**	**3.4**	**10.0**	**76.3**
UK overdrafts	**902**	**5.8**	**4.0**	**7.1**	**11.0**	**89.9**
Africa Banking						
South Africa cards	**2,364**	**8.1**	**4.6**	**7.6**	**5.9**	**75.7**
South Africa personal loans	**993**	**5.4**	**2.6**	**8.1**	**7.8**	**70.8**
As at 31 December 2013						
Barclaycard						
UK cards	15,937	2.4	1.1	4.4	4.6	86.2
US cards	10,301	2.1	1.0	4.0	1.8	86.6
Barclays Partner Finance	2,765	1.6	0.8	2.9	3.2	83.2
Germany cards	1,290	2.5	1.0	3.7	3.2	73.5
Iberia cards	1,036	5.7	2.4	10.7	9.9	84.8
Personal & Corporate Banking						

UK personal loans	4,958	2.7	1.2	4.6	15.8	79.4
UK overdrafts	1,307	4.8	3.3	7.6	14.5	94.5
Africa Banking						
South Africa cards	2,224	8.1	4.3	7.3	5.1	70.7
South Africa personal loans	906	5.4	2.6	7.9	7.4	70.4

UK cards: Gross loans and advances increased by 9% to £17.4bn, primarily due to balance growth from existing customers, and new account recruitment. Recovery balances increased due to a reduction in debt sale activity.

US cards: Gross loans and advances increased by 36% to £14.0bn due to the combined impact of new account volumes and portfolio acquisitions. Arrears rates remain stable at 2.1% and 1.0% for 30 days and 90 days, respectively, driven by a strategy focused on high quality customers and low risk partnerships.

Barclays Partner Finance: Gross loans and advances increased by 23% to £3.4bn driven by growth in the motor lending portfolio. Reduction in recoveries coverage to 76.8% (2013: 83.2%) was due to the adoption of an improved loss given default model.

UK personal loans: Arrears and charge-off rates reduced over the year, as a result of the improved economic conditions and previous changes to credit criteria that have taken full effect. The recoveries proportion reduced to 10.0% (2013: 15.8%) as the write-off policy was fully embedded in 2014.

Iberia cards: Arrears rates remained stable while charge-off rates improved as performance stabilised following the completion of system migration that initially impacted direct debit processing. Balances in recovery decreased to 6.3% of outstandings (2013: 9.9%) driven by debt sale activity.

South Africa cards: Recoveries coverage increased to 75.7% (2013: 70.7%), in part due to a change in the mix of the recoveries book in store cards which have higher associated losses.

Notes

a For UK and US cards, outstanding recoveries balances for acquired portfolios recognised at fair value (which have no related impairment allowance) have been excluded from the recoveries impairment coverage ratio. Losses have been recognised where related to additional spend from acquired accounts in the period post acquisition.
b US cards risk metrics exclude the impact of a £440m portfolio acquisition made in April 2014.

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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

	Retail		Wholesale		Total	
	2014	2013	**2014**	2013	**2014**	2013
As at 31 December						
UK CRE loans and advances (£m)	**1,756**	1,593	**9,925**	9,842	**11,681**	11,435
Past due balances (£m)	**94**	103	**299**	361	**393**	464
Balances past due as % of UK CRE balances	**5.4%**	6.5%	**3.0%**	3.7%	**3.4%**	4.1%
Impairment allowances (£m)	**13**	16	**87**	110	**100**	126
Past due coverage ratio	**13.6%**	15.7%	**29.3%**	30.5%	**25.7%**	27.2%
Total collateral (£m)[a]	**4,874**	3,792	**20,331**	17,905	**25,205**	21,697
Twelve months ended 31 December						
Impairment charge (£m)	**1**	18	**22**	62	**23**	80

Maturity analysis of exposure to UK CRE

	Contractual maturity of UK CRE loans and advances at amortised cost							
As at 31 December	Past due 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 ten years £m	Over ten years £m	Total loans & advances £m
2014								
Retail portfolios	**94**	**86**	**59**	**80**	**222**	**285**	**930**	**1,756**
Wholesale portfolios	**299**	**752**	**780**	**1,207**	**3,939**	**1,654**	**1,294**	**9,925**
Total	**393**	**838**	**839**	**1,287**	**4,161**	**1,939**	**2,224**	**11,681**
2013								
Retail portfolios	103	69	37	45	163	276	900	1,593
Wholesale portfolios	361	592	931	1,342	4,128	1,115	1,373	9,842
Total	464	661	968	1,387	4,291	1,391	2,273	11,435

While overall exposures to UK CRE remained broadly stable at £11.7bn (2013: £11.4bn), total collateral increased by 16% to £25.2bn.

Retail portfolios

- During 2014, gross loans and advances increased 10% to £1.8bn;
- Past due balances reduced to 5.4% (2013: 6.5%) due to continued focus by a dedicated team with early engagement of distressed customers reducing new flows into delinquency; and
- The balance weighted LTV reduced to 51.2 % (2013: 54.9%) driven by commercial property price appreciation.

Wholesale portfolios

- Total loans and advances at amortised cost remained broadly stable at £9.9bn (2013: £9.8bn) with growth limited to high quality assets; and
- The Wholesale businesses operate to specific lending criteria and the portfolio of assets is continually monitored through a range of mandate and scale limits.

Note

a Based on the most recent valuation assessment.

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Risk review

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Credit risk

UK CRE marked to market LTV (retail)

As at 31 December	2014 %	2013[a] %
Marked to market LTV:		
Balance weighted	51.2	54.9
Valuation weighted[a]	35.9	40.8
Marked to market LTV performing balances:		
Balance weighted	51.0	54.2
Valuation weighted[a]	35.5	40.4
Marked to market LTV Non-performing balances:		
Balance weighted	57.6	75.8
Valuation weighted[a]	46.7	58.7

UK CRE LTV analysis

	Balances		Balances as proportion of total		Collateral held	
	2014	2013	2014	2013	2014	2013
As at 31 December	£m	£m	%	%	£m	£m
Retail portfolios						
<=75%	1,468	1,187	84	75	4,643	3,437
>75% and <=100%	144	225	8	14	180	269
>100% and <=125%	37	66	2	4	36	63
>125%	27	36	2	2	15	23
Unsecured balances	80	79	4	5		
Total	1,756	1,593	100	100	4,874	3,792
Wholesale portfolios						
<=100%	7,399	7,830	75	80	20,213	17,735
>100% and <=125%	112	132	1	1	102	126
>125%	140	165	1	2	16	44
Unassessed balances[b]	1,748	1,314	18	13		
Unsecured balances	526	381	5	4		
Total	9,925	9,842	100	100	20,331	17,905
Group						

<=100%	**9,011**	9,262	**78**	81	**25,036**	21,444
>100% and <=125%	**149**	198	**1**	2	**139**	189
>125%	**167**	201	**1**	2	**30**	67
Unassessed balances[b]	**1,748**	1,314	**15**	11		
Unsecured balances	**606**	460	**5**	4		
Total	**11,681**	11,435	**100**	100	**25,205**	21,697

Portfolio LTVs have reduced due to appreciating commercial property values. Unsecured balances primarily relate to working capital facilities agreed to CRE companies.

Notes

a Valuation weighted LTV for 2013 were revised to standardise the valuation weighted calculation methodology used.
b Corporate Banking balances under £1m.

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Investment Bank

Analysis of loans and advances at amortised cost

	Gross L&A £m	Impairment allowance £m	L&A net of impairment £m	Credit risk loans £m	CRLs % of gross L&A %	Impairment charges £m	Loan loss rates bps
As at 31 December 2014							
Loans and advances to banks							
Interbank lending	**10,275**		**10,275**			**(3)**	**(3)**
Cash collateral and settlement balances	**9,626**		**9,626**				
Loans and advances to customers							
Wholesale lending	**28,436**	**44**	**28,392**	**71**	**0.2**	**(11)**	**(4)**
Cash collateral and settlement balances	**58,040**		**58,040**				
Total	**106,377**	**44**	**106,333**	**71**	**0.1**	**(14)**	**(1)**
As at 31 December 2013							
Loans and advances to banks							
Interbank lending	9,578		9,578				
Cash collateral and settlement balances	10,765		10,765				
Loans and advances to customers							
Wholesale lending	25,328		25,328			(30)	(12)
Cash collateral and settlement balances	58,797		58,797				
Total	104,468		104,468			(30)	(3)

Non-Core Wholesale

The table below details Non-Core loans and advances which form part of the Wholesale risk portfolio.

Analysis of loans and advances at amortised cost

	Gross L&A £m	Impairment allowance £m	L&A net of impairment £m	Credit risk loans £m	CRLs % of gross L&A %	Loan impairment charges £m	Loan loss rates bps
As at 31 December 2014							
Loans and advances to banks							
Interbank lending	**373**		**373**				
Cash collateral and settlement balances	**11,622**		**11,622**				
Loans and advances to customers							
Wholesale lending	**8,978**	**602**	**8,376**	**841**	**9.4**	**53**	**59**
Cash collateral and settlement balances	**23,726**		**23,726**				
Total	**44,699**	**602**	**44,097**	**841**	**1.9**	**53**	**12**
As at 31 December 2013							
Loans and advances to banks							
Interbank lending	346	10	336	18	5.2		
Cash collateral and settlement balances	10,338		10,338				
Loans and advances to customers							
Wholesale lending	15,980	1,823	14,157	3,130	19.6	581	364
Cash collateral and settlement balances	17,027		17,027				
Total	43,691	1,833	41,858	3,148	7.2	581	133

Wholesale Lending decreased £5.7bn to £8.4bn driven by reclassification of Spanish loans now held for sale and run-down of legacy loan portfolios. Wholesale loans predominantly relate to capital equipment loans, legacy Collateralised Loan Obligations and legacy Collateralised Debt Obligations.

Loan impairment charges improved £528m to £53m, driven by the non-recurrence of impairments on single name exposures, impairment releases on the wholesale portfolio as a result of confirmation on Government subsidies in the renewable energy sector.

Credit Risk Loans decreased to £841m (2013: £3,148m) as a result of the reclassification of Spanish loans now held for sale and a write-off of a single name exposure.

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Risk review

Risk performance
Credit risk

Wholesale Personal and Corporate Banking

The table below details Personal and Corporate Banking loans and advances which form part of the Wholesale risk portfolio.

Analysis of loans and advances at amortised cost

	Gross L&A £m	Impairment allowance £m	L&A net of impairment £m	Credit risk loans £m	CRLs % of gross L&A %	Loan impairment charges £m	Loan loss rates bps
As at 31 December 2014							
Banks	5,507		5,507			1	2
Other financial institutions	5,289	12	5,277	81	1.5	26	49
Manufacturing	6,828	34	6,794	81	1.2	(3)	(4)
Construction	2,804	16	2,788	28	1.0	1	4
Property	13,601	193	13,408	707	5.2	36	26
Government and central bank	1,187		1,187				
Energy and water	1,937	1	1,936	2	0.1	3	15
Wholesale and retail distribution and leisure	9,259	122	9,137	221	2.4	44	48
Business and other services	12,374	114	12,260	202	1.6	39	32
Home loans[a]	6,864	36	6,828	96	1.4	34	50
Cards, unsecured loans and other personal	9,567	60	9,507	15	0.2	22	23

lending[a]							
Other	**4,405**	**80**	**4,325**	**197**	**4.5**	**16**	**36**
Total	**79,622**	**668**	**78,954**	**1,630**	**2.0**	**219**	**28**
As at 31 December 2013							
Banks	3,140		3,140				
Other financial institutions	4,910	31	4,879	143	2.9	2	4
Manufacturing	5,940	111	5,829	162	2.7	40	67
Construction	2,828	40	2,788	54	1.9	2	7
Property	13,477	82	13,395	773	5.7	78	58
Government and central bank	571	2	569				
Energy and water	1,967	6	1,961	2	0.1	3	15
Wholesale and retail distribution and leisure	8,659	89	8,570	226	2.6	26	30
Business and other services	11,739	239	11,500	257	2.2	40	34
Home loans	7,606	13	7,593	34	0.4	10	13
Cards, unsecured loans and other personal lending	10,872	61	10,811	3		42	38
Other	5,965	27	5,938	207	3.5	21	35
Total	77,674	701	76,973	1,861	2.4	264	34

Wholesale PCB loans and advances increased £2.0.bn to £79.0bn due to higher Corporate Banking lending balances driven by an increase in bank lending.

Credit Risk Loans decreased £0.2bn to £1.6bn and loan impairment charges improved 17% to £219m due to the improving economic environment in the UK, particularly impacting Corporate which benefitted from one-off releases and lower defaults from large UK Corporate clients. This led to a decrease in the loan loss rate to 28bps (2013: 34bps).

Analysis of Wholesale balances on watch list/early warning list

Wholesale accounts that are deemed to contain heightened levels of risk are recorded on graded watch lists (Investment Bank) or early warning lists (all other businesses) comprising three categories graded in line with the perceived severity of the risk attached to the lending, and its probability of default:

¡ Category 1: a temporary classification for performing obligors who exhibit some unsatisfactory features;

- Category 2: performing obligors where some doubt exists, but the belief is that the obligor can meet obligations over the short term; and

- Category 3: obligors where definite concern exists with well-defined weaknesses and failure in the short term could arise should further deterioration occur. In the table below Category 3 includes impaired, non-performing and potential problem assets in line with how balances are managed and reported by the businesses.

Where an obligor s financial health gives grounds for concern, it is immediately placed into the appropriate category. For more information please see pages 113 to 118 in Barclays PLC 2014 Pillar 3 report.

Note

a Included in the above analysis are Wealth and Investment Management exposures measured on an individual customer exposure basis.

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Watch list rating of wholesale balances[a]

	Watch list 1		Watch list 2		Watch list 3		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
As at 31 December	**£m**	£m	**£m**	£m	**£m**	£m	**£m**	£m
Property	**345**	691	**576**	849	**2,333**	3,271	**3,254**	4,811
Wholesale and retail, distribution and leisure	**248**	722	**936**	1,014	**868**	972	**2,052**	2,708
Energy and water	**78**	100	**1,010**	255	**392**	435	**1,480**	790
Agriculture, forestry, fishing & miscellaneous activities	**280**	252	**517**	695	**637**	637	**1,434**	1,584
Manufacturing	**406**	348	**302**	683	**570**	771	**1,278**	1,802
Business and other services	**269**	141	**617**	935	**356**	344	**1,242**	1,420
Financial institutions/services	**21**	294	**314**	59	**617**	813	**952**	1,166
Transport	**98**	193	**127**	342	**462**	244	**687**	779
Construction	**65**	137	**144**	120	**259**	526	**468**	783
Other	**4**	155	**51**	65	**100**	154	**155**	374
Total	**1,814**	3,033	**4,594**	5,017	**6,594**	8,167	**13,002**	16,217
As a percentage of total balances	**14%**	19%	**35%**	31%	**51%**	50%	**100%**	100%

Total watch list balances fell by 20% to £13.0bn principally reflecting lower balances in Spain as a result of write-offs and the transfer of balances to held for sale, as well as lower balances in the property sector in other regions, particularly the UK.

Total watch list balances in the energy and water industry sector increased by 87% to £1,480m largely as a result of the inclusion of one large single name counterparty in category 2.

Balances across all the other industry sectors reduced year on year. Despite a 32% reduction to £3.3bn property remained the largest industry sector with a majority of the reduction arising in watch list 3 cases.

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 146 and 147. Further disclosure on sovereign exposures in the Eurozone is presented on pages 150 to 154.

Debt securities

	2014		2013	
As at 31 December	**£m**	%	£m	%
Of which issued by:				
Governments and other public bodies	**106,292**	**68.1**	112,613	63.7
Corporate and other issuers	**29,557**	**19.0**	39,679	22.5
US agency	**11,460**	**7.3**	11,145	6.3
Mortgage and asset backed securities	**8,396**	**5.4**	12,880	7.3
Bank and building society certificates of deposit	**279**	**0.2**	383	0.2
Total	**155,984**	**100.0**	176,700	100.0

Government securities

	2014	2013
	Fair value	Fair value
As at 31 December	**£m**	£m
United States	**32,096**	28,979
United Kingdom	**28,938**	30,951
Germany	**7,801**	4,856
France	**6,259**	9,868
South Africa	**5,724**	5,136

Note

a Balances comprise PCB, Investment Bank and BNC.

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Credit risk

Analysis of Derivatives (audited)

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	2014			2013		
	Balance sheet assets	Counterparty netting	Net exposure	Balance sheet assets	Counterparty netting	Net exposure
As at 31 December 2014	£m	£m	£m	£m	£m	£m
Foreign exchange	74,470	58,153	16,317	60,228	46,912	13,317
Interest rate	309,946	253,820	56,126	232,249	193,466	38,782
Credit derivatives	23,507	19,829	3,678	27,350	23,981	3,369
Equity and stock index	14,844	10,523	4,321	16,286	10,617	5,669
Commodity derivatives	17,142	11,306	5,836	14,187	4,826	9,361
Total derivative assets	439,909	353,631	86,278	350,300	279,802	70,498
Cash collateral held			44,047			36,733
Net exposure less collateral			42,231			33,765

Derivative asset exposures would be £398bn (2013: £317bn) 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 £397bn (2013: £313bn) lower reflecting counterparty netting and collateral placed. In addition, non-cash collateral of £8bn (2013: £8bn) 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.

Exposure relating to derivatives, repurchase agreements, reverse repurchase agreements, stock borrowing and loan transactions is calculated using internal PRA approved models. These are used as the basis to assess both regulatory capital and capital appetite and are managed on a daily basis. The methodology encompasses all relevant factors to enable the current value to be calculated and the future value to be estimated, for example, current market rates, market volatility and legal documentation (including collateral rights).

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

Derivatives by collateral arrangement	2014			2013		
	Notional contract amount	Fair value		Notional contract amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
	£m	£m	£m	£m	£m	£m
Unilateral in favour of Barclays						
Foreign exchange	**15,067**	**191**	**(158)**	29,098	363	(344)
Interest rate	**5,826**	**940**	**(72)**	6,495	652	(115)
Credit derivatives	**226**	**3**	**(4)**	402	14	(7)
Equity and stock index	**310**	**3**	**(8)**	486	4	(17)
Commodity derivatives	**2,455**	**158**	**(120)**	5,477	84	(90)
Total unilateral in favour of Barclays	**23,884**	**1,295**	**(362)**	41,958	1,117	(573)
Unilateral in favour of counterparty						
Foreign exchange	**24,861**	**681**	**(2,713)**	37,223	1,023	(2,995)
Interest rate	**138,396**	**6,073**	**(8,751)**	153,566	5,221	(7,067)
Credit derivatives	**403**	**6**	**(19)**	378	1	(46)
Equity and stock index	**1,100**	**133**	**(137)**	1,158	90	(112)
Commodity derivatives	**2,881**	**359**	**(138)**	5,645	236	(109)
Total unilateral in favour of counterparty	**167,641**	**7,252**	**(11,758)**	197,970	6,571	(10,329)
Bilateral arrangement						
Foreign exchange	**3,350,366**	**67,496**	**(70,919)**	4,245,971	53,917	(57,005)
Interest rate	**9,032,753**	**263,812**	**(256,697)**	11,740,243	209,730	(198,799)
Credit derivatives	**887,041**	**18,290**	**(17,002)**	1,261,171	22,214	(22,226)
Equity and stock index	**162,615**	**6,033**	**(10,498)**	143,121	9,052	(13,985)
Commodity derivatives	**68,400**	**6,254**	**(6,377)**	157,639	8,673	(8,310)
Total bilateral arrangement	**13,501,175**	**361,885**	**(361,493)**	17,548,145	303,586	(300,325)
Uncollateralised derivatives						
Foreign exchange	**303,341**	**6,028**	**(5,452)**	293,733	4,820	(4,350)
Interest rate	**199,615**	**8,572**	**(3,524)**	222,676	5,577	(1,945)
Credit derivatives	**8,716**	**565**	**(800)**	8,069	517	(611)
Equity and stock index	**5,789**	**2,115**	**(2,406)**	17,877	2,659	(2,383)
Commodity derivatives	**26,099**	**2,806**	**(2,766)**	35,090	1,104	(1,673)
Total uncollateralised derivatives	**543,560**	**20,086**	**(14,948)**	577,445	14,677	(10,962)
Total OTC derivative assets/(liabilities)	**14,236,260**	**390,518**	**(388,561)**	18,365,518	325,951	(322,189)

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Analysis of loans on concession programmes

Re-age activity

Re-age is applicable only to revolving products where a minimum due payment is required. Re-age refers to returning of a delinquent account to up-to-date status without collecting the full arrears (principal, interest and fees).

The following are the principal portfolios in which re-age activity occurs.

Principal portfolios core portfolios

	New re-ages in the year		New re-ages as proportion of total outstanding		30 day arrears at 12 months since re-age[a]	
	2014	2013	**2014**	2013	**2014**	2013
As at 31 December	**£m**	£m	**%**	%	**%**	%
UK cards	**163**	209	**1.0**	1.3	**43.4**	48.4
US cards[b]	**31**	51	**0.2**	0.5	**46.8**	48.8

The proportion of new re-ages as a percentage of total outstandings decreased in UK cards to 1.0% (2013: 1.3%) and US cards to 0.2% (2013: 0.5%) due to policy changes implemented in Q413, which reduced the volume of accounts qualifying for re-age.

Re-age activity in South Africa and Europe card portfolios are not considered to be material. For further detail on policy relating to the re-aging of loans, please refer to page 120 of the Barclays PLC 2014 Pillar 3 report.

Forbearance

Balances on forbearance programmes reduced 23% to £6.4bn driven primarily by (i) fewer customers requiring forbearance as macroeconomic conditions improved; and (ii) the ongoing impact of enhanced qualification criteria. The decrease in impairment coverage to 16.8% (2013: 17.6%) was due to a reduction in the coverage on the wholesale portfolios partially offset by an increase to retail portfolios.

Analysis of forbearance programmes

	Balances		Impairment allowance		Impairment coverage	
	2014	2013	**2014**	2013	**2014**	2013
As at 31 December	**£m**	£m	**£m**	£m	**%**	%
Personal & Corporate Banking	**2,251**	2,814	**76**	90	**3.4**	3.2
Africa Banking	**299**	338	**45**	50	**15.1**	14.8
Barclaycard	**972**	1,064	**394**	358	**40.5**	33.6
Barclays Core	**3,522**	4,216	**515**	498	**14.6**	11.8
Barclays Non-Core	**419**	786	**49**	83	**11.7**	10.6
Total retail	**3,941**	5,002	**564**	581	**14.3**	11.6
Investment Bank	**106**	476	**10**	8	**9.4**	1.7
Personal & Corporate Banking	**1,590**	1,540	**225**	255	**14.2**	16.6
Africa Banking	**132**	159	**7**	14	**5.3**	8.8
Barclays Core	**1,828**	2,175	**242**	277	**13.2**	12.8
Barclays Non-Core	**651**	1,210	**271**	614	**41.6**	50.7
Total wholesale	**2,479**	3,385	**513**	891	**20.7**	26.3
Group total	**6,420**	8,387	**1,077**	1,472	**16.8**	17.6

Retail balances on forbearance reduced by 21% to £3.9bn primarily due to PCB as UK home loans decreased.

Wholesale forbearance reduced by 27% to £2.5bn primarily driven by the exit of a single Investment Bank counterparty from the forbearance portfolio and further reductions across the BNC portfolios. The reduction in impairment coverage to 20.7% (2013: 26.3%) was primarily due to the exit of higher coverage Non-Core cases in Spain. The reduction in 2014 to balances on forbearance in BNC principally reflects the fact that Spain assets were reclassified as held for sale during the year.

See below for more information on these portfolios.

Notes

a Re-ages data for 2013 revised to include customers who move to charge-off or into forbearance programmes within 12 months of the re-age offering.

b New re-ages in the year and new re-ages as a proportion of total outstanding were revised to harmonise definitions to the Group policy.

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Retail forbearance programmes

Forbearance on the Group s principal retail portfolios in the US, UK, Eurozone and South Africa is presented below. The principal portfolios listed below account for 83% (2013: 82%) of total retail forbearance balances.

nalysis of key portfolios in forbearance programmes

	Balances on forbearance programmes			Of which: Past due of which:		Marked to market	Marked to market	Impairment allowances	Tota
	Total	% of gross loans and advances	Up-to-date	1-90 days past due	91 or more days past due	LTV of forbearance balances: balance weighted	LTV of forbearance balances: valuation weighted	marked against balances on forbearance programmes	balances o forbearanc programme coverag rati
	£m	%	£m	£m	£m	%	%	£m	%
s at 1 December 014									
ome loans:									
CB UK	1,842	1.5	1,487	204	151	57.3	45.6	15	0.
frica South frica	207	1.8	95	99	13	71.1	57.4	13	6.
arclays on-Core aly	279	2.0	211	31	37	61.6	50.3	11	3.
redit cards:									
K	724	4.3	679	41	4	n/a	n/a	324	44.
S	98	0.7	67	22	9	n/a	n/a	22	22.
nsecured ans:									

K	**121**	**2.4**	**83**	**33**	**5**	**n/a**	**n/a**	**25**	**20.**
s at l December 013									
ome loans:									
CB UK	2,364	1.9	1,867	313	184	63.4	51.6	23	1.
frica South frica	248	2.1	117	115	16	74.4	60.5	17	6.
arclays on-Core aly	307	2.0	248	31	28	62.2	50.9	10	3.
redit cards:									
K	912	5.6	861	44	7	n/a	n/a	333	36.
S	106	1.1	73	24	9	n/a	n/a	10	9.
nsecured ans:									
K	142	2.9	94	40	8	n/a	n/a	34	23.

Loans in forbearance in the principal home loans portfolios decreased 20% to £2,328m.

- **PCB UK (home loans):** Balances under forbearance decreased 22% to £1,842m, principally due to a reduction in the proportion of accounts meeting the MCA reserve forbearance classification criteria. This type of forbearance comprises 68% (2013: 70%) of the total, with term extensions comprising a further 17% (2013: 17%). Total past due balances reduced 29% to £355m due to the improved economic environment.

- **Africa South Africa (home loans):** Reduction in forbearance balances to £207m (2013: £248m) is due to enhanced qualification criteria which resulted in a more appropriate and sustainable programme for the customer, and local currency depreciation.

- **Barclays Non-Core Italy (home loans):** Forbearance balances decreased 9% to £279m, predominantly due to customers exiting forbearance schemes that were established by the government. Impairment coverage increased to 3.9% (2013: 3.2%), reflecting a higher proportion of accounts on forbearance that are more than 90 days past due.

Forbearance balances on principal credit cards, overdrafts and unsecured loan portfolios decreased by 19% to £943m.

- **UK Cards:** Forbearance balances decreased by 21% to £724m, driven by the continued reduction in new repayment plan volumes caused by the implementation of enhanced qualification criteria in 2012.

- **US Cards:** Coverage ratio for US Cards is lower than UK Cards as almost 60% of forbearance programmes are fully amortising, and have lower levels of loss and impairment compared to other types of programmes.

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Forbearance by type

	Home loans					
	Barclays Core				Barclays Non-Core	
	UK		South Africa		Italy[a]	
	2014	2013	**2014**	2013	**2014**	2013
As at 31 December	**£m**	£m	**£m**	£m	**£m**	£m
Interest only conversion	**122**	135				
Interest rate reduction			**1**	2		
Payment concession	**150**	160	**161**	187	**147**	144
Term extension	**314**	413	**45**	59	**132**	163
MCA forbearance	**1,256**	1,656	**n/a**	n/a	**n/a**	n/a
Total	**1,842**	2,364	**207**	248	**279**	307

In the UK MCA reserves are up-to-date with their mortgage repayments, but have drawn against their available reserve and displayed other indicators of financial stress. While these accounts do not meet the traditional definition of forbearance, this behaviour can be an indicator of financial difficulty. During 2014, the proportion of customers meeting this definition has decreased, primarily as a result of the improved economic conditions.

Forbearance by type

	Credit cards and unsecured loans				Barclays Core portfolios	
	UK cards		US cards		UK personal loans	
	2014	2013	**2014**	2013	**2014**	2013
As at 31 December	**£m**	£m	**£m**	£m	**£m**	£m
Payment concession	**31**	63				1
Term extension					**27**	31
Fully amortising			**58**	56	**93**	110
Repayment plan[b]	**693**	833	**40**	50		
Other		16				
Total	**724**	912	**98**	106	**120**	142

Payment concessions in UK cards were withdrawn during 2014, leading to the lower balance of £31m (2013: £63m).

Repayment plan balances in UK cards decreased to £693m (2013: £833m) driven by the continued reduction in new repayment plan volumes caused by the implementation of enhanced qualification criteria in 2012.

Wholesale forbearance programmes

The tables below detail balance information for wholesale forbearance cases.

Analysis of wholesale balances in forbearance programmes

	Balances on forbearance programmes						Impairment allowances marked against balances on forbearance programmes	Total balances on forbearance programmes coverage ratio	Total balances on forbearance programmes % of gross loans and advances
	Balances between 1 and 90 days past due	Balances 91 days or more past due	Total balances past due	Impaired up-to-date balances	Performing balances	Total balances			
	£m	£m	£m	£m	£m	£m	£m	%	%
As at 31 December 2014									
Investment Bank	**22**	**32**	**54**		**52**	**106**	**10**	**9**	**0.1**
Personal & Corporate Banking	**38**	**391**	**429**	**587**	**574**	**1,590**	**225**	**14**	**2.0**
Africa Banking	**13**	**42**	**55**	**47**	**30**	**132**	**7**	**5**	**0.8**
Total Barclays Core	**73**	**465**	**538**	**634**	**656**	**1,828**	**242**	**13**	**0.9**
Barclays Non-Core	**41**	**238**	**279**	**336**	**36**	**651**	**271**	**42**	**1.5**
Group	**114**	**703**	**817**	**970**	**692**	**2,479**	**513**	**21**	**1.0**
As at 31 December 2013									
Investment Bank	44	1	45		431	476	8	2	0.5
Personal & Corporate Banking	50	428	478	403	659	1,540	255	17	2.0
Africa Banking	21	25	46	7	106	159	14	9	1.0
Total Barclays Core	115	454	569	410	1,196	2,175	277	13	1.1
Barclays Non-Core	50	567	617	452	141	1,210	614	51	2.8
Group	165	1,021	1,186	862	1,337	3,385	891	26	1.4

Notes

a In Italy, payment concessions include plans where the customer has been extended a payment holiday and may be converted to a term extension once the agreed period is completed.
b Repayment plan represents a reduction to the minimum payment due requirements and interest rate.

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Wholesale forbearance reporting split by exposure class

	Corporate £m	Personal and trusts £m	Other £m	Total £m
As at 31 December 2014				
Restructure: reduced contractual cash flows	**180**			**180**
Restructure: maturity date extension	**600**	**79**	**4**	**683**
Restructure: changed cash flow profile (other than extension)	**335**	**25**	**4**	**364**
Restructure: payment other than cash	**7**	**9**		**16**
Change in security	**17**			**17**
Adjustments or non-enforcement of covenants	**383**	**53**		**436**
Other (e.g. capital repayment holiday; restructure pending)	**607**	**175**	**1**	**783**
Total	**2,129**	**341**	**9**	**2,479**
As at 31 December 2013				
Restructure: reduced contractual cash flows	281			281
Restructure: maturity date extension	1,164	65	55	1,284
Restructure: changed cash flow profile (other than extension)	579	25	5	609
Restructure: payment other than cash	23	1		24
Change in security	27			27
Adjustments or non-enforcement of covenants	410	96		506
Other (e.g. capital repayment holiday; restructure pending)	546	107	1	654
Total	3,030	294	61	3,385

Wholesale forbearance reporting split by business unit

	Personal & Corporate Banking £m	Investment Bank £m	Africa Banking £m	Barclays Non-Core £m	Total £m
As at 31 December 2014					
Restructure: reduced contractual cash flows	**125**		**1**	**54**	**180**
Restructure: maturity date extension	**314**	**72**	**78**	**219**	**683**
Restructure: changed cash flow profile (other than extension)	**178**	**2**	**49**	**135**	**364**
Restructure: payment other than cash	**13**			**3**	**16**

Change in security	**11**			**6**	**17**
Adjustments or non-enforcements of covenants	**329**			**107**	**436**
Other (e.g. capital repayment holiday; restructure pending)	**620**	**32**	**4**	**127**	**783**
Total	**1,590**	**106**	**132**	**651**	**2,479**
As at 31 December 2013					
Restructure: reduced contractual cash flows	105	1	8	167	281
Restructure: maturity date extension	315	368	103	498	1,284
Restructure: changed cash flow profile (other than extension)	209	22	44	334	609
Restructure: payment other than cash	11			13	24
Change in security	11		1	15	27
Adjustments or non-enforcements of covenants	370	41	1	94	506
Other (e.g. capital repayment holiday; restructure pending)	519	44	2	89	654
Total	1,540	476	159	1,210	3,385

Wholesale forbearance flows in 2014

	Balance £m
As at 1 January 2014	3,385
Added to forbearance	1,142
Removed from forbearance (credit improvement)[a]	(343)
Fully or partially repaid and other movements	(1,490)
Written off/moved to recoveries	(215)
As at 31 December 2014	2,479

Wholesale forbearance decreased 27% to £2,479m with an impairment coverage ratio of 21% (2013: 26%). Personal & Corporate Banking accounted for the largest portion with 64% (2013: 45%) of total balances held as forbearance.

Note

a Refer to sustainability of loans under forbearance in Barclays PLC Pillar 3 report for more information.

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Overall forbearance balances in Barclays Core portfolios fell by 16% to £1,828m, driven primarily by full and partial repayments and balances written off or moved to recoveries:

- The 78% reduction in the Investment Bank to £106m was driven primarily by one large single name corporate exposure returning to the performing book; and

- Personal & Corporate Banking rose moderately to £1,590m (2013: £1,540m). The increase was partially offset by balance reductions as a result of repayments or cases returned to performing, with comparatively fewer cases moving into recovery or written off.

BNC balances remain focused on the European corporate portfolios and reduced by 46% to £651m.

Analysis of Problem loans

Past due

Age analysis of loans and advances that are past due (audited)

The following tables present an age analysis of loans and advances that are past due but not impaired and loans that are assessed as impaired. These loans are reflected in the balance sheet credit quality tables on pages 146 and 147 as being Higher Risk.

Loans and advances past due but not impaired (audited)

	Past due up to 1 month £m	Past due 1-2 months £m	Past due 2-3 months £m	Past due 3-6 months £m	Past due 6 months and over £m	Total £m
As at 31 December 2014						
Loans and advances designated at fair value	594	48	1		33	676
Home loans	46	6	17	135	230	434
Credit cards, unsecured and other retail lending	64	29	14	139	194	440
Corporate loans	7,204	630	874	190	387	9,285
Total	7,908	713	906	464	844	10,835

As at 31 December 2013						
Loans and advances designated at fair value	113	45	9	10	170	347
Home loans	36	5	19	76	51	187
Credit cards, unsecured and other retail lending	103	37	16	56	109	321
Corporate loans	4,210	407	308	248	407	5,580
Total	4,462	494	352	390	737	6,435

Impaired loans

The following table represents an analysis of impaired loans in line with the disclosure requirements from the Enhanced Disclosure Taskforce. For further information on definitions of impaired loans refer to the identifying potential credit risk loans section on page 116 of Barclays PLC Pillar 3 report.

Movement in impaired loans

	At beginning of year	Classified as impaired during the year	Transferred to not impaired during the year	Repayments	Amounts written off	Exchange and other adjustments[a]	Balance at 31 December
	£m	£m	£m	£m	£m	£m	£m
2014							
Home loans	**1,983**	**762**	**(352)**	**(412)**	**(161)**	**(317)**	**1,503**
Credit cards, unsecured and other retail lending	**3,385**	**2,089**	**(108)**	**(361)**	**(1,885)**	**(507)**	**2,613**
Corporate loans	**5,142**	**1,167**	**(729)**	**(658)**	**(1,211)**	**(1,028)**	**2,683**
Total impaired loans	**10,510**	**4,018**	**(1,189)**	**(1,431)**	**(3,257)**	**(1,852)**	**6,799**
2013							
Home loans	2,207	1,217	(509)	(576)	(230)	(126)	1,983
Credit cards, unsecured and other retail lending	3,874	2,449	(168)	(362)	(2,267)	(141)	3,385
Corporate loans	5,666	2,188	(804)	(710)	(1,074)	(124)	5,142
Total impaired loans	11,747	5,854	(1,481)	(1,648)	(3,571)	(391)	10,510

For information on restructured loans refer to disclosures on forbearance on pages 167 to 171.

Note

a 2014 exchange and other adjustments includes the reclassification of Spanish loans now held for sale.

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Risk review

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Credit risk

Analysis of loans and advances assessed as impaired (audited)

The following tables present an age analysis of loans and advances collectively impaired, total individually impaired loans, and total impairment allowance.

	Past due up to 1 month £m	Past due 1-2 months £m	Past due 2-3 months £m	Past due 3-6 months £m	Past due 6 months and over £m	Total £m	Individually assessed for impairment £m	Total £m
As at 31 December 2014								
Home loans	**5,155**	**1,424**	**335**	**470**	**1,050**	**8,434**	**455**	**8,889**
Credit cards, unsecured and other retail lending	**1,196**	**738**	**299**	**532**	**2,225**	**4,990**	**800**	**5,790**
Corporate loans	**284**	**30**	**24**	**25**	**148**	**511**	**2,679**	**3,190**
Total	**6,635**	**2,192**	**658**	**1,027**	**3,423**	**13,935**	**3,934**	**17,869**
As at 31 December 2013								
Home loans	5,726	2,161	667	728	1,818	11,100	510	11,610
Credit cards, unsecured and other retail lending	1,589	1,029	411	632	2,866	6,527	1,548	8,075
Corporate loans	1,047	40	35	59	400	1,581	3,892	5,473
Total	8,362	3,230	1,113	1,419	5,084	19,208	5,950	25,158

Potential credit risk loans (PCRLs) and coverage ratios

The Group reports potentially and actually impaired loans as PCRLs. PCRLs comprise two categories of loans: credit risk loans (CRLs) and potential problem loans (PPLs). For further information on definitions of CRLs and PPLs refer to the identifying potential credit risk loans section on page 113 of the Barclays PLC Pillar 3 report.

Potential credit risk loans and coverage ratios by business

	CRLs		PPLs		PCRLs	
	2014	2013	**2014**	2013	**2014**	2013
As at 31 December	**£m**	£m	**£m**	£m	**£m**	£m

Personal & Corporate Banking	**2,064**	2,703	**175**	241	**2,239**	2,944
Africa Banking	**1,093**	1,205	**161**	194	**1,254**	1,399
Barclaycard	**1,765**	1,541	**227**	182	**1,992**	1,723
Barclays Core	**4,922**	5,449	**563**	617	**5,485**	6,066
Barclays Non-Core	**1,209**	2,118	**26**	91	**1,234**	2,209
Total Group retail	**6,131**	7,567	**589**	708	**6,719**	8,275
Investment Bank	**71**		**107**	106	**178**	106
Personal & Corporate Banking	**1,630**	1,861	**582**	840	**2,212**	2,701
Africa Banking	**665**	722	**94**	112	**759**	834
Barclays Core	**2,366**	2,583	**783**	1,058	**3,149**	3,641
Barclays Non-Core	**841**	3,148	**119**	42	**960**	3,190
Total Group wholesale	**3,207**	5,731	**902**	1,100	**4,109**	6,831
Group total	**9,338**	13,298	**1,491**	1,808	**10,828**	15,106

	Impairment allowance		**CRL coverage**		**PCRL coverage**	
	2014	2013	**2014**	2013	**2014**	2013
As at 31 December	**£m**	£m	**%**	%	**%**	%
Personal & Corporate Banking	**971**	1,325	**47.0**	49.0	**43.4**	45.0
Africa Banking	**681**	674	**62.3**	55.9	**54.3**	48.2
Barclaycard	**1,815**	1,517	**102.8**	98.4	**91.1**	88.0
Barclays Core	**3,467**	3,516	**70.4**	64.5	**63.2**	58.0
Barclays Non-Core	**428**	856	**35.4**	40.4	**34.7**	38.8
Total Group retail	**3,895**	4,372	**63.5**	57.8	**58.0**	52.8
Investment Bank	**44**		**62.0**		**24.7**	
Personal & Corporate Banking	**668**	701	**41.0**	37.7	**30.2**	26.0
Africa Banking	**246**	352	**37.0**	48.8	**32.4**	42.2
Barclays Core	**958**	1,053	**40.5**	40.8	**30.4**	28.9
Barclays Non-Core	**602**	1,833	**71.6**	58.2	**62.7**	57.5
Total Group wholesale	**1,560**	2,886	**48.6**	50.4	**38.0**	42.2
Group total	**5,455**	7,258	**58.4**	54.6	**50.4**	48.0

- CRLs decreased 29.8% to £9.3bn, with the Group s CRL coverage ratio increasing to 58.4% (2013: 54.6%).

- CRLs in retail portfolios have decreased 19.0% to £6.1bn. This is primarily driven by Non-Core as a result of the reclassification of Spanish loans and improvements in Personal & Corporate Banking due to continued improvement across portfolios. CRL coverage increased to 63.5% (2013: 57.8%).

- CRLs in wholesale portfolios decreased 44.0% to £3.2bn. This is primarily driven by Non-Core as a result of the reclassification of Spanish loans now held for sale and a write-off of a single name exposure. CRL coverage decreased to 48.6% (2013: 50.4%).

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Impairment

Impairment allowances

Impairment allowances decreased 25% to £5,455m, primarily within corporate loans as a result of the reclassification of Spanish loans now held for sale and a write-off of a single name exposure within BNC.

Movements in allowance for impairment by asset class (audited)

	At beginning of year £m	Acquisitions and disposals £m	Unwind of discount £m	Exchange and other adjustments[a] £m	Amounts written off £m	Recoveries £m	Amounts charged to income statement £m	Balance at 31 December £m
2014								
Home loans	**788**		**(23)**	**(200)**	**(191)**	**17**	**156**	**547**
Credit cards, unsecured and other retail lending	**3,603**	**13**	**(116)**	**(307)**	**(1,679)**	**126**	**1,705**	**3,345**
Corporate loans	**2,867**		**(14)**	**(540)**	**(1,167)**	**78**	**339**	**1,563**
Total impairment allowance	**7,258**	**13**	**(153)**	**(1,047)**	**(3,037)**	**221**	**2,200**	**5,455**
2013								
Home loans	855		(38)	(147)	(199)	30	287	788
Credit cards, unsecured and other retail lending	3,780	(5)	(132)	50	(2,121)	123	1,908	3,603
Corporate loans	3,164		(9)	(163)	(1,023)	48	850	2,867
Total impairment allowance	7,799	(5)	(179)	(260)	(3,343)	201	3,045	7,258

Management adjustments to models for impairment

Management adjustments to models for impairment are applied in order to factor in certain conditions or changes in policy that are not incorporated into the relevant impairment models, or to ensure that the impairment allowance reflects all known facts and circumstances at the period end. Adjustments typically increase the model derived impairment allowance. Where applicable, management adjustments are reviewed and incorporated into future model development.

Management adjustments to models of more than £10m with respect to impairment allowance in our principal portfolios are presented below.

Principal portfolios that have management adjustments greater than £10m (unaudited)

As at 31 December 2014	Total management adjustments to impairment stock, including forbearance £m	Proportion of total impairment stock %
PCB		
UK home loans	52	55
UK personal loans	48	10
UK overdrafts	30	19
UK large corporate & business lending	98	14
Africa		
South Africa home loans	22	11
Barclaycard		
UK cards	62	5

UK home loans: Primarily to offset the benefits that recent increases in the House Price Index have had on impairment models, which may not be sustainable, and to adjust for the emerging incidence of interest-only loans reaching maturity.

UK personal loans: Principally to incorporate impairment policy requirements that have not yet been fully embedded into the models, and to increase coverage on older accounts that will be written off, once legacy remediation relating to the Consumer Credit Act concludes.

UK overdrafts: To increase coverage on dormant accounts and to incorporate impairment policy requirements that have not yet been fully embedded into models.

UK large corporate & business lending: To increase coverage on higher risk business segments that are more susceptible to movements in macro economic conditions.

South Africa home loans: Primarily to incorporate the uncertainty in the macroeconomic outlook.

UK cards: Predominantly to increase coverage on forbearance programmes and accounts in recoveries.

Note

a 2014 exchange and other adjustments includes the reclassification of impairments held against Spanish loans now held for sale.

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Market risk

Analysis of market risk

Market risk is the risk of a reduction to earnings or capital due to volatility of trading book positions or an inability to hedge the banking book balance sheet.

This section contains key disclosures describing the Group s market risk profile, highlighting regulatory as well as management measures.

Key metrics

Measures of traded market risk, such as Value at Risk, decreased in the year due to lower volatility and risk reduction in BNC businesses.

We saw lower income from reduced activity and a reduction in associated risk measures

98%

Of days generated positive trading revenue

-24%

Reduction in management Value at Risk

-22%

Reduction in average daily revenue

Non-traded market risk measures suggest a higher sensitivity to a change in interest rates, with a stable structural currency exposure

55%

Increase in the positive impact on pre-tax net interest income of a 100bps rise in interest rates

Market risk is the risk of a reduction to earnings or capital due to volatility of trading book positions or an inability to hedge the banking book balance sheet.

All disclosures in this section (pages 175 to 183) are unaudited unless otherwise stated

Overview of market risk

This section contains key statistics describing the market risk profile of the bank. It includes both regulatory and management measures. This includes risk weighted assets by major business line, as well as Value at Risk (VaR) measures. A distinction is made between regulatory and management measures within the section. The market risk management section on pages 136 to 146 in Barclays PLC Pillar 3 report provides full descriptions of these metrics:

¡ Page 73 provides a view of market risk in the context of the Group s balance sheet;

¡ Pages 139 to 144 cover the management of traded market risk. Management measures are shown from page 139 and regulatory equivalent measures are shown from page 141; and

¡ Non-traded market risk, arising from our banking books, is reviewed from page 78.

Measures of market risk in the Group and accounting measures

The relationship between the Group s market risk measures and balance sheet is presented on page 176. 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 mark-to-market values, however hedging effects between positions are also considered; and

- In addition, the 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. To help the reader understand the linkages between market risk measures at a high level, comparisons of exposures and balance sheet measures are provided:

- Balance sheet view of trading and banking books, on page 176, highlights the main categories of assets that are subject to market risk; and

- Principal asset and liability balances subject to market risk in the Investment Bank, Non-Core and Head Office, on page 178, provides another view; balance sheet values are shown for market risk-taking business lines.

Summary of performance in the period

The Group has seen a decrease in market risk from lower volatility in certain financial markets, in addition to risk reduction in Non-Core businesses:

- Measures of traded market risk, such as Value at Risk, decreased in the year due to lower volatility and risk reduction in BNC businesses;

- This translated into lower volatility in daily trading revenue as reflected in the trading revenue histogram on page 177, although with lower average daily revenue from 2013 levels;

- Market risk RWAs fell from 2013 levels as a result of lower volatility and reduction of BNC assets;

- Annual Earnings at Risk (AEaR) to interest rate shocks, a key measure of interest rate risk in the banking book (IRRBB), increased in 2014, due to increased current account balances and an improvement in the completeness of the model; and

- Other market risks, such as pension risk and insurance, are disclosed from page 182 onwards.

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Balance sheet view of trading and banking books

As defined by the regulatory rules, a trading book consists of positions held for trading intent or to hedge elements of the trading book. Trading intent must be evidenced in the basis of the strategies, policies and procedures set up by the firm to manage the position or portfolio. The below table provides a Group-wide overview of where assets and liabilities on the Group s balance sheet are managed within regulatory traded and non-traded books.

The balance sheet split by trading book and banking books is shown on an IFRS scope of consolidation. The reconciliation between the accounting and regulatory scope of consolidation is shown in Barclays PLC Pillar 3 Report, table 1. The reconciling items are all part of the banking book.

Balance sheet split by trading and banking books

	Banking book	Trading book	Total
As at 31 December 2014	£m	£m	£m
Cash and balances at central banks	39,695		39,695
Items in course of collection from other banks	1,210		1,210
Trading portfolio assets	2,045	112,672	114,717
Financial assets designated at fair value	27,615	10,685	38,300
Derivative financial instruments	441	439,468	439,909
Available for sale financial investments	86,066		86,066
Loans and advances to banks	40,420	1,691	42,111
Loans and advances to customers	397,919	29,848	427,767
Reverse repurchase agreements and other similar secured lending	131,161	592	131,753
Prepayments, accrued income and other assets	3,607		3,607
Investments in associates and joint ventures	711		711
Property, plant and equipment	3,786		3,786
Goodwill and intangible assets	8,180		8,180
Current tax assets	334		334
Deferred tax assets	4,130		4,130
Retirement benefit assets	56		56
Non current assets classified as held for disposal	15,574		15,574
Total assets	762,950	594,956	1,357,906
Deposits from banks	57,451	939	58,390

Items in course of collection due to other banks	**1,177**		**1,177**
Customer accounts	**418,522**	**9,182**	**427,704**
Repurchase agreements and other similar secured borrowing	**121,311**	**3,168**	**124,479**
Trading portfolio liabilities	**46**	**45,078**	**45,124**
Financial liabilities designated at fair value	**16,427**	**40,545**	**56,972**
Derivative financial instruments	**1,888**	**437,432**	**439,320**
Debt securities in issue	**86,099**		**86,099**
Subordinated liabilities	**21,153**		**21,153**
Accruals, deferred income and other liabilities	**11,423**		**11,423**
Provisions	**4,135**		**4,135**
Current tax liabilities	**1,021**		**1,021**
Deferred tax liabilities	**262**		**262**
Retirement benefit liabilities	**1,574**		**1,574**
Liabilities included in disposal groups classified as held for sale	**13,115**		**13,115**
Total liabilities	**755,604**	**536,344**	**1,291,948**

Included within the trading book are assets and liabilities which are included in the market risk regulatory measures. For more information on these measures (VaR, SVaR, IRC and APR) see the risk management section on page 136 in Barclays PLC Pillar 3 Report.

Traded market risk review

Review of management measures

The following disclosures provide details on management measures of market risk. See pages 139 to 144 in Barclays PLC Pillar 3 Report for more detail on management measures and the differences when compared to regulatory measures.

The table below shows the total Group management VaR by asset class, as well as the impact of diversification. The majority of VaR arises out of the Investment Bank. Additional limited trading activity is undertaken in Africa Banking on behalf of clients. VaR also arises in Treasury in relation to certain products (mainly for hedging and liquidity purposes). Finally, certain legacy positions in BNC attract VaR.

Limits are applied against each asset class VaR as well as total management VaR, which are then cascaded further by risk managers to each business.

The management VaR numbers in the table below include add-ons, to better represent the market risk where the VaR model may not fully represent some risk factors. See page 144 in Barclays PLC Pillar 3 Report for a description of risks not in VaR (RNIVs).

Note

a The primary risk factors for banking book assets and liabilities are interest rates and to a lesser extent, foreign exchange rates. Credit spreads and equity prices will also be a factor where the Group holds debt and equity securities respectively, either as financial assets designated at fair value (see Note 14) or as available for sale (see Note 16).

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The daily average, maximum and minimum values of management VaR (audited)

For the year ended 31 December	2014			2013		
Management VaR (95%)	Average £m	High[a] £m	Low[a] £m	Average £m	High[a] £m	Low[a] £m
Credit risk	11	15	9	18	25	12
Interest rate risk	11	17	6	13	24	6
Equity risk	10	16	6	11	21	5
Basis risk	4	8	2	11	17	7
Spread risk	4	8	3	11	21	5
Foreign exchange risk	4	23	1	4	7	2
Commodity risk	2	8	1	5	8	2
Inflation risk	2	4	2	3	8	2
Diversification effect[a]	(26)	n/a	n/a	(47)	n/a	n/a
Total management VaR	22	36	17	29	39	21

Average management VaR for the Group fell by 24% to £22m, with all individual risk type components reducing, particularly credit, spread and basis risks. The three main contributors to average management VaR were credit, interest rate and equity risk.

Average credit risk VaR decreased 39% to £11m reflecting lower volatility driven by low credit spreads. Spread risk and Basis risk VaR decreased in part due to lower interest rates environment. Average commodities VaR declined 60% to £2m primarily as a result of risk reduction in Non-Core businesses. Average Equity VaR was broadly stable compared to the previous year and also saw an environment of low volatility for most of the year. Average Foreign Exchange VaR was broadly stable over the year, but saw a peak of £23m in late December 2014 due to an increase in positions that were held for a brief period of time. Foreign Exchange VaR fell back before the year-end when the positions were closed out. See also the Group management VaR graph below.

The business remained within the management VaR limits that were reported to the Board Financial Risk Committee (BFRC) throughout 2014 for both asset class VaR and total VaR.

Group management VaR

Group daily trading revenue

The chart above shows the distribution of daily revenue in 2014 and 2013. For 2014, this includes daily trading revenue generated in the Investment Bank (except for Private Equity and Principal Investments), Treasury, Africa Banking and Non-Core. The BNC business does not undertake trading activities other than strategic disposals. Please see page 241 for a discussion of BNC financial performance in 2014.

Daily trading revenue includes realised and unrealised mark to market gains and losses from intraday market moves, commission and advisory fees. The VaR measure above is not designed to be reconciled to the full revenue measure from the trading business. VaR shows the volatility of a hypothetical measure that reflects unrealised mark to market changes in positions under the assumption that they are held over a one-day period. VaR informs risk managers on the risk implications of current portfolio decisions.

The average daily revenue decreased 22% to £32m; however, there were more positive trading revenue days in 2014 than in 2013, with 98% (2013: 97%) of days generating positive trading revenue. The chart shows lower variability in daily income levels, which appears consistent with the decrease in average management VaR and lower market volatility.

The daily VaR chart illustrates a declining trend in 2014. The rise in late December 2014 was associated with an increase in positions in a specific market that were held for a brief period of time. VaR fell back when the positions were closed out. See the discussion of VaR by asset class on the previous page.

Note

a 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. Historic 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.

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Risk review

Risk performance

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The table below provides an overview of the assets and liabilities of the major trading portfolios and associated standalone management VaR. While the table on page 176 shows the total balance sheet breakdown for the Group, split by trading and banking books, the table below shows the assets and liabilities for the major trading portfolios in the Investment Bank that are most sensitive to market risk. These comprise available for sale investments, debt securities in issue, derivative financial instruments, and positions with other financial institutions at fair value, repurchase agreements, and trading portfolio assets/liabilities.

The restructuring of the business into Core and Non-Core in 2014 changed the portfolio structure. Management VaR is presented for the fourth quarter, the first full period since the restructure.

Principal asset and liability balances subject to market risk in the Investment Bank, BNC and Head Office

As at 31 December 2014

Portfolio	Description of business activity	Assets £m	Liabilities £m	Average over Q4 2014 Management VaR £m	Principal balance sheet line items	Principal market risk exposure
Client Capital Management	The function primarily manages counterparty risk exposures arising from derivative contracts.	102,610	99,821	11	Derivative financial instruments and repurchase agreements.	Hedging the firm s credit risk including counterparty risk exposure on derivatives.
Equities	Provides equity market making and risk management services for clients.	66,395	55,274	10	Trading portfolio asset/ liabilities and derivative financial instruments and repurchase agreements.	Provides derivative solutions to clients. The business also supports cash equity trading, primary market

						issuance and block trades.
Credit	Provides specific credit market exposures.	38,993	23,222	10	Derivative financial instruments and trading portfolio asset/liabilities and repurchase agreements.	Risk exposure is primarily to credit markets.
Treasury[a]	Provides funding and liquidity services	31,715	34,219	9	Available for sale financial investments and debt securities in issue.	The principal service is the execution of liquidity and funding operations.
Macro	Market maker in foreign exchange, rates, commodities and local markets.	118,791	119,302	8	Derivative financial instruments and trading portfolio asset/liabilities and repurchase agreements.	Market risk exposure arises from credit trading including bond syndication, and interest rate, currency and commodity market making and trading. The business is well diversified leading to low risk.
BNC	Manages assets from non-core operations.	351,247	328,859	4	Derivative financial instruments and repurchase agreements and trading portfolio asset/liabilities.	Exposures which the business has been managing down.
Other subject to management VaR	Primarily provides financing solution for clients	551	11,256	n/a	Debt securities in issue/ Issued debts.	Risk exposure is primarily to debt capital markets.
Other, including diversification effects				(30)		
Total subject to management VaR		**710,302**	**671,953**	**22**		
Other Investment Bank, Non-Core and Head Office		**265,866**	**237,213**	**n/a**		
Total Investment Bank, Non-Core		**976,168**	**909,166**	**22**		

and Head Office

Note

a Treasury contains banking book positions that will be treated under the non-traded market risk framework in 2015.

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In order to provide an estimation of the scale of the balance sheet instruments that generate market risk, as defined by the Group for purposes of risk management, assets and liabilities that are expected to generate market risk have been aggregated by main business lines. Note, however, that due to differences in data sets for market risk and IFRS reporting some assets that do not generate market risk could be included. The Other assets line contains (i) business lines that are primarily defined as banking book, and (ii) line items that should not generate market risk.

Management VaR is shown at 95th percentile for Q4 2014. Market risks arising from the individual portfolios listed above diversify to provide total management VaR for the Investment Bank, Non-Core and Head Office. Some functions such as Treasury and Client Capital Management show exposure as a result of the service it provides to the client facing franchise, such as managing the firm s exposure to counterparty default or providing funding to execute business.

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 six global scenarios are modelled on a regular basis, for example, a sharp deterioration in liquidity, a slowdown in the global economy, terrorist attacks, global recession and a sovereign peripheral crisis.

Similarly to 2013, throughout 2014, the scenario analyses showed the biggest market risk related impact would be due to a severe deterioration in liquidity and a rapid slowdown in the global economy.

Review of regulatory measures

The following disclosures provide details on regulatory measures of market risk. See pages 141 and 145 of the Barclays PLC Pillar 3 Report for more detail on regulatory measures and the differences when compared to management measures.

The Group s market risk capital requirements comprise two elements:

¡ Trading book positions booked to legal entities within the scope of the Group s PRA waiver where the market risk is measured under a PRA approved internal models approach, including regulatory VaR, Stressed Value at Risk (SVaR), Incremental Risk Charge (IRC) and All Price Risk (APR) as required; and

¡

Trading book positions that do not meet the conditions for inclusion within the approved Internal Models Approach. Their capital requirement is calculated using standardised rules.

The below table summarises the regulatory market risk measures, under the internal models approach. See table Minimum capital requirement for market risk in Barclays PLC Pillar 3 Report for a breakdown of capital requirements by approach.

Analysis of regulatory VaR, SVaR, IRC and APR

	Year-end	Average	Max	Min
As at 31 December 2014	**£m**	**£m**	**£m**	**£m**
Regulatory VaR	**29**	**39**	**66**	**29**
SVaR	**72**	**74**	**105**	**53**
IRC	**80**	**118**	**287**	**58**
APR	**24**	**28**	**39**	**24**
As at 31 December 2013				
Regulatory VaR	42	46	67	31
SVaR	90	85	112	61
IRC	139	238	539	115
APR	29	141	183	29

Overall, there was a lower risk profile during 2014:

- SVaR decreased by 20% to £72m driven by equities and foreign exchange;

- IRC decreased by 42% to £80m as a result of a reduction in exposure to lower-rated sovereigns as well as increased diversification; and

- APR decreased by 17% to £24m as a result of the sale of positions.

The table below shows the primary portfolios which are driving the trading businesses modelled capital requirement as at 2014 year end. The standalone portfolio results diversify at the total level and are not necessarily additive. Regulatory VaR, SVaR, IRC and APR in the prior table show the diversified results.

Breakdown of the major regulatory risk measures by portfolio

	Macro	Equities	Credit	Client Capital Management	Treasury	Africa	BNC
As at 31 December 2014	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Regulatory VaR	**11**	**17**	**7**	**21**	**1**	**2**	**8**
SVaR	**29**	**82**	**19**	**42**	**10**	**3**	**21**
IRC	**195**	**16**	**211**	**62**			**94**
APR							**24**

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Non-traded market risk

Net interest income sensitivity

The table below shows sensitivity analysis on the pre-tax net interest income for the non-trading financial assets and financial liabilities. The sensitivity has been measured using the Annual Earnings at Risk (AEaR) methodology as described on page 145 in Barclays PLC Pillar 3 Report. The benchmark interest rate for each currency is set as at 31 December of the same year. The effect of structural hedging is taken into account. The tables below show that net interest income would increase given a rise in rates; however, this analysis does not include the potential impacts on the impairment charge due to the effect of interest rates on affordability. This effect would depend on the wider economic environment and have the opposite effect on total profit.

Banking book exposures held or issued by the Investment Bank are excluded from the interest rate sensitivity tables as these are measured and managed using VaR.

Net interest income sensitivity (AEaR) by business unit

	Personal & Corporate Banking	Barclaycard	Africa	BNC[a]	Other[b]	Total
As at 31 December 2014	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
+200bps	**464**	**(59)**	**26**	**6**	**(97)**	**340**
+100bps	**239**	**(27)**	**13**	**3**	**(58)**	**170**
-100bps	**(426)**	**26**	**(9)**	**(1)**	**26**	**(384)**
-200bps	**(430)**	**29**	**(17)**	**(1)**	**39**	**(380)**
As at 31 December 2013						
+200bps	373	(84)	19	9	(92)	225
+100bps	195	(42)	9	5	(57)	110
-100bps	(315)	25	(8)	(1)	56	(243)
-200bps	(352)	26	(15)	(1)	49	(293)

AEaR increased 51% to £340m to a +200bp parallel shock. This was predominantly due to an increase in PCB account balances for which a structural hedge is in place. AEaR to the -200bp shock increased to £380m (2013: £293m) predominantly due to the inclusion of re-pricing lag risk in the PCB model. This is the risk of being unable to

re-price products immediately after a change in rates due to mandatory notification periods.

Net interest income sensitivity (AEaR) by currency (audited)

As at 31 December	2014		2013	
	+100 basis points £m	-100 basis points £m	+100 basis points £m	-100 basis points £m
GBP	**126**	**(373)**	92	(199)
USD	**25**	**(19)**	9	(21)
EUR	**(9)**	**24**	(18)	(7)
ZAR	**11**	**(8)**	10	(9)
Other currencies	**17**	**(8)**	17	(7)
Total	**170**	**(384)**	110	(243)
As percentage of net interest income	**1.40%**	**3.18%**	0.95%	2.09%

Net interest income sensitivity mainly arises in GBP, driven by PCB as discussed in the above table.

Barclays measure some non-traded market risks using an economic capital (EC) methodology. EC is predominantly calculated using a daily VaR model and then scaled up to a 1 year EC confidence interval (99.98%). For more information on definitions of prepayment, recruitment and residual risk, and on how EC is used to manage market risk, see the market risk management section on page 145 in Barclays PLC Pillar 3 Report.

The table on the next page shows the EC figures for the main non-trading businesses, where non-traded market risk EC is part of the business limit framework.

Notes

a Only retail exposures within BNC are included in the calculation.

b Other consists of Treasury and adjustments made for hedge ineffectiveness. The hedge ineffectiveness accounts for the portion of the movements in hedging instruments that cannot be deferred from the income statements to the hedge reserves. This arises where the movement in the hedging instrument exceeds the movement of the hedged item in absolute terms.

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Economic Capital for non-traded risk by business unit

As at 31 December 2014	Personal & Corporate Banking £m	Barclaycard £m	Africa Banking £m	BNC[a] £m	Total £m
Prepayment risk	**32**	**15**			**47**
Recruitment risk	**148**	**1**			**149**
Residual risk[a]	**12**	**3**	**34**	**16**	**65**
Total	**192**	**19**	**34**	**16**	**261**
As at 31 December 2013					
Prepayment risk	31	10			41
Recruitment risk	112	2			114
Residual risk	10	4	38	13	65
Total	153	16	38	13	220

Total EC has increased 19% to £261m, primarily due to an increase in recruitment risk in PCB. This is due to the increase in mortgage and fixed rate savings product pipelines for which pre-hedges are in place.

Analysis of equity sensitivity

The table below measures the overall impact of a +/- 100bps movement in interest rates on available for sale and cash flow hedge reserves. This data is captured using PV01 which is an indicator of the shift in asset value for a 1 basis point shift in the yield curve. Note that in 2014 the methodology used to estimate the impact of the negative movement applied a 0% floor to interest rates.

Analysis of equity sensitivity

As at 31 December	2014		2013	
	+100 basis points	**-100 basis points**	+100 basis points	-100 basis points

	£m	£m	£m	£m
Net interest income	**170**	**(384)**	110	(243)
Taxation effects on the above	**(41)**	**92**	(27)	61
Effect on profit for the year	**129**	**(292)**	83	(182)
As percentage of net profit after tax	**15.27%**	**(34.56)%**	6.40%	(14.03)%
Effect on profit for the year (per above)	**129**	**(292)**	83	(182)
Available for sale reserve	**(698)**	**845**	(861)	861
Cash flow hedge reserve	**(3,058)**	**2,048**	(2,831)	2,808
Taxation effects on the above	**901**	**(694)**	923	(917)
Effect on equity	**(2,726)**	**1,907**	(2,686)	2,570
As percentage of equity	**(4.13)%**	**2.89%**	(4.20)%	4.02%

As discussed in relation to the net interest income sensitivity table on page 180, the impact of a 100bps movement in rates is largely driven by PCB. The movement in the AFS reserve shows lower sensitivity in 2014 due to the disposal of large debt security positions in Treasury. Note that the movement in the AFS reserve would impact CRD IV fully loaded CET1 capital, but the movement in the cash flow hedge reserve would not impact CET1 capital.

Foreign exchange risk

The Group is exposed to two sources of foreign exchange risk:

i)Transactional foreign currency exposure

Transactional foreign exchange 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 prevent the holding of significant open positions in foreign currencies outside the trading portfolio managed by the Investment Bank which is monitored through DVaR.

Banking book transactional foreign exchange risk outside of the Investment Bank is monitored on a daily basis by the market risk functions and minimised by the businesses.

ii) Translational foreign exchange exposure

The Group s investments in overseas subsidiaries and branches create capital resources denominated in foreign currencies principally US Dollar, Euro and South African Rand. 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 using the CET1 capital movements to broadly match the revaluation of the Group s foreign currency RWA exposures.

The economic hedges primarily represent the US Dollar and Euro preference shares and Additional Tier 1 instruments that are held as equity, accounted for at historic cost under IFRS and do not qualify as hedges for accounting purposes.

Note

a Only the retail exposures within Non-Core are captured in the measure.

Risk review

Risk performance

Market risk

Functional currency of operations

Functional currency of operations

As at 31 December 2014	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 £m
US Dollar	**23,728**	**5,270**	**1,012**	**17,446**	**6,655**	**10,791**
Euro	**3,056**	**328**	**238**	**2,490**	**1,871**	**619**
Rand	**3,863**		**103**	**3,760**		**3,760**
Japanese Yen	**364**	**164**	**208**	**(8)**		**(8)**
Other	**2,739**		**1,198**	**1,541**		**1,541**
Total	**33,750**	**5,762**	**2,759**	**25,229**	**8,526**	**16,703**
As at 31 December 2013						
US Dollar	34,220	5,555	12,558	16,107	5,812	10,295
Euro	9,336	538	5,570	3,228	2,833	395
Rand	3,835		114	3,721		3,721
Japanese Yen	454	89	352	13		13
Other	2,850		1,101	1,749		1,749
Total	50,695	6,182	19,695	24,818	8,645	16,173

During 2014, total structural currency exposure net of hedging instruments remained stable at £16.7bn (2013: £16.2bn) and broadly in line with the overall RWA currency profile. Foreign currency net investments decreased by £16.9bn to £33.8bn (2013: £50.7bn) driven predominantly by the restructuring of Group subsidiaries. The hedges associated with these investments decreased by £16.9bn to £2.8bn (2013: £19.7bn).

Pension risk review

The UK Retirement Fund (UKRF) represents approximately 92% (2013: 91%) of the Group s total retirement benefit obligations globally. The other material overseas schemes are in South Africa and the US where they represent approximately 4% (2013: 5%) and 2% (2013: 2%) respectively of the Group s total retirement benefit obligations. As

such, this risk review section will focus exclusively on the UKRF. Note that the scheme is closed to new entrants.

Pension risk arises as the estimated market value of the pension fund assets might decline, or the investment returns might reduce; or the estimated value of the pension liabilities might increase.

See page 146 in the 2014 Barclays PLC Pillar 3 Report for more information on how pension risk is managed.

Assets

The Board of Trustees defines an overall long-term investment strategy for the UKRF, with investments across a broad range of asset classes. This ensures an appropriate mix of return-seeking assets to generate future returns as well as liability matching assets to better match the future pension obligations. The main market risks within the asset portfolio are against interest rates and equities.

Fair value of UKRF plan assets increased by 14% to £26.9bn. See Note 35 on page 323 for details.

Liabilities

The 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 inflation rate and the discount rate (AA corporate bond yield curve):

¡ An increase in long-term inflation corresponds to an increase in liabilities; and

¡ An increase in the discount rate corresponds to a decrease in liabilities.

Pension risk is generated through the Group s defined benefits schemes and this risk is deemed to move to zero over time as the chart below shows. The chart below outline the shape of the liability cash flow profile, that takes account of future inflation indexing of payments to beneficiaries, with the majority of the cash flows (approximately 75%) falling between 0 and 40 years, peaking within the 21 to 30 year band and reducing thereafter. The shape may vary depending on changes in inflation expectation and mortality and it is updated in line with triennial valuation process.

For more detail on liability assumptions see Note 35 on page 323.

Proportion of liability cash flows

Risk measurement

In line with the Group s risk management framework, the assets and liabilities of the UKRF are modelled within a VaR framework to show the volatility of the pension positions on a total portfolio level. This ensures that the risks, diversification benefits and liability matching characteristics of the UKRF obligations and investments are adequately captured. VaR is measured and monitored on a monthly basis at the pension risk for a such as the Market Risk Committee, Pension Management Group and Pensions Executive Board. The VaR model takes into account the valuation of the liabilities based on an IAS 19 basis (see Note 35 to the financial statements). The trustees, receive quarterly VaR measures on a funding basis.

The pension liability is also sensitive to post-retirement mortality assumptions. See Note 35 to the financial statements for more details.

In addition to this, the impact of pension risk to the Group is taken into account as part of the stress testing process. Stress testing is performed internally at least on an annual basis, covering scenarios such as European economic crisis and quantitative easing. The UKRF exposure is also included as part of the regulatory stress tests and exercises indicated that the UKRF risk profile is resilient to severe stress events.

The defined benefit pension scheme affects capital in two ways. The IAS 19 deficit impacts the CET1 capital ratio. Pension risk is also taken into account in the Pillar 2 capital assessment.

Triennial valuation

Please see Note 35 to the financial statements for information on the current position of the fund.

Insurance risk review

Insurance risk is managed within Africa Banking. From an economic capital perspective, four significant categories of insurance risk are reported. Please see page 146 in Barclays PLC Pillar 3 Report for definitions and governance procedures.

The risk figures are based on economic capital principles and refer to 1 in 250 event levels. The underwriting risk appetite for short term insurance for 2014 was calculated based on the projected net written premium. See page 146 in Barclays PLC Pillar 3 Report for a description of the risks and a discussion of their measurement.

The year-on-year utilisation (as a percentage of approved appetite) remained relatively stable, except for life insurance mismatch risk which is explained below. The risk types below include the assessments of the main insurance risks for determining the economic capital requirements.

	2014		2013	
As at 31 December	**Position £m**	**Appetite £m**	**Position £m**	**Appetite £m**
Short term insurance underwriting risk	**40**	**44**	40	51
Life insurance underwriting risk	**21**	**28**	22	26
Life insurance mismatch risk	**16**	**40**	17	44
Life and short-term insurance investment risk	**12**	**14**	12	16

Risk positions were broadly stable over the year. The life insurance mismatch risk utilisation was lower than appetite as a refined actuarial valuation methodology was implemented. This model refinement resulted in a better matching position between assets and liabilities resulting in a desired lower mismatch for 2014 compared to 2013.

Analysis of capital risk

Capital risk is the risk that the Group has insufficient capital resources, which could lead to (i) a failure to meet regulatory requirements; (ii) a change to credit rating; or (iii) an inability to support business activity and growth.

This section details Barclays capital position providing information on both capital resources and capital requirements under CRD IV. It also provides detail of the BCBS 270 leverage ratio and underlying exposures.

Key metrics

10.3% fully loaded
Common Equity Tier 1 ratio

Fully loaded CET1 capital increased by £1.1bn driven by increased qualifying reserves and lower regulatory deductions.

RWAs decreased by £40.6bn driven by a reduction in Non-Core reflecting the disposal of businesses, run-down and exit of securities and loans; and derivative risk reductions.

3.7% BCBS 270 leverage ratio

The BCBS 270 leverage ratio increased to 3.7% from September 2014 reflecting a reduction in leverage exposure to £1,233bn driven by a seasonal reduction in settlement balances and continued reductions in Non-Core exposure.

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Capital risk is the risk that the Group has insufficient capital resources to:

- ¡ Meet minimum regulatory requirements in the UK and in other jurisdictions such as the United States and South Africa where regulated activities are undertaken. The Group s authority to operate as a bank is dependent upon the maintenance of adequate capital resources;
- ¡ Support its credit rating. A weaker credit rating would increase the Group s cost of funds; and
- ¡ Support its growth and strategic options.

More details on monitoring and managing capital risk may be found in the Risk Management sections on pages 132 and 133.

All disclosures in this section (pages 185 to 190) are unaudited unless otherwise stated

Overview

This section provides an overview of Barclays capital position and details i) capital resources on a PRA transitional basis ii) movement analysis on fully loaded CET1 capital iii) CRD IV capital requirements by risk type and business and movement analysis. It also provides details of the BCBS 270 leverage ratio and underlying exposures.

Capital ratios

Barclays current regulatory target is to meet a fully loaded CET1 ratio of 9% by 2019, plus a Pillar 2A add-on. The 9% comprises the required 4.5% minimum CET1 ratio and, phased in from 2016, a Combined Buffer Requirement made up of a Capital Conservation Buffer (CCB) of 2.5% and an expected Globally Systemically Important Institution (G-SII) buffer of 2%.

Under current PRA guidance, the Pillar 2A add-on will need to be met with 56% CET1 from 2015, which would equate to approximately 1.6%a of RWAs. The Pillar 2A add-on would be expected to vary over time according to the PRA s individual capital guidance.

In addition, a Counter-Cyclical Capital Buffer (CCCB) and/or additional Sectoral Capital Requirements (SCR) may be required by the Bank of England to protect against perceived threats to financial stability. CRD IV also includes the potential for a Systemic Risk Buffer (SRB). These buffers could be applied at the Group level or at a legal entity, sub-consolidated or portfolio level. No CCCB, SCR or SRB has currently been set by the Bank of England.

Capital resources

The PRA announced the acceleration of transitional provisions relating to CET1 deductions and filters so the fully loaded requirements are applicable from 1 January 2014, with the exception of unrealised gains on available for sale debt and equity. As a result, transitional capital ratios are now closely aligned to fully loaded ratios.

Grandfathering limits on capital instruments, previously qualifying as Tier 1 and Tier 2, are unchanged under the PRA transitional rules.

Leverage

In addition to the Group s capital structure, target ratios have also been set in respect of both the PRA leverage ratio requirement of 3% and the final recommendations on leverage proposed by the FPC s review on leverage published 31st October 2014.

The review recommends a minimum leverage ratio requirement, a supplementary leverage ratio buffer applicable to globally systemically important banks and a countercyclical leverage ratio buffer. These recommendations would result in a fully phased in leverage ratio of 3.7% for Barclays (based on current GSIFI and Countercyclical Buffer assumptions) applicable by 2018.

Summary of performance in the period

Barclays continues to be in excess of minimum CRD IV capital ratios on both a transitional and fully loaded basis.

As at 31 December 2014, Barclays exceeded the PRA target fully loaded CET1 ratio of 7%. On a transitional basis, the PRA has implemented a minimum requirement CET1 ratio of 4%, Tier 1 ratio of 5.5% and Total Capital ratio of 8%.

The fully loaded CRD IV CET1 ratio increased to 10.3% (2013: 9.1%) due to a £40.6bn reduction in risk weighted assets to £401.9bn and an increase in the fully loaded CRD IV CET1 capital of £1.1bn to £41.5bn.

The increase in capital, after absorbing £3.3bn of adjusting items, was driven by a £1.6bn increase in other qualifying reserves and a £0.6bn increase due to lower regulatory adjustments and deductions. This was partially offset by £1.2bn recognised for dividends.

The RWA reduction was mainly driven by a £35bn reduction in Non-Core to £75bn reflecting the disposal of businesses, run-down and exit of securities and loans, and derivative risk reductions.

The BCBS 270 leverage ratio increased to 3.7% (September 2014: 3.5%), reflecting a reduction in the BCBS 270 leverage exposure to £1,233bn (September 2014: £1,324bn) driven by a seasonal reduction in settlement balances and continued reductions in Non-Core exposure.

Note

a Based on a point in time assessment made by the PRA, at least annually. The PRA issued its requirements in May 2014. The EBA issued guidelines on the Supervisory Review and Evaluation Process (SREP) and on Pillar 2 capital which are effective from 2016, which are likely to affect how the PRA approaches Pillar 2 thereafter.

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Risk review

Risk performance

Funding risk Capital

CRD IV Capital

The Capital Requirements Regulation and Capital Requirements Directive implemented Basel III within the EU (collectively known as CRD IV) on 1 January 2014. The rules are supplemented by Regulatory Technical Standards and the PRA s rulebook, including the implementation of transitional rules. However, rules and guidance are still subject to change as certain aspects of CRD IV are dependent on final technical standards and clarifications to be issued by the EBA and adopted by the European Commission and the PRA. All capital, RWA and leverage calculations reflect Barclays interpretation of the current rules.

Key capital ratios

As at 31 December	2014	2013
Fully Loaded Common Equity Tier 1	**10.3%**	9.1%
PRA Transitional Common Equity Tier 1[a,b]	**10.2%**	9.1%
PRA Transitional Tier 1[b,c]	**13.0%**	11.3%
PRA Transitional Total Capital[b,c]	**16.5%**	15.0%

Capital resources (audited)

	2014	2013
As at 31 December	**£m**	**£m**
Shareholders equity (excluding non-controlling interests) per balance sheet	**59,567**	55,385
Less: Other equity instruments (recognised as AT1 capital)	**(4,322)**	(2,063)
Adjustment to retained earnings for foreseeable dividends	**(615)**	(640)
Minority interests (amount allowed in consolidated CET1)	**1,227**	1,238
Other regulatory adjustments and deductions		
Additional value adjustments (PVA)	**(2,199)**	(2,479)
Goodwill and intangible assets	**(8,127)**	(7,618)
Deferred tax assets that rely on future profitability excluding temporary differences	**(1,080)**	(1,045)

Fair value reserves related to gains or losses on cash flow hedges	**(1,814)**	(270)
Excess of expected losses over impairment	**(1,772)**	(2,106)
Gains or losses on liabilities at fair value resulting from own credit	**658**	600
Other regulatory adjustments	**(45)**	(119)
Direct and indirect holdings by an institution of own CET1 instruments	**(25)**	(496)
Fully loaded Common Equity Tier 1	**41,453**	40,387
Regulatory adjustments relating to unrealised gains	**(583)**	(180)
PRA transitional Common Equity Tier 1	**40,870**	40,207
Additional Tier 1 (AT1) capital		
Capital instruments and the related share premium accounts	**4,322**	2,063
Qualifying AT1 capital (including minority interests) issued by subsidiaries	**6,870**	9,726
Less instruments issued by subsidiaries subject to phase out		(1,849)
Transitional Additional Tier 1 capital	**11,192**	9,940
PRA transitional Tier 1 capital	**52,062**	50,147
Tier 2 (T2) capital		
Capital instruments and the related share premium accounts	**800**	
Qualifying T2 capital (including minority interests) issued by subsidiaries	**13,529**	16,834
Less instruments issued by subsidiaries subject to phase out		(522)
Other regulatory adjustments and deductions	**(48)**	(12)
PRA transitional total regulatory capital	**66,343**	66,447

Notes

a The CRD IV CET1 ratio (FSA October 2012 transitional statement) as applicable to Barclays Tier 2 Contingent Capital Notes was 12.3% based on £49.6bn of transitional CRD IV CET1 capital and £402bn RWAs.

b The PRA transitional capital is based on guidance provided in policy statement PS7/13 on strengthening capital standards published in December 2013.

c As at 31 December 2014, Barclays fully loaded Tier 1 capital was £46,020m, and the fully loaded Tier 1 ratio was 11.5%. Fully loaded total regulatory capital was £61,763m and the fully loaded total capital ratio was 15.4%. The fully-loaded Tier 1 capital and total capital measures are calculated without applying the transitional provisions set out in CRD IV and after assessing compliance of AT1 and T2 instruments against the relevant criteria in CRD IV.

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Movement in fully loaded Common Equity Tier 1 (CET1) Capital

	2014 £m
Opening balance as at 1 January	**40,387**
Profit for the period	76
Movement in own credit	58
Movement in dividends	(1,228)
Retained regulatory capital generated from earnings	**(1,094)**
Movement in reserves net impact of share awards	706
Movement in available for sale reserves	414
Movement in currency translation reserves	560
Movement in retirement benefits	205
Other reserves movements	(329)
Movement in other qualifying reserves	**1,556**
Minority interests	(11)
Additional value adjustments (PVA)	280
Goodwill and intangible assets	(509)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences	(35)
Negative amounts resulting from the calculation of expected loss amounts	334
Other regulatory adjustments	74
Direct and indirect holdings by an institution of own CET1 instruments	471
Movement in regulatory adjustments and deductions	**604**
Closing balance as at 31 December	**41,453**

¡ Fully loaded CRD IV CET1 ratio increased significantly in the period to 10.3% (2013: 9.1%) reflecting an increase in CET1 capital of £1.1bn to £41.5bn, after absorbing £3.3bn of adjusting items, and a £40.6bn decrease in RWAs to £402bn. The improvement reflects progress made in execution of the Group strategy and good progress towards the 2016 Transform target of in excess of 11%.

¡ Material movements in CET1 capital included:

A £1.2bn decrease recognised for dividends paid and foreseen;

A £0.6bn increase due to movements in the currency translation reserve primarily driven by the strengthening of USD against GBP;

A £0.4bn increase due to gains in the available for sale reserve; and

A £0.6bn increase due to lower regulatory adjustments and deductions, with decreased deductions of £0.5bn for holdings of own CET1 instruments, £0.3bn for expected loss over impairments and £0.3bn for PVA, partially offset by a £0.5bn increase in the deduction for goodwill and intangible assets. The reduction in PVA results principally from the £0.9bn adjustment to the balance sheet valuation of the ESHLA portfolio at year end, which reduces the PVA relating to that portfolio.

- Transitional total capital decreased by £0.1bn to £66.3bn largely due to capital redemptions in the period of 1bn non-cumulative callable preference shares and 1bn of callable fixed/floating rate subordinated notes (T2 capital). These decreases were partially offset by the increase in fully loaded CET1 capital and a T2 capital issuance of $1.25bn of fixed rate subordinated notes.

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Risk review

Risk performance

Funding risk Capital

Risk weighted assets (RWAs) by risk type and business

	Credit risk		Counterparty credit risk[a]		Market risk[b]		Operational risk	Total RWAs
	Std	IRB	Std	IRB	Std	IMA		
As at 31 December 2014	£m	£m	£m	£m	£m	£m	£m	£m
Personal and Corporate Banking	**32,657**	**70,080**	**238**	**1,049**	**26**		**16,176**	**120,226**
Barclaycard	**15,910**	**18,492**					**5,505**	**39,907**
Africa Banking	**9,015**	**21,794**	**10**	**562**	**948**	**588**	**5,604**	**38,521**
Investment Bank	**5,773**	**36,829**	**13,739**	**11,781**	**18,179**	**16,480**	**19,621**	**122,402**
Head Office	**506**	**2,912**	**234**	**62**	**7**	**521**	**1,326**	**5,568**
Total Core	**63,861**	**150,107**	**14,221**	**13,454**	**19,160**	**17,589**	**48,232**	**326,624**
Barclays Non-Core	**10,679**	**19,416**	**3,023**	**18,406**	**2,236**	**13,088**	**8,428**	**75,276**
Total risk weighted assets	**74,540**	**169,523**	**17,244**	**31,860**	**21,396**	**30,677**	**56,660**	**401,900**
As at 31 December 2013								
Personal and Corporate Banking	30,750	71,635	174	649	57		15,020	**118,285**
Barclaycard	14,357	15,676					5,627	**35,660**
Africa Banking	7,435	21,807	9	529	494	935	6,837	**38,046**
Investment Bank	3,681	33,215	11,200	19,511	21,756	16,921	18,096	**124,380**
Head Office	251	7,760	411	1,747	3,612	1,356	1,089	**16,226**
Total Core	**56,474**	**150,093**	**11,794**	**22,436**	**25,919**	**19,212**	**46,669**	**332,597**
Barclays Non-Core	19,120	29,677	5,152	20,709	7,819	19,755	7,642	**109,874**
Total risk weighted assets	**75,594**	**179,770**	**16,946**	**43,145**	**33,738**	**38,967**	**54,311**	**442,471**

Movement analysis of risk weighted assets

	Credit risk	Counterparty credit risk[a]	Market risk[b]	Operational risk	Total RWAs
	£bn	£bn	£bn	£bn	£bn
As at 1 January 2014	**255.4**	**60.1**	**72.7**	**54.3**	**442.5**
Book size	**14.4**	**(16.0)**	**(15.8)**		**(17.4)**

Acquisitions and disposals	**(12.9)**	**(0.3)**	**(1.3)**		**(14.5)**
Book quality	**(4.4)**	**(2.1)**	**1.2**		**(5.3)**
Model updates	**6.0**	**3.5**	**(1.0)**	**3.4**	**11.9**
Methodology and policy	**(10.6)**	**1.3**	**(3.6)**		**(12.9)**
Foreign exchange movement[c]	**(0.5)**			**(1.0)**	**(1.5)**
Other	**(3.4)**	**2.6**	**(0.1)**		**(0.9)**
As at 31 December 2014	**244.0**	**49.1**	**52.1**	**56.7**	**401.9**

RWAs decreased £40.6bn to £401.9bn, driven by:

- Book size decreased £17.4bn driven by trading book risk reductions within the Investment Bank and BNC, partially offset by growth in loans and advances to customers in PCB and Barclaycard;
- Acquisitions and disposals decreased £14.5bn primarily driven by BNC disposals. The sale of the Spanish business, completed on 2 January 2015, would decrease RWAs further by £5.0bn;
- Book quality decreased £5.3bn due to improvements in underlying Investment Bank and PCB exposure risk profiles;
- Model updates increased £11.9bn, primarily driven by the implementation of a revised credit risk model for assessing the probability of counterparty default;
- Methodology and policy decreased £12.9bn due to regulatory changes to the treatment of high quality liquid assets; and
- Foreign exchange movements decreased £1.5bn due to the depreciation of ZAR and EUR against GBP, partially offset by the appreciation of USD against GBP.

Notes

a RWAs in relation to default fund contributions are included in counterparty credit risk.
b RWAs in relation to CVA are included in market risk.
c Foreign exchange movement does not include foreign exchange for counterparty credit risk or market risk.

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Leverage ratio requirements

The leverage exposure below has been prepared in line with the PRA s revised Supervisory Statement SS3/13, which requires the exposure measure to be calculated on a BCBS 270 basis and Barclays to meet a 3% end point Tier 1 leverage ratio.

In January 2014, the Basel Committee finalised its revised standards (BCBS 270) for calculating the Basel III leverage ratio. The European Commission is implementing the amendments into the CRR via a delegated act which came into force from January 2015. Barclays does not believe that there is a material difference between the BCBS 270 leverage ratio and a leverage ratio calculated in accordance with the delegated act.

At 31 December 2014, Barclays BCBS 270 leverage ratio was 3.7%, which is in line with the expected minimum end state requirement outlined by the Financial Policy Committee (FPC).

BCBS 270 leverage ratio

Leverage exposure	**As at 31.12.14 £bn**	As at 30.09.14 £bn	As at 30.06.14 £bn
Accounting assets			
Derivative financial instruments	**440**	383	333
Cash collateral	**73**	60	60
Reverse repurchase agreements (SFTs)	**132**	158	172
Loans and advances and other assets	**713**	765	750
Total IFRS assets	**1,358**	**1,366**	**1,315**
Regulatory consolidation adjustments	**(8)**	(8)	(8)
Derivatives adjustments			
Derivatives netting	**(395)**	(345)	(298)
Adjustments to cash collateral	**(53)**	(42)	(31)
Net written credit protection	**27**	28	29
Potential future exposure on derivatives	**179**	195	195
Total derivatives adjustments	**(242)**	**(164)**	**(105)**
Securities financing transactions (SFTs) adjustments	**25**	34	56
Regulatory deductions and other adjustments	**(15)**	(14)	(10)
Weighted off balance sheet commitments	**115**	110	105

Total fully loaded leverage exposure	**1,233**	**1,324**	**1,353**
Fully loaded CET1 capital	**41.5**	42.0	40.8
Fully loaded AT1 capital	**4.6**	4.6	4.6
Fully loaded Tier 1 capital	**46.0**	**46.6**	**45.4**
Fully loaded leverage ratio	**3.7%**	3.5%	3.4%

During Q414 leverage exposures decreased by £91bn to £1,233bn:

- Loans and advances and other assets decreased by £52bn to £713bn primarily due to a seasonal reduction in settlement balances of £28bn, and a £13bn reduction in cash balances.

- SFTs decreased £35bn to £157bn driven by a £26bn reduction in IFRS reverse repurchase agreements and £9bn in SFT adjustments reflecting deleveraging in BNC and a seasonal reduction in trading volumes.

- Total derivative exposures[a] decreased £8bn due to a £16bn reduction in the potential future exposure (PFE), partially offset by an increase in IFRS derivatives and cash collateral.

  PFE on derivatives decreased £16bn to £179bn mainly due to reductions in business activity and optimisations, including trade compressions and tear ups. This was partially offset by an increase relating to sold options driven by a change to the basis of calculation.

  Other derivatives exposures increased £8bn to £92bn driven by an increase in IFRS derivatives of £57bn to £440bn and cash collateral £13bn to £73bn. This was broadly offset by increases in allowable derivatives netting.

Note

a Total derivative exposures include IFRS derivative financial instruments, cash collateral and total derivatives adjustments.

Risk review

Risk performance

Funding risk   Capital

Economic Capital (EC) and its use as part of the ICAAP assessment (Pillar 2)

RWAs are measured based on generic regulatory capital rules that assume all financial institutions have a well diversified portfolio. An alternative approach to measure capital risk is to use an EC calculation approach that takes into consideration firm specific concentrations (e.g. sector, geography, single name), risk exposures and portfolio correlations.

EC is an internal measure of the risk profile of the bank expressed as the estimated stress loss at a 99.98% confidence level. The Group assesses capital requirements by measuring the Group s risk profile using internally developed models. The Group assigns EC primarily within the following risk categories: credit risk, market risk, operational risk, fixed asset risk (mainly property) and pension risk.

The Group regularly reviews its EC methodology and benchmarks outputs to external reference points. The framework uses default probabilities during average credit conditions, rather than those prevailing at the balance sheet date, thus seeking to remove cyclicality from the EC calculation. The EC framework takes into consideration time horizon, correlation of risks and risk concentrations. EC is allocated on a consistent basis across all businesses and risk activities.

UK Firms, as part of Pillar 2 framework, are required to update annually the firm s Internal Capital Adequacy Assessment Process (ICAAP). The information provided by the Group within the ICAAP is used by the PRA/BoE to support the regulator capital solvency review. Requirements for local ICAAPs also exist in a number of jurisdictions in which the Group operates (e.g. South Africa). The Group ICAAP is used to assess Group-wide capital adequacy to cover for all risks to which the Group is exposed.

As part of the Group ICAAP, and in line with PRA/BoE rules, the internal measure of Capital (EC) is used to support the Group s assessment of the appropriateness of capital allocated to each risk type. EC is also used to assess capital adequacy of a number of subsidiaries (as part of Local ICAAPs). Key risks considered as part of the Group and local ICAAPs are:

- **Pillar 1 risks (i.e. Credit, Market and Operational risk):** for which capital requirements are primarily based on the Regulatory Capital framework (IRB and Standardised approaches) and calculated in line with PRA rules set out in GENPRU/BIPRU. Regulatory Capital requirements are then benchmarked against our EC calculations as part of the Group s ICAAP assessment.

¡ **Non-Pillar 1 risks:** for which we have bespoke approaches that are mainly included in the EC framework. Main non-Pillar 1 risks:

Pension risk: the Group does not have ownership of the investments within the pension fund but rather works with the Trustees dedicated investment team to ensure that the risk profile is appropriate and within risk appetite.

Concentration risk (e.g. single name, industry, geography): managed and monitored as part of BAU, mainly through Group risk appetite framework, policy setting, monitoring, stress testing and EC framework. For EC purposes concentration risk is accounted for within each relevant risk type (mainly as part of the Wholesale Credit Risk EC calculation)

Interest Rate Risk in the Banking Book (IRRBB): also called non-traded interest rate risk (included as part of Market Risk in charts below). The Group s objective is to minimise non-traded interest rate risk and this is achieved by transferring IRRBB from the business to Group Treasury, which in turn hedges the net exposure via the Investment Bank with the external market. Limits exist to ensure no material risk is retained within any business/product area.

Spot economic capital allocation by risk type £m[a, b, c]

Spot economic capital allocation by business (£m)[a, b, c]

		2014
1	Africa	**3,000**
2	Barclaycard	**3,950**
3	IB	**5,800**
4	PCB	**7,450**
5	HO (Treasury)	**3,700**
6	Non-Core	**3,000**

Notes

a Figures are rounded to the nearest £50m for presentation purposes.
b

Total period end spot economic capital requirement (including pension risk) as at 31 December 2014 stood at £30,450m (2013: £31,050m).

c Economic capital charts exclude the economic capital calculated for pension risk (spot pension risk as at 31 December 2014 is £3,850m compared with £4,450m in 2013).

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Analysis of liquidity risk

Liquidity risk is the risk that a firm, although solvent, either does not have sufficient financial resources available to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost.

This section details the Group s liquidity risk profile and provides information on the way the Group manages that risk.

Key metrics

124% LCR

The Group strengthened its liquidity position during the year, increasing its surplus to internal and regulatory requirements

£15bn Term Issuance

The Group maintains access to stable and diverse sources of funding across customer deposits and wholesale debt

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Risk performance

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Liquidity risk is the risk that the Group, although solvent, either does not have sufficient financial resources available to meet its obligations as they fall due, or can secure such resources only at excessive cost. This also results in a firm s inability to meet regulatory liquidity requirements. This risk is inherent in all banking operations and can be affected by a range of Group-specific and market-wide events.

All disclosures in this section (pages 192 to 208) are unaudited and exclude BAGL unless otherwise stated

Overview

The Group has a comprehensive Key Risk Control Framework for Liquidity Risk (the Liquidity Framework) for managing the Group s liquidity risk. The Liquidity Framework meets the PRA s standards and is designed to ensure the Group maintains 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.

Liquidity risk is managed separately at Barclays Africa Group Limited (BAGL) due to local currency and funding requirements. Unless stated otherwise, all disclosures in this section exclude BAGL and they are reported on a stand-alone basis. Adjusting for local requirements, BAGL liquidity risk is managed on a consistent basis to the Group.

This section provides an analysis of the Group s: i) liquidity risk stress testing, ii) internal and regulatory stress tests, iii) liquidity pool, iv) funding structure and funding relationships, v) wholesale funding, vi) term financing, vii) encumbrance, viii) repurchase agreements, ix) credit ratings, x) liquidity management at BAGL and xi) contractual maturity of financial assets and liabilities.

For further detail on liquidity risk governance and framework see page 134.

Summary of performance in the period

During 2014, the Group strengthened its liquidity position, building a larger surplus to its Liquidity Risk Appetite. This positions the Group well for potential rating changes as credit rating agencies assess sovereign support in

Barclays Bank PLC s credit ratings. This resulted in an increase in the Group liquidity pool to £149bn (2013: £127bn). The estimated CRD IV Liquidity Coverage Ratio (LCR) increased to 124% (2013: 96%), equivalent to a surplus of £30bn (2013: shortfall of £6bn).

The Group funding profile remains stable and well diversified. Wholesale funding outstanding (excluding repurchase agreements) was £171bn (2013: £186bn). The Group was active in wholesale unsecured, secured and debt capital markets, issuing £15bn (2013: £1bn) net of early redemptions.

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 key expression of the liquidity risk is through internal stress tests. It is measured with reference to the liquidity pool compared to anticipated stressed net contractual and contingent outflows for each of three stress scenarios.

Liquidity Risk Appetite

As part of the LRA, the Group runs three primary liquidity stress scenarios, aligned to the PRA s prescribed stresses:

¡ A 90-day market-wide stress event;

¡ A 30-day Barclays-specific stress event; and

¡ A combined 30-day market-wide and Barclays-specific stress event.

Under normal market conditions, the liquidity pool is managed to be at a target of at least 100% of anticipated outflows under each of these stress scenarios. The 30-day Barclays-specific stress scenario, results in the greatest net outflows of each of the liquidity stress tests. The combined 30-day scenario assumes outflows consistent with a firm-specific stress for the first two weeks of the stress period, followed by relatively lower outflows consistent with a market-wide stress for the remainder of the stress period.

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Key LRA assumptions include:

For the year ended 31 December 2014

Liquidity risk driver	Barclays specific stress
Wholesale unsecured funding	¡ Zero rollover of wholesale deposits, senior unsecured debt and conduit commercial paper ¡ Prime brokerage: 100% withdrawal of non-segregated client excess (cash and independent amount)
Wholesale secured funding	¡ Zero rollover of trades secured on less-liquid collateral ¡ Rollover of trades secured on highly-liquid collateral, subject to haircut widening
Deposit outflow	¡ Substantial deposit outflows in PCB and Barclaycard as the Group is seen as greater credit risk than competitors
Funding concentration	¡ Additional outflows recognised against concentration of providers of wholesale secured financing
Intra-day liquidity	¡ Anticipated liquidity required to support intra-day requirements at payment and settlement systems
Intra-group	¡ Anticipated liquidity required to support material subsidiaries, based on stand-alone stress tests. Excess liquidity held within certain subsidiaries not available to the wider Group
Off-balance sheet	¡ Drawdown on committed facilities based on facility type, counterparty type and counterparty creditworthiness ¡ Outflow of all collateral owed to counterparties but not yet called

	¡ Collateral outflows contingent upon a multi-notch credit rating downgrade of Barclays Bank PLC
	¡ Variation margin posting requirement on collateralised derivatives
	¡ Increase in the Group s initial margin requirement across all major exchange
Franchise viability	¡ Liquidity required in order to meet outflows that are non-contractual in nature but necessary in order to support the Group s ongoing franchise (for example, market-making activities)
Cross currency risk	¡ Net liquidity flows at maturity for FX forwards and cross currency swaps evaluated at current FX rate
	¡ Haircuts are applied to inflows on non-G10 FX markets to restrict reliance
Mitigating actions	¡ Monetisation of unencumbered assets that are of known liquidity value to the firm but held outside the liquidity pool (subject to haircut/valuation adjustment)

Liquidity regulation

The Group has reported its liquidity position against Individual Liquidity Guidance (ILG) provided by the PRA. The PRA defines both eligible liquidity pool assets and stress outflows against reported balances.

The Group also monitors its position against the CRD IV Liquidity Coverage Ratio (LCR) and the Basel III Net Stable Funding Ratio (NSFR). The LCR is designed to promote short-term resilience of a bank s liquidity risk profile by ensuring that it has sufficient high quality liquid resources to survive an acute stress scenario lasting for 30 days. The NSFR has a time horizon of at least six months and has been developed to promote a sustainable maturity structure of assets and liabilities.

In October 2014, the European Commission published a final Delegated Act for the LCR under the European CRD IV regime. The CRD IV requires phased compliance with the LCR standard from 1 October 2015 at a minimum of 60% increasing to 100% by January 2018. The methodology for estimating the LCR is based off the final published Delegated Act which becomes EU law in October 2015. The PRA released a consultation paper in November 2014 setting out the proposed new regime, requiring 80% compliance with the LCR standard from 1 October 2015.

In October 2014, the BCBS published a final standard for the NSFR with the minimum requirement to be introduced in January 2018 at 100%. The methodology for calculating the NSFR is based on an interpretation of the Basel standards published in October 2014 and includes a number of assumptions which are subject to change prior to adoption by the European Commission through the CRD IV.

Based on the CRD IV and Basel III standards respectively, as at 31 December 2014, the Group had a surplus to both of these metrics with an estimated CRD IV LCR of 124% (2013: 96%) and an estimated Basel III NSFR of 102% (2013: 94%).

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Comparing internal and regulatory liquidity stress tests

The LRA stress scenarios, the PRA ILG and the CRD IV LCR are all broadly comparable short term stress scenarios in which the adequacy of defined liquidity resources is assessed against contractual and contingent stress outflows. The PRA ILG and the CRD IV LCR stress tests provide an independent assessment of the Group s liquidity risk profile.

Stress Test	Barclays LRA	PRA ILG	CRD IV LCR	Basel III NSFR
Time Horizon	30 90 days	3 months	30 days	6+ months
Calculation	Liquid assets to net cash outflows	Liquid assets to net cash outflows	Liquid assets to net cash outflows	Stable funding resources to stable funding requirements

As at 31 December 2014, the Group held eligible liquid assets in excess of 100% of stress requirements for all three LRA scenarios and the CRD IV LCR requirement.

Compliance with internal and regulatory stress tests

As at 31 December 2014	Barclays LRA (one-month Barclays-specific requirement)[a] £bn	Estimated CRD IV LCR £bn
Total eligible liquidity pool	**149**	**153**
Asset inflows	**7**	**20**
Stress outflows		
Retail and commercial deposit outflows	**(49)**	**(71)**
Wholesale funding	**(26)**	**(17)**
Net secured funding	**(12)**	**(6)**
Derivatives	**(7)**	**(10)**

Contractual credit rating downgrade exposure	**(13)**	**(13)**
Drawdowns of loan commitments	**(8)**	**(26)**
Intraday	**(12)**	
Total stress net cash flows	**(120)**	**(123)**
Surplus	**29**	**30**
Liquidity pool as a percentage of anticipated net cash flows	**124%**	**124%**
As at 31 December 2013	104%	96%

During 2014, the Group strengthened its liquidity position, building a larger surplus to its internal and regulatory requirements. This positions the Group well for potential rating changes as credit rating agencies assess sovereign support in Barclays Bank PLC credit ratings. The Group plans to maintain its surplus to the internal and regulatory stress requirements at an efficient level, while considering risks to market funding conditions and its liquidity position. The continuous reassessment of these risks may lead to appropriate actions being taken with respect to sizing of the liquidity pool.

Note

a Of the three stress scenarios monitored as part of the LRA, the 30-day Barclays-specific scenario results in the lowest ratio at 124% (2013: 104%). This compares to 135% (2013: 127%) under the 90-day market-wide scenario, and 127% (2013: 112%) under the 30-day combined scenario.

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Liquidity pool

The Group liquidity pool as at 31 December 2014 was £149bn (2013: £127bn). During 2014, the month end liquidity pool ranged from £134bn to £156bn (2013: £127bn to £157bn), and the month end average balance was £145bn (2013: £144bn). The liquidity pool is held unencumbered and is not used to support payment or clearing requirements. Such requirements are treated as part of our regular business funding. The liquidity pool is intended to offset stress outflows, and comprises the following cash and unencumbered assets.

Composition of the Group liquidity pool as at 31 December 2014

			Liquidity pool of which CRD IV LCR eligible[b]		
	Liquidity pool	Liquidity pool of which PRA eligible[a]	Level 1	Level 2A	2013 Liquidity pool
	£bn	£bn	£bn	£bn	
Cash and deposits with central banks[c]	**37**	**36**	**34**	**2**	43
Government bonds[d]					
AAA rated	**73**	**72**	**73**		52
AA+ to AA- rated	**12**	**11**	**12**		9
Other government bonds					1
Total government bonds	**85**	**83**	**85**		62
Other					
Supranational bonds and multilateral development banks	**9**	**3**	**9**		3
Agencies and agency mortgage-backed securities	**11**		**5**	**5**	10
Covered bonds (rated AA- and above)	**3**		**3**		6
Other	**4**				3
Total Other	**27**	**3**	**17**	**5**	22
Total as at 31 December 2014	**149**	**122**	**136**	**7**	
Total as at 31 December 2013	127	104	109	11	

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	EUR	GBP	Other	Total
	£bn	£bn	£bn	£bn	£bn
Liquidity pool as at 31 December 2014	**46**	**27**	**54**	**22**	**149**
Liquidity pool as at 31 December 2013	31	32	38	26	127

Management of the Group liquidity pool

The composition of the Group liquidity pool is efficiently managed. The maintenance of the liquidity pool increases the Group s costs as the interest expense paid on the liabilities used to fund the liquidity pool is greater than the interest income received on liquidity pool assets. This cost can be reduced by investing a greater portion of the Group liquidity pool in highly liquid assets other than cash and deposits with central banks. These assets primarily comprise highly rated government bonds, and their inclusion in the liquidity pool does not compromise the liquidity position of the Group.

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

The Group manages the liquidity pool on a centralised basis. As at 31 December 2014, 92% of the liquidity pool was located in Barclays Bank PLC (2013: 90%) and was available to meet liquidity needs across the Group. The residual liquidity pool is held predominantly within Barclays Capital Inc. (BCI). The portion of the liquidity pool outside of Barclays Bank PLC is held against entity-specific stressed outflows and regulatory requirements. To the extent the use of this portion of the liquidity pool is restricted due to regulatory requirements, it is assumed to be unavailable to the rest of the Group.

Notes

a £122bn of the liquidity pool is PRA eligible as per BIPRU 12.7. In addition, there are £12bn of Level 2 assets available, as per PRA s announcement in August 2013 that certain assets specified by PRA as Level 2 assets can be used on a transitional basis.

b The LCR-eligible assets presented in this table represent only those assets which are also eligible for the Group liquidity pool and do not include any Level 2B assets as defined by CRD IV.

c Of which over 95% (2013: over 95%) was placed with the Bank of England, US Federal Reserve, European Central Bank, Bank of Japan and Swiss National Bank.

d Of which over 95% (2013: over 85%) are comprised of UK, US, Japanese, French, German, Danish, Swiss and Dutch securities.

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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 use as collateral for secured funding or through outright sale.

In either a Barclays-specific or market-wide liquidity stress, liquidity available via market sources could be severely disrupted. In circumstances where market liquidity is unavailable or available only at heavily discounted prices, the Group could generate liquidity via central bank facilities. The Group maintains a significant amount of collateral pre-positioned at central banks and available to raise funding.

For more detail on the Group s other unencumbered assets see page 200.

Funding structure and funding relationships

The basis for sound liquidity risk management is a solid funding structure that reduces the probability of a liquidity stress leading to an inability to meet funding obligations as they fall due. The Group s overall funding strategy is to develop a diversified funding base (both geographically and by type) 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 commercial customer loans and advances are largely funded by customer deposits, with the surplus funding the liquidity pool. Other assets, together with other loans and advances, and unencumbered assets are funded by long-term wholesale debt and equity.

The majority of reverse repurchase agreements are matched by repurchase agreements. The liquidity pool is predominantly funded through wholesale markets. These funding relationships are summarised below:

Funding relationships

	2014	2013		2014	2013
Assets[a]	**£bn**	£bn	**Liabilities**[a]	**£bn**	£bn
Loans and advances to customers[b]	**346**	358	Customer accounts[b]	**366**	368
			< 1 Year wholesale funding	**75**	82

Group liquidity pool	**149**	127	> 1 Year wholesale funding	**96**	103
Other assets	**153**	170	Equity and other liabilities	**112**	106
Reverse repurchase agreements and other similar secured lending[c]	**271**	340	Repurchase agreements and other similar secured borrowing[c]	**271**	340
Derivative financial instruments	**439**	349	Derivative financial instruments	**438**	345
Total assets	**1,358**	1,344	Total liabilities and equity	**1,358**	1,344

Deposit funding (including BAGL) (audited)

Funding of loans and advances to customers	2014 Loans and advances to customers	Customer deposits	Loan to deposit ratio	2013 Loan to deposit ratio
As at 31 December 2014	**£bn**	**£bn**	**%**	%
Personal and Corporate Banking	**217**	**299**		
Barclaycard	**37**	**7**		
Africa Banking	**35**	**35**		
Non-Core retail	**20**	**8**		
Total retail funding	**309**	**349**	**89**	91
Investment Bank, Non-Core wholesale and Other	**119**	**79**		
Total	**428**	**428**	**100**	101

Notes

a BAGL Group balances other than customer loans and advances of £35bn and customer deposits of £35bn are included in other assets and liabilities.

b Excluding cash collateral and settlement balances.

c Comprised of reverse repurchase agreements that provide financing to customers collateralised by liquid securities on a short-term basis or are used to settle short-term inventory positions; repo financing of trading portfolio assets and matched cash collateral and settlement balances.

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PCB, Barclaycard, Non-Core (retail) and Africa Banking activities are largely funded with customer deposits. As at 31 December 2014, the loan to deposit ratio for these businesses was 89% (2013: 91%). The Group loan to deposit ratio as at 31 December 2014 was 100% (2013: 101%).

The excess of the Investment Bank s loans and advances over customer deposits is funded with long-term debt and equity. The Investment Bank does not rely on customer deposit funding from PCB.

As at 31 December 2014, £128bn (2013: £122bn) of total customer deposits were insured through the UK Financial Services Compensation Scheme (FSCS) and other similar schemes. In addition to these customer deposits, there were £4bn (2013: £3bn) of other liabilities insured by governments.

Although, contractually, current accounts are repayable on demand and savings accounts at short notice, the Group s broad base of customers numerically and by depositor type helps protect against unexpected fluctuations in balances. Such accounts form a stable funding base for the Group s operations and liquidity needs. The Group models the behaviour of both assets and liabilities to assess balance sheet funding gaps. The behavioural modelling approach reflects the forward-looking macroeconomic outlook and captures customer roll-over and optionality behaviour within a given asset or liability product. These behavioural maturities are used to determine funds transfer pricing interest rates at which businesses are rewarded and charged for sources and uses of funds.

Behavioural Maturity Profile (including BAGL)

				Behavioural maturity profile cash outflow/(inflow)			
	Loans and advances to customers	Customer deposits	Customer funding surplus/ (deficit)	Not more than one year	Over one year but not more than five years	More than five years	Total
As at 31 December 2014	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Personal and Corporate Banking	217	299	82	19	3	60	82
Barclaycard	37	7	(30)	(10)	(10)	(10)	(30)
Africa Banking	35	35		2	(2)		
Non-Core (Retail)	20	8	(12)		(2)	(10)	(12)

Total	**309**	**349**	**40**	**11**	**(11)**	**40**	**40**
As at 31 December 2013							
Personal and Corporate Banking	213	296	83	28	(10)	65	83
Barclaycard	32	5	(27)	(8)	(8)	(11)	(27)
Africa Banking	31	28	(3)	(1)	(2)		(3)
Non-Core (Retail)	42	17	(25)	1	(9)	(17)	(25)
Total	318	346	28	20	(29)	37	28

Each product has an associated behavioural profile, used in funds transfer pricing. These behavioural profiles represent our forward-looking expectation of the run-off profile of the given product based upon historical experience, current customer composition, and macroeconomic projections. The relatively low cash outflow within one year demonstrates that customer funding remains broadly matched from a behavioural perspective.

Wholesale funding

Wholesale funding relationships are summarised below:

	2014	2013		**2014**	2013
Assets	**£bn**	£bn	**Liabilities**	**£bn**	£bn
Trading portfolio assets	**37**	63	Repurchase agreements	**124**	196
Reverse repurchase agreements	**87**	133			
Reverse repurchase agreements	**45**	53	Trading portfolio liabilities	**45**	53
Derivative financial instruments	**440**	350	Derivative financial instruments	**439**	347
Liquidity pool	**109**	96	Less than 1 year wholesale debt	**75**	82
Other assets[a]	**122**	146	Greater than 1 year wholesale debt and equity	**157**	164

Repurchase agreements fund reverse repurchase agreements and trading portfolio assets. Trading portfolio liabilities are settled by the remainder of reverse repurchase agreements (see Note 19 Offsetting financial assets and financial liabilities for further detail on netting).

Derivative assets and liabilities are largely matched. A substantial proportion of balance sheet derivative positions qualify for counterparty netting and the remaining portions are largely offset once netted against cash collateral received and paid.

Wholesale debt, along with the surplus of customer deposits to loans and advances to customers, is used to fund the liquidity pool. Term wholesale debt and equity largely fund other assets.

Note

a

Predominantly available for sale investments, trading portfolio assets, financial assets designated at fair value and loans and advances to banks funded by greater than one-year wholesale debt and equity.

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Composition of wholesale funding

The Group maintains access to a variety of sources of wholesale funds in major currencies, including those available from term investors across a number of distribution channels and geographies, money markets, and repo markets. The Group has direct access to US, European and Asian capital markets through its global investment banking operations and long-term investors through its clients worldwide, and is an active participant in money markets. As a result, wholesale funding is well diversified by product, maturity, geography and major currency.

As at 31 December 2014, total wholesale funding outstanding (excluding repurchase agreements) was £171bn (2013: £186bn). £75bn (2013: £82bn) of wholesale funding matures in less than one year, of which £22bn (2013: £23bn)[a] relates to term funding. £96bn (2013: £104bn) of wholesale funding had a residual maturity of over one year.

As at 31 December 2014, outstanding wholesale funding comprised £33bn (2013: £35bn) of secured funding and £138bn (2013: £151bn) of unsecured funding.

In preparation for a Single Point of Entry resolution model, the Group has started to issue debt capital and term senior unsecured funding out of Barclays PLC, the holding company. The Group expects to refinance most debt capital and term senior unsecured debt out of Barclays PLC over time.

Maturity profile of wholesale funding[b]

	Not more than one month £bn	Over one month but not more than three months £bn	Over three months but not more than six months £bn	Over six months but not more than nine months £bn	Over nine months but not more than one year £bn	Sub-total less than one year £bn	Over one year but not more than two years £bn	Over two years but not more than five years £bn	More than five years £bn	Tot £b
rclays .C										
nior secured iblic nchmark)								1.3	0.8	2.
									0.8	0.

bordinated bilities										
rclays nk PLC										
posits from nks	**9.2**	**5.7**	**0.9**	**0.5**	**0.3**	**16.6**	**0.2**	**0.1**	**0.2**	**17.**
rtificates of posit and mmercial per	**0.8**	**5.6**	**7.8**	**6.0**	**4.0**	**24.2**	**0.6**	**2.0**	**0.6**	**27.**
set backed mmercial per	**1.0**	**4.4**	**0.2**			**5.6**				**5.**
nior secured ublic nchmark)		**2.0**	**0.7**	**1.1**		**3.8**	**2.7**	**7.9**	**5.1**	**19.**
nior secured rivately ced)[c]	**0.6**	**1.8**	**3.3**	**3.8**	**2.0**	**11.5**	**7.2**	**13.3**	**12.6**	**44.**
vered nds/ABS	**2.7**	**2.0**	**0.7**	**1.6**	**0.2**	**7.2**	**2.2**	**7.5**	**6.0**	**22.**
bordinated bilities		**0.1**				**0.1**		**2.9**	**16.7**	**19.**
her[d]	**2.5**	**1.6**	**0.8**	**0.5**	**1.0**	**6.4**	**1.1**	**1.6**	**2.6**	**11.**
tal as at December 14	**16.8**	**23.2**	**14.4**	**13.5**	**7.5**	**75.4**	**14.0**	**36.6**	**45.4**	**171.**
which cured	**5.3**	**7.8**	**1.7**	**1.9**	**0.3**	**17.0**	**2.7**	**7.6**	**6.0**	**33.**
which secured	**11.5**	**15.4**	**12.7**	**11.6**	**7.2**	**58.4**	**11.3**	**29.0**	**39.4**	**138.**
tal as at December 13	20.3	24.0	15.5	15.9	6.3	82.0	27.1	33.8	42.6	185
which cured	4.6	3.7	1.4	3.5	0.7	13.9	7.3	6.5	7.2	34
which secured	15.7	20.3	14.1	12.4	5.6	68.1	19.8	27.3	35.4	150

Outstanding wholesale funding includes £45bn (2013: £50bn) of privately placed senior unsecured notes in issue. These notes are issued through a variety of distribution channels including intermediaries and private banks. Although not a requirement, the liquidity pool exceeded wholesale funding maturing in less than one year by £74bn (2013: £45bn).

The average maturity of wholesale funding net of the liquidity pool was at least 105 months (2013: 69 months).

Notes

a Term funding maturities comprise public benchmark and privately placed senior unsecured notes, covered bonds/asset-backed securities (ABS) and subordinated debt where the original maturity of the instrument was more

than one year.

b The composition of wholesale funds comprises the balance sheet reported deposits from banks, financial liabilities at fair value, debt securities in issue and subordinated liabilities, excluding cash collateral and settlement balances. It does not include collateral swaps, including participation in the Bank of England s Funding for Lending Scheme. Included within deposits from banks are £1bn of liabilities drawn in the European Central Bank s 3 year LTRO.

c Includes structured notes of £35bn, £9bn of which mature within one year.

d Primarily comprised of fair value deposits (£5bn) and secured financing of physical gold (£5bn).

Currency composition of wholesale debt

As at 31 December 2014, the proportion of wholesale funding by major currencies was as follows:

Currency composition of wholesale funding

	USD	EUR	GBP	Other
	%	%	%	%
Deposits from banks	**20**	**28**	**46**	**6**
Certificates of deposits and commercial paper	**45**	**44**	**10**	**1**
Asset backed commercial paper	**89**	**8**	**3**	
Senior unsecured	**39**	**30**	**12**	**19**
Covered bonds/ABS	**26**	**47**	**27**	
Subordinated liabilities	**40**	**19**	**41**	
Total as at 31 December 2014	**35**	**32**	**25**	**8**
Total as at 31 December 2013	35	36	19	10

To manage cross-currency refinancing risk the Group manages to foreign exchange cash flow limits, which limit risk at specific maturities. Across wholesale funding, the composition of wholesale funding is materially unchanged.

Term financing

The Group issued £15bn (2013: £1bn) of term funding net of early redemptions during 2014. In addition, the Group raised £6bn through participation in the Bank of England s Funding for Lending Scheme. The Group has £23bn of term debt maturing in 2015 and £13bn maturing in 2016[a].

The Group expects to continue issuing public wholesale debt in 2015, in order to maintain a stable and diverse funding base by type, currency and distribution channel.

Encumbrance

Asset encumbrance arises from collateral pledged against secured funding and other collateralised obligations. Barclays funds a portion of trading portfolio assets and other securities via repurchase agreements and other similar borrowing, and pledges a portion of customer loans and advances as collateral in securitisation, covered bond and other similar secured structures. Barclays monitors the mix of secured and unsecured funding sources within the Group s funding plan and seeks to efficiently utilise available collateral to raise secured funding and meet other collateralised obligations.

As at 31 December 2014, £208bn (2013: £202bn) of the Group s assets were encumbered, which primarily related to firm financing of trading portfolio assets and other securities, cash collateral and secured funding against loans and

advances to customers. Encumbered assets have been identified in a manner consistent with the Group s reporting requirements under European Capital Requirements Regulation (CRR). Securities and commodities assets are considered encumbered when they have been pledged or used to secure, collateralise or credit enhance a transaction which impacts their transferability and free use. The 2013 balances have been revised to align with the CRR reporting.

In addition, £313bn (2013: £356bn) of the total £396bn (2013: £428bn) securities accepted as collateral, and held off-balance sheet, were on-pledged, the significant majority of which related to matched-book activity where reverse repurchase agreements and off balance sheet stock borrows are matched by repurchase agreements and off balance sheet stock loans entered into to facilitate client activity. The remainder primarily relates to reverse repurchases used to settle trading portfolio liabilities, stock lending or other similar secured borrowing as well as collateral posted against derivatives margin requirements.

As at 31 December 2014, £333bn (2013: £331bn) of assets were identified as readily available. These consist of on and off-balance sheet assets that have not been identified as encumbered and are in transferable form. They include cash and securities held in the Group liquidity pool as well as additional unencumbered assets which provide a source of contingent liquidity. While these additional assets are not relied upon to meet the Group s liquidity stress testing requirements, a portion of these assets may be monetised in a stress to generate liquidity through use as collateral for secured funding or through outright sale. Loans and advances to customers are only classified as readily available if they are already in a form such that they can be used to raise funding without further management actions. This includes excess collateral already in secured funding vehicles and collateral pre-positioned at central banks and available for use in secured financing transactions.

As at 31 December 2014, £212bn (2013: £217bn) of assets were identified as available as collateral. These assets are not subject to any restrictions on their ability to secure funding, be offered as collateral, or sold to reduce potential future funding requirements, but are not immediately available in the normal course of business in their current form. They primarily consist of loans and advances a proportion of which would be suitable for use in secured funding structures but are conservatively classified as not readily available because they are not currently in transferable form.

Not available collateral consist of assets that cannot be pledged or used as security for funding due to restrictions that prevent their pledge or use as security for funding in the normal course of business.

Derivatives and reverse repurchase agreement assets relate specifically to reverse repurchase agreements, derivatives and other similar secured lending. These are shown separately as these on-balance sheet assets cannot be pledged. However, these assets can give rise to the receipt of non-cash assets which are not recognised on the balance sheet, but can be used to raise secured funding or meet additional funding requirements.

Note

a Includes £1bn of bilateral secured funding in 2015 and £1bn in 2016.

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Risk review

Risk performance

Funding risk Liquidity

Asset encumbrance

On-balance sheet		Encumbered assets	Unencumbered assets		Unencumbered cannot be pledged as collateral	
As at 31 December 2014	Assets[a] £bn	Assets pledged as collateral £bn	Readily available assets £bn	Available as collateral £bn	Not available as collateral £bn	Derivatives and reverse repurchase agreements £bn
Cash and balances at central banks	37.8		37.8			
Trading portfolio assets	111.9	50.7	61.2			
Financial assets at fair value	34.2	2.3	3.5	20.7	2.5	5.2
Derivative financial instruments	438.6					438.6
Loans and advances banks[b]	19.5		8.6	9.2	1.7	
Loans and advances customers[b]	311.1	67.3	71.4	172.4		
Cash collateral and settlement balances	103.4	72.6			30.8	
Available for sale financial investments	82.0	9.3	70.0	0.5	2.2	
Reverse repurchase agreements	131.7					131.7
Non current assets held for sale	15.6	6.0	0.2	8.9	0.5	
Other assets	18.8				18.8	
Total on-balance sheet	1,304.6	208.2	252.7	211.7	56.5	575.5

Off-balance sheet

	Collateral received		Unencumbered assets		Unencumbered cannot be pledged as collateral
	Collateral received £bn	of which on-pledged £bn	Readily available assets £bn	Available as collateral £bn	Not available as collateral £bn

Fair value of securities accepted as collateral	**395.7**	**313.0**	**79.9**		**2.8**
Total unencumbered collateral			**332.6**	**211.7**	**59.3**

Notes

a The amounts included in the table are for the Group excluding BAGL. The assets relating to BAGL amount to £55.4bn (2013: £53bn), of which nil are encumbered assets (2013: nil). Securities received as collateral by BAGL of £0.7bn have also been excluded (2013: £0.7bn).
b Excluding cash collateral and settlement balances.

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Asset encumbrance

On-balance sheet

As at 31 December 2013	Assets[a] £bn	Encumbered assets: Assets pledged as collateral £bn	Unencumbered assets: Readily available assets £bn	Unencumbered assets: Available as collateral £bn	Unencumbered cannot be pledged as collateral: Not available as collateral £bn	Unencumbered cannot be pledged as collateral: Derivatives and reverse repurchase agreements £bn
Cash and balances at central banks	43.8		43.8			
Trading portfolio assets	130.6	69.9	60.7			
Financial assets at fair value	36.6	0.6	8.8	21.0	0.9	5.3
Derivative financial instruments	348.7					348.7
Loans and advances banks[b]	16.6		5.6	4.0	7.0	
Loans and advances customers[b]	324.7	66.8	66.1	191.8		
Cash collateral and settlement balances	96.7	56.0			40.7	
Available for sale financial investments	86.8	9.1	73.9	0.5	3.3	
Reverse repurchase agreements	186.8					186.8
Other financial assets	20.2				20.2	
Total on-balance sheet	1,291.5	202.4	258.9	217.3	72.1	540.8

Off-balance sheet

	Collateral received £bn	Collateral received of which on-pledged £bn	Unencumbered assets: Readily available assets £bn	Unencumbered assets: Available as collateral £bn	Unencumbered cannot be pledged as collateral: Not available as collateral £bn
Fair value of securities accepted as collateral	428.3	356.0	72.3		1.5
Total unencumbered collateral			331.2	217.3	73.6

Notes

a The amounts included in the table are for the Group excluding BAGL. The assets relating to BAGL amount to £55.4bn (2013: £53bn), of which nil are encumbered assets (2013: nil). Securities received as collateral by BAGL of £0.7bn have also been excluded (2013: £0.7bn).
b Excluding cash collateral and settlement balances.

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Risk review

Risk performance

Funding risk   Liquidity

Repurchase agreements and reverse repurchase agreements

The Group enters into repurchase and other similar secured borrowing agreements to finance its trading portfolio assets. The majority of reverse repurchase agreements are matched by offsetting repurchase agreements entered into to facilitate client activity. The remainder are used to settle trading portfolio liabilities.

Due to the high quality of collateral provided against secured financing transactions, the liquidity risk associated with this activity is significantly lower than unsecured financing transactions. Nonetheless, the Group manages to gross and net secured mismatch limits to limit refinancing risk under a severe stress scenario and a portion of the Group s liquidity pool is held against stress outflows on these positions. The Group secured mismatch limits are calibrated based on market capacity, liquidity characteristics of the collateral and risk appetite of the Group.

The cash value of repurchase and reverse repurchase transactions will typically differ from the market value of the collateral against which these transactions are secured by an amount referred to as a haircut (or over-collateralisation). Typical haircut levels vary depending on the quality of the collateral that underlies these transactions. For transactions secured against highly liquid collaterala, lenders demand relatively small haircuts (typically ranging from 0-2%). For transactions secured against less liquid collateral, haircuts vary by asset class (typically ranging from 5-10% for corporate bonds and other less liquid collateral).

As at 31 December 2014, the significant majority of repurchase activity related to matched-book activity. The Group may face refinancing risk on the net maturity mismatch for matched-book activity. 66% (2013: 76%) of matched-book activity is against highly liquid collateral. Where less liquid collateral is used, net repurchase refinancing requirements are managed to longer tenors.

Net matched-book activity[a,b]

Negative number represents net repurchase agreement (net liability)	Less than one month £bn	One month to three months £bn	Over three months £bn
As at 31 December 2014			
Highly liquid	**(8.9)**	**6.3**	**2.6**
Less liquid	**10.0**	**(2.2)**	**(7.8)**
Total	**1.1**	**4.1**	**(5.2)**
As at 31 December 2013			
Highly liquid	(8.9)	2.3	6.6
Less liquid	4.3	(0.1)	(4.2)

Total	(4.6)	2.2	2.4

The residual repurchase agreement activity is the firm-financing component and reflects the Group funding of a portion of its trading portfolio assets. The primary risk related to firm-financing activity is the inability to roll-over transactions as they mature. However, 54% (2013: 63%) of firm-financing activity was secured against highly liquid assets, and the weighted average maturity of firm-financing activity secured against less liquid assets was 56 days (2013: 69 days).

Firm-financing repurchase agreements[a, b]

As at 31 December 2014	Less than one month £bn	One month to three months £bn	Over three months £bn	Total £bn
Highly liquid	**33.4**	**4.1**	**2.2**	**39.7**
Less liquid	**19.0**	**6.6**	**8.0**	**33.6**
Total	**52.4**	**10.7**	**10.2**	**73.3**
As at 31st December 2013				
Highly liquid	42.8	7.9	2.9	53.6
Less liquid	20.7	2.9	7.8	31.4
Total	63.5	10.8	10.7	85.0

Notes

a Highly liquid assets include government bonds, agency securities and agency mortgage-backed securities. Less liquid assets include asset-backed securities, corporate bonds, equities and other.
b Includes collateral swaps.

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Credit ratings

In addition to monitoring and managing key metrics related to the financial strength of the Group, we also subscribe to independent credit rating agency reviews by Standard & Poor s, Moody s, Fitch and DBRS. 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, liquidity, accounting and governance.

Credit ratings[a]

As at 31 December 2014	Standard & Poor s	Moody s	Fitch	DBRS
Barclays Bank PLC				
Long-term	A (Negative)	A2 (Negative)	A (Stable)	AA (Low) (Stable)
Short-term	A-1	P-1	F1	R-1 (mid) (Stable)
Stand-alone rating	bbb+	C- (Stable)	a	A (high) (Stable)
Barclays PLC				
Long-term	A- (Negative)	A3 (Negative)	A (Stable)	n/a
Short-term	A-2	P-2	F1	n/a

The credit ratings of most financial institutions, including Barclays benefit from sovereign support notches to reflect the historic propensity for governments to support systemically important banks. As regulation has evolved, credit rating agencies have communicated their intention to remove part or all of this support over time.

In line with this intent, on 3 February 2015, S&P took action to remove the government support notches from certain UK and Swiss bank non-operating holding companies, including Barclays PLC, the holding company of Barclays Bank PLC. This resulted in a downgrade of Barclays PLC by two notches to BBB/A-2 with stable outlook as they believe the prospect of extraordinary government support to its senior creditors is now unlikely. S&P also placed the long-term and short-term ratings of most UK, German and Austrian bank operating companies, including Barclays Bank PLC (A/A-1) and its subsidiaries and branches, the counterparties for customer and client relationships on Credit Watch with negative implications as they assess how the legislative bail-in powers may operate for bank operating companies in practice.

A credit rating downgrade could result in contractual outflows to meet collateral requirements on existing contracts. Outflows related to a multiple-notch credit rating downgrade 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 increased costs or reduced capacity to raise funding.

The table below shows contractual collateral requirements following one- and two-notch long-term and associated short-term simultaneous downgrades across all credit rating agencies, which are fully reserved for in the liquidity

pool. These numbers do not assume any management or restructuring actions that could be taken to reduce posting requirements. These outflows do not include the potential liquidity impact from loss of unsecured funding, such as from money market funds, or loss of secured funding capacity. However, unsecured and secured funding stresses are included in the LRA stress scenarios and a portion of the liquidity pool is held against these risks.

Contractual credit rating downgrade exposure (cumulative cash flow)

	Cumulative cash outflow	
As at 31 December 2014	**One-notch downgrade £bn**	**Two-notch downgrade £bn**
Securitisation derivatives	**5**	**6**
Contingent liabilities	**8**	**8**
Derivatives margining		**1**
Liquidity facilities	**1**	**2**
Total contractual funding or margin requirements	**14**	**17**
As at 31 December 2013		
Securitisation derivatives	7	8
Contingent liabilities	6	6
Derivatives margining		1
Liquidity facilities	1	2
Total contractual funding or margin requirements	14	17

Note

a Refers to Standard & Poor s Stand-Alone Credit Profile (SACP), Moody s Bank Financial Strength Ratio (BFSR)/Baseline Credit Assessment (BCA), Fitch Viability Rating (VR) and DBRS Intrinsic Assessment (IA).

Liquidity management at BAGL Group (audited)

Liquidity risk is managed separately at BAGL Group due to local currency, funding and regulatory requirements.

In addition to the Group liquidity pool, as at 31 December 2014, BAGL Group held £7bn (2013: £4bn) of liquidity pool assets against BAGL-specific anticipated stressed outflows. The liquidity pool consists of South African government bonds and Treasury bills.

The BAGL loan to deposit ratio as at 31 December 2014 was 102% (2013: 103%).

As at 31 December 2014, BAGL had £9bn of wholesale funding outstanding (2013: £9bn), of which £5bn matures in less than 12 months (2013: £6bn).

Additional information on liquidity management at BAGL can be found in the Barclays Africa Group Annual Report.

Contractual maturity of financial assets and liabilities (audited)

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.

Financial assets designated at fair value in respect of linked liabilities to customers under investment contracts have been included in other assets and other liabilities as the Group is not exposed to liquidity risk arising from them; any request for funds from creditors would be met by simultaneously liquidating or transferring the related investment.

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tractual maturity of financial assets and liabilities (including BAGL) (audited)

t December 4	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	To £
ets											
n and nces at ral banks	39,466	229									39,6
ns in the rse of ection n other ks	828	382									1,2
ling folio ts	114,717										114,7
ncial ts gnated at value	5,732	3,139	1,540	797	602	2,696	1,322	1,253	1,038	18,538	36,6
vative ncial ruments	438,270	26	6	8	7	204	274	443	439	232	439,9
ns and ances to ks	5,875	31,138	3,236	225	944	404	233	20	36		42,1
ns and ances to omers	24,607	99,208	9,225	6,900	9,241	35,477	24,653	48,486	54,168	115,802	427,7
erse rchase ements other lar red	144	117,977	9,857	2,013	941	28	116	109	22	546	131,7

ing ilable for financial stments	513	1,324	2,045	3,576	844	10,804	16,705	10,107	23,683	16,465	86,0
er ncial ts		1,469				176					1,6
al ncial ts	**630,152**	**254,892**	**25,909**	**13,519**	**12,579**	**49,789**	**43,303**	**60,418**	**79,386**	**151,583**	**1,321,5**
er assets[a]											**36,3**
al assets											**1,357,9**
bilities											
osits from ks	7,978	48,155	1,041	504	298	187	95	69	57	6	58,3
s in the rse of ection due ther banks	1,177										1,1
tomer ounts	317,449	86,626	7,284	5,442	3,245	4,208	494	1,219	713	1,024	427,7
urchase ements other lar red owing	40	111,766	7,175	2,847	1,989	119	116		427		124,4
ding folio lities	45,124										45,1
ncial lities gnated at value	665	6,554	3,493	4,056	3,244	7,015	5,524	9,573	6,174	8,851	55,1
vative ncial ruments	438,623	29	7	12	5	62	69	78	268	167	439,3
t rities in e	10	19,075	11,146	9,712	4,791	7,568	10,560	10,350	11,376	1,511	86,0
ordinated lities		235	48	15		37	1,259	1,947	10,938	6,674	21,1
er ncial lities		3,060				815					3,8
al ncial lities	**811,066**	**275,500**	**30,194**	**22,588**	**13,572**	**20,011**	**18,117**	**23,236**	**29,953**	**18,233**	**1,262,4**
er ilities[a]											**29,4**
											1,291,9

al ilities nulative idity gap	**(180,914)**	**(201,522)**	**(205,807)**	**(214,876)**	**(215,869)**	**(186,091)**	**(160,905)**	**(123,723)**	**(74,290)**	**59,060**	**65,9**

Note

a Other assets include balances of £15,574m and Other liabilities include balances of £13,115m relating to amounts held for sale mainly in respect of the Spanish business. Please refer to Note 45 for details.

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Risk review

Risk performance

Funding risk Liquidity

ctual maturity of financial assets and liabilities (including BAGL) (audited)

December 2013	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	
d balances at anks	38,602	7,085									
the course of n from other	894	388									
portfolio assets	133,069										1
l assets designated lue	1,029	12,743	654	853	415	2,270	673	1,410	1,035	16,280	
ve financial ents	347,555	368	163	88	32	283	480	294	545	492	3
nd advances to	6,558	29,267	973	538	588	295	370	109	63	661	
nd advances to rs	30,422	95,977	7,058	7,459	8,450	30,144	27,201	45,699	60,537	121,290	4
repurchase nts and other ecured lending	21	172,401	9,119	2,335	2,583	107		130		83	1
e for sale financial ents	632	2,633	3,186	2,115	5,722	9,755	14,366	14,767	24,433	14,147	
nancial assets		1,693				305					
nancial assets	558,782	322,555	21,153	13,388	17,790	43,159	43,090	62,409	86,613	152,953	1,3
ssets[a]											
sets											1,3

es											
s from banks	7,005	41,412	738	1,112	426	4,658	111	137		16	
the course of n due to other	1,037	322									
er accounts	293,708	106,969	8,708	5,928	6,308	3,436	1,587	2,237	1,869	1,248	4
ase agreements r similar secured ng	76	189,401	4,371	556	914	1,378	17	35			1
portfolio liabilities	53,464										
l liabilities ed at fair value	636	8,215	5,257	4,712	3,425	11,107	6,527	10,138	6,678	6,396	
ve financial ents	345,845	11	11	13	6	48	157	208	583	236	3
urities in issue	72	22,233	10,553	10,812	3,486	11,786	6,705	8,350	10,657	2,039	
nated liabilities		327	20	177		281	6	3,225	10,581	7,078	
nancial liabilities		3,471				1,478					
nancial liabilities	701,843	372,361	29,658	23,310	14,565	34,172	15,110	24,330	30,368	17,013	1,2
abilities[a]											
bilities											1,2
tive liquidity gap	(143,061)	(192,867)	(201,372)	(211,294)	(208,069)	(199,082)	(171,102)	(133,023)	(76,778)	59,162	

Note

a Other assets include balances of £15,574m and Other liabilities include balances of £13,115m relating to amounts held for sale mainly in respect of the Spanish business. Please refer to Note 45 for details.

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Expected maturity dates do not differ significantly from the contract dates, except 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;

- ¡ Retail deposits, which are included within customer accounts, are repayable on demand or at short notice on a contractual basis. In practice, these instruments form a stable base for the Group s operations and liquidity needs because of the broad base of customers both numerically and by depositor type (see Behavioural maturity profile on page 197); and

- ¡ Financial assets designated at fair value held in respect of linked liabilities, which are managed with the associated liabilities.

Contractual maturity of financial liabilities on an undiscounted basis (audited)

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.

Financial liabilities designated at fair value in respect of linked liabilities under investment contracts have been excluded from this analysis as the Group is not exposed to liquidity risk arising from them.

Contractual maturity of financial liabilities undiscounted (including BAGL) (audited)

As at 31 December 2014	On demand £m	Not more than three months	Over three months but not more	Over six months but not more than one	Over one year but not	Over three years but not more	Over five years but not more than	Over ten years £m	Total £m

		£m	than six months £m	year £m	more than three years £m	than five years £m	ten years £m		
Deposits from banks	**7,978**	**48,155**	**1,042**	**804**	**287**	**75**	**62**	**29**	**58,432**
Items in the course of collection due to other banks	**1,177**								**1,177**
Customer accounts	**317,449**	**86,659**	**7,364**	**8,854**	**4,851**	**1,399**	**1,046**	**2,218**	**429,840**
Repurchase agreements and other similar secured lending	**40**	**111,769**	**7,178**	**4,837**	**236**		**428**		**124,488**
Trading portfolio liabilities	**45,124**								**45,124**
Financial liabilities designated at fair value	**665**	**6,561**	**3,508**	**7,378**	**12,854**	**10,285**	**7,170**	**14,273**	**62,694**
Derivative financial instruments	**438,623**	**30**	**7**	**17**	**137**	**85**	**314**	**341**	**439,554**
Debt securities in issue	**10**	**19,481**	**11,406**	**14,952**	**19,416**	**11,352**	**12,075**	**2,760**	**91,452**
Subordinated liabilities		**380**	**324**	**171**	**1,403**	**4,339**	**11,218**	**6,683**	**24,518**
Other financial liabilities		**3,060**			**815**				**3,875**
Total financial liabilities	**811,066**	**276,095**	**30,829**	**37,013**	**39,999**	**27,535**	**32,313**	**26,304**	**1,281,154**
As at 31 December 2013									
Deposits from banks	7,005	41,966	739	999	4,832	124		70	55,735
Items in the course of collection due to other banks	1,037	333							1,370
Customer accounts	293,708	107,056	8,747	12,316	5,317	2,858	2,576	2,501	435,079
Repurchase agreements and other similar secured lending	76	189,401	4,375	1,470	1,395	36			196,753
Trading portfolio liabilities	53,464								53,464
Financial liabilities designated at fair value	636	8,259	5,115	8,285	18,128	10,909	7,978	12,799	72,109
Derivative financial instruments	345,845	12	13	20	219	231	716	530	347,586
Debt securities in issue	72	22,741	10,793	14,799	19,562	9,630	11,638	3,175	92,410
		631	404	433	2,154	4,928	11,974	7,143	27,667

Subordinated liabilities									
Other financial liabilities		3,471			1,478				4,949
Total financial liabilities	701,843	373,870	30,186	38,322	53,085	28,716	34,882	26,218	1,287,122

aturity analysis of off-balance sheet commitments received (including BAGL)[a]

s at December 014	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	Tota £n
uarantees, tters of credit d credit surance	**6,571**	**60**	**37**	**38**	**39**	**152**	**138**	**203**	**65**		**7,30**
orward arting repos		**10,778**									**10,77**
otal off lance sheet mmitments ceived	**6,571**	**10,838**	**37**	**38**	**39**	**152**	**138**	**203**	**65**		**18,08**
s at December 013											
uarantees, tters of credit d credit surance	10,114	46	46	45	45	174	168	302	154		11,09
orward arting repos		14,334									14,33
otal off lance sheet mmitments ceived	10,114	14,380	46	45	45	174	168	302	154		25,42

aturity analysis of off-balance sheet commitments given (including BAGL) (audited)[a]

s at December 014	On demand	Not more than three months £m	Over three months but not more	Over six months but not more	Over nine months but not more than one	Over one year	Over two years but not more than three	Over three years but not more than five	Over five years but not more than ten	Over ten years £m	Tota £n

	£m		than six months £m	than nine months £m	year £m	but not more than two years £m	years £m	years £m	years £m		
ontingent bilities	**17,304**	**1,770**	**352**	**162**	**102**	**410**	**55**	**83**	**1,037**	**49**	**21,32**
ocumentary edits and her short rm trade lated ansactions	**869**	**75**	**13**		**19**	**115**					**1,09**
orward arting verse repo		**13,735**		**121**							**13,85**
andby cilities, edit lines and her mmitments	**262,540**	**4,045**	**1,722**	**844**	**646**	**3,638**	**877**	**1,846**	**137**	**20**	**276,31**
otal off lance sheet mmitments ven	**280,713**	**19,625**	**2,087**	**1,127**	**767**	**4,163**	**932**	**1,929**	**1,174**	**69**	**312,58**
s at December 013											
ontingent bilities	17,873	630	437	233	283	558	478	138	208	346	21,18
ocumentary edits and her short rm trade lated ansactions	504	84	62	7	35	88					78
orward arting verse repo		19,936									19,93
andby cilities, edit lines and her mmitments	247,045	1,922	203	620	1,100	1,332	777	1,405	397	54	254,85
otal off lance sheet mmitments ven	265,422	22,572	702	860	1,418	1,978	1,255	1,543	605	400	296,75

Note

a The presentation of the tables for off balance sheet commitments received and given has been enhanced in line with the Enhanced Disclosure Taskforce recommendations.

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Risk performance

Operational risk

Analysis of operational risk

Operational risk is the risk of direct or indirect impacts resulting from human factors, inadequate or failed internal processes and systems or external events.

This section provides an analysis of the Group s operational risk profile, including events which have had a significant impact in 2014

Improvements despite material historic litigation issues

£1,270m

of charges for PPI provisions

£1,250m

of charges for the ongoing investigations and litigation relating to Foreign Exchange

85%

of the Group s net reportable operational risk events had a loss value of £50,000 or less

75%

of events are due to external fraud

Reduction in the number of recorded incidents occurring during the period.

For the purposes of risk reporting, conduct risk remediation provisions have been included within this operational risk section.

Conduct risk is a separate principal risk and is covered more fully on pages 211 and 212.

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Risk review

Risk performance

Operational risk

Operational risk is defined as any instance where there is a potential or actual impact to the Group resulting from inadequate or failed internal processes, people, systems, or from an external event. The impacts to the Group can be financial, including losses or an unexpected financial gain, as well as non-financial such as customer detriment, reputational or regulatory consequences.

All disclosures in this section (page 210) are unaudited unless otherwise stated

Overview

Operational risks are inherent in all the Group s business activities and are typical of any large enterprise. It is not cost-effective to attempt to eliminate all operational risks and in any event it would not be possible to do so. Small losses from operational risks are expected to occur and are accepted as part of the normal course of business. More material losses are less frequent and the Group seeks to reduce the likelihood of these in accordance with its risk appetite.

The Operational Principal Risk comprises the following Key Risks: cyber security risk, external suppliers, financial reporting, fraud, information, legal, payments, people, premises and security, taxation, technology and transaction operations. For definitions of these key risks see page 135. In order to ensure complete coverage of the potential adverse impacts on the Group arising from operational risk, the operational risk taxonomy extends beyond the operational key risks listed above to cover areas included within conduct risk.

This section provides an analysis of the Group s operational risk profile, including events which have had a significant impact in 2014.

Summary of performance in the period

During 2014[a], there was a reduction in total operational risk losses. Total number of recorded incidents fell due to a reduction in the number of significant loss events for external fraud and execution delivery and process management.

Operational risk losses in 2014 were materially comprised of further provisions for PPI (£1,270m) and a provision for ongoing investigations and litigation relating to Foreign Exchange (£1,250m).

Operational risk profile

Within operational risk a high proportion of risk events have a low associated financial cost and a very small proportion of operational risk events will have a material impact on the financial results of the Group. In 2014 85.3% of the Group s net reportable operational risk events had a loss value of £50,000 or less (2013: 81.8%) and accounted for only 1.6% (2013: 1.8%) of the Group s total net loss impact.

The analysis below presents the Group s operational risk events by category:

¡ The proportion of losses by amount within the clients, products and business practices category remains the driver of the operational risk profile at 95.1% (2013: 85.2%) and is heavily impacted by provisions for PPI, and the ongoing investigations and litigation into Foreign Exchange.

¡ Execution, delivery and process management impacts reduced to 2.9% (2013: 10.3%). These events are typical of the banking industry as a whole where high volumes of transactions are processed on a daily basis. These are often fully or partially recovered, resulting in low value net losses.

¡ External fraud (75.0%) is the category with the highest frequency of events where high volume, low value events are also consistent with industry experience, driven by debit and credit card fraud. The proportion of events of this type has increased although the actual volume has in fact decreased; this is due to the greater reduction in the volume of execution, delivery and process management events.

The Group s operational risk profile is informed by bottom-up risk assessments undertaken by each business unit and top-down qualitative review from the Operational Risk & Control Committee. External fraud and technology are highlighted as key operational risk exposures. External fraud has increased driven by the higher number of fraud events, particularly in credit card portfolios, and business growth, whereas for technology there is an ongoing programme of work to improve controls, through efficiency and automation, and a focus on infrastructure resilience. Cyber security risk continues to be an area of attention given the increasing sophistication and scope of potential cyber-attack. Risks to technology and cyber security change rapidly and require continued focus and investment.

For further information see Risk Management section (pages 135 and 136).

Operational risk events by risk category

% of total risk events by count

Operational risk events by risk category

% of total risk events by value

Note

a During 2014 the Group moved its operational risk reporting of events to align with the financial impact of the event rather than being based on date of sign-off in the system of record. 2013 figures have been re-stated on this basis and due to timing difference between date of financial impact and recording of events some movement of prior year events will be expected.

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Conduct and reputation risk

Analysis of conduct and reputation risk

Conduct Risk is the risk that detriment is caused to our customers, clients, counterparties or Barclays because of inappropriate judgement in the execution of our business activities.

Reputation Risk is the risk of damage to Barclays brand arising from any association, action or inaction which is perceived by stakeholders to be inappropriate or unethical.

This section details Barclays conduct and reputation risk profile and provides information on the key 2014 risk events and risk mitigation actions Barclays has taken. These risks were deemed Principal Risks in 2013 to increase management focus and strengthen governance.

5.3/10 on the Conduct Reputation Balanced Scorecard Measure

Driven by:

- Focussing on conduct and reputation to ensure we provide suitable products and services for customers and clients
- Embedding conduct risk in our strategy setting and decision making processes
- Improving our focus on customer outcomes and putting customers and market integrity at the heart of our business
- Learning lessons from the past and attempting to improve management of conduct risk in the future

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Conduct and reputation risk

Conduct risk is the risk that detriment is caused to our customers, clients, counterparties or Barclays because of inappropriate judgement in the execution of our business activities.

All disclosures in this section (page 212) are unaudited unless otherwise stated

Conduct risk

Doing the right thing in the right way and providing suitable products and services for customers and clients is central to Barclays wider strategy of being the Go-To bank. Barclays is committed to Group-wide changes to business practices, governance and mindset and behaviours so that good customer outcomes and protecting market integrity are integral to the way Barclays operates.

As part of the Transform initiatives, the Conduct Risk Programme has been leading this change across the Group. Conduct Risk was re-categorised as a Principal Risk in 2013 and is supported by seven Key Risk Frameworks (KRF) which were issued during 2014. The KRF articulate expectations for achieving good customer outcomes and protecting market integrity.

Summary of performance in the period

Conduct risk management continues to mature as businesses become more adept at considering potential conduct risks within their existing business models and as part of strategy development. Throughout 2014 conduct risks were raised by businesses for consideration by the Board Conduct, Operational and Reputation Risk Committee (BCORR). These include conduct risks associated with business growth strategies, the expansion of digital propositions, increasing cyber crime and the restructure of the bank, including exiting markets and migrating customers. BCORR has reviewed the risks raised and whether the management actions proposed are appropriate to ensure conduct risks were effectively managed. The Committee also reviewed the nature and scope of the conduct risk training provided to staff and its suitability for supporting the cultural change Barclays is undertaking.

In 2014, all businesses undertook conduct risk assessments to evaluate how strategy and business models could generate conduct risks for customers and markets and to identify actions that should be taken.

Increasing the awareness of all staff of the importance of good customer outcomes and protecting market integrity has been a priority. During 2014, over 95% of Barclays staff successfully completed e-learning and there have been a number of business specific training and awareness events.

As a result of increased awareness and early consideration of conduct risk in the business, a number of actions have been taken to improve customer outcomes including:

¡ Outcomes for clients impacted by the creation of BNC;

¡ The overdraft charges on UK current accounts have been revised, with increased clarity on terms and pricing, providing customers with greater control over their borrowing and a reduction in Barclays revenues from unauthorised borrowing;

¡ A new UK mortgage product was not launched because of potential conduct risks; and

¡ A fixed-rate lending product was created for SME customers; this was a simplified product with transparent risks and benefits and fair pricing, including appropriate controls on marketing and sales.

Whilst the above actions seek to reduce the future levels of conduct risk where appropriate, Barclays is also looking to put things right with regard to its historic transactions with customers. During 2014 Barclays incepted redress programmes for customers including:

¡ Remediating customers where paperwork was not correct under the Consumer Credit Act;

¡ Barclays will be apologising and making refunds to some business customers, where a fixed interest rate was charged beyond the set fixed rate period, where this fixed rate exceeded the floating rate that customers could have been charged; and

¡ A redress agreement with Affinion International Ltd and 11 banks and card issuers, including Barclays, to compensate customers for issues identified with the way that a feature of the card security product was sold to customers. Notifications to affected customers commenced in January 2015.

The Group continued to incur the significant costs of conduct matters and additional charges of £1,513m were recognised for customer redress including £1,270m for the cost of PPI remediation. Barclays also continues to be party to litigation and regulatory actions involving claimants who consider that inappropriate conduct by the Group has caused damage. Investigations in respect of various conduct issues related to FX remain ongoing and related class actions have been filed in US Courts. As at 31 December 2014 a provision of £1,250m has been recognised for certain aspects of ongoing investigations involving certain authorities and litigation relating to Foreign Exchange. Details in respect of the status of such investigations and related litigation matters are included in the Legal, Competition and Regulatory Matters note on page 306. Resolution of these matters remains a necessary and important part of delivering the Group s strategy, but there are early signs that we are driving better outcomes for customers from a more thoughtful consideration of our customers needs.

Conduct Reputation measure

To aid monitoring progress in the management of conduct, a Conduct Reputation measure is included within the Balance Scorecard. The conduct measure is developed through a conduct and reputation survey, undertaken by YouGov, across a range of respondents including business and political stakeholders, the media, NGOs, charities and other opinion formers across key geographies (UK, Europe, Africa, the US and Asia). Barclays 2014 mean score remained stable at 5.3 (2013: 5.2) with minor improvement in all five components of the Index (which are: delivering value for money for customers/clients; can be trusted; treat staff well at all levels of the business; have high quality products and services; and operate openly and transparently). Progress towards the 2018 target of 6.5 is slower than desired as the impact of legacy issues act as a drag on the benefit of actions to improve management of conduct.

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Reputation risk is defined as damage to Barclays brand arising from any association, action or inaction which is perceived by stakeholders to be inappropriate or unethical.

All disclosures in this section (pages 213 and 214) are unaudited unless otherwise stated

Reputation risk

Through the Transform initiative, Barclays has developed formal governance and standards around reputation risk to ensure that the Group is able to manage and mitigate related risks proactively and on an informed basis.

The Reputation Key Risk Framework outlines the processes and actions required of the business. These include regular and forward looking reviews of current and emerging reputation risks so that a topical and comprehensive reputation risk profile of the organisation can be maintained. The external reputation environment is monitored via horizon scanning and validated via stakeholder dialogue conducted across a broad range of opinion formers. This process identifies priority themes and issues that stakeholders consider are impacting, or are likely to impact, the reputation of Barclays and our peers.

Summary of performance in the period

The following key themes were consistently identified during the 2014 horizon scanning and stakeholder dialogue and were reported to the Group Reputation Committee.

Litigation, investigations and culture change

Ongoing concerns about incidences of past conduct, corporate culture and litigation and regulatory investigations in the banking sector

Failure to act in accordance with rules and regulations, has a cumulative damaging impact on Barclays and the banking sector s reputation and licence to operate. Barclays brand continues to be adversely affected by new and ongoing investigations into instances of past conduct. These reinforce negative stakeholder perceptions and impair the Bank s ability to rebuild trust. They also detract from the positive impact achieved by transformative work across the bank to deliver cultural and behavioural change.

Living Barclays values is at the heart of this transformation. It is critical to the success of the Transform plan that stakeholders are confident that Barclays acts with honesty and integrity. Where there is wrongdoing on the part of individuals, the values require remedial action to be quickly and decisively taken and, when there is a case to answer with regulators, responsibility and sanctions are accepted and lessons are learnt.

During 2014, following investigations:

¡ The Group was fined by the FCA for breaches of its rules in relation to certain systems and controls relating to the Gold Fixing

¡ Barclays was fined for breaching rules governing the protection of clients custody assets

¡ Several banks have reached settlements with the FCA and the US Commodity Futures Trading Commission (CFTC) with respect to Foreign Exchange trading. The Group is continuing to engage with our regulators and authorities with the objective of achieving a resolution in due course

Transparency

A demand for greater transparency and openness in bank decision-making generally

Operating openly and transparently is widely acknowledged as one of the most important reputation drivers for business. The Group is committed to being an open and transparent organisation and continues to work towards this long-term goal. The following examples demonstrate steps taken in 2014:

¡ The Balanced Scorecard approach was cascaded down throughout the organisation. It is integral to how individual and business performance is assessed and rewarded and the Group reports on progress annually so that stakeholders can hold the bank to account

¡ Barclays published a Country Snapshot Report in response to the Europe-wide CRD IV requirement to disclose 2013 turnover and employee numbers for all countries of operation. Barclays also adopted early the additional requirements to publish data on profit, tax paid and subsidies received in each country alongside a brief explanation of the business undertaken

¡ To aid transparency in the Group s engagement with policymakers, responses to government consultations and associated position papers are now published on the Group website

¡ Barclays fully implemented the Enhanced Disclosure Task Force (EDTF) 32 recommendations for improving bank risk disclosures

¡ Barclays won the inaugural Building Public Trust Award for corporate governance. The Building Public Trust Awards were created by PwC and the judges considered the Group s reporting combined technical excellence with an unusual level of insight and described openly how governance is being applied to previously problematic areas

Remuneration

Ongoing concerns around executive remuneration

Remuneration levels continued to be a source of reputation risk in 2014 from the broader banking sector and Barclays own perspectives. The Group is committed to paying at levels required to attract and retain good people, while not paying more than we judge to be necessary, and to delivering a greater share of income generated to shareholders. See the Remuneration Report on pages 77-110 for further information.

Climate change

Concerns that the finance sector should take more account of climate change impacts (positive and negative) in investment and lending decisions

The impact of climate change is an important long-term environmental and societal issue of widespread public, political and corporate concern. It is a source of risk, including reputational risk, evidenced by the interest of a range of stakeholder groups in the environmental and social risk criteria considered by banks when providing financial services to environmentally sensitive clients and sectors.

Banks also play a pivotal role in enabling the flow of capital towards climate change mitigation and adaptation. Green Bonds continued to grow as a way of financing environmental projects and during 2014 Barclays:

- Was a signatory to the Green Bond Principles and also launched the Green Bond Index in partnership with MSCI Inc
- Has been an active underwriter on a variety of Green Bond transactions for corporate, supranational and municipal issuers
- Has supported the sector by committing to invest a minimum of £1bn in Green Bonds by November 2015 to form part of our liquid asset buffer

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Reputation tracking

In 2013 the Group commissioned YouGov, an independent market research agency, to undertake a broad ranging and comprehensive global corporate reputation tracking study. This survey generates a number of key dashboard measures for the Group of which favourability (towards named banks) is the primary measure. Understanding of the Group s reputation is used in wide-ranging applications from supporting corporate communications planning to measuring performance in key areas and benchmarking the Group s reputation against peers. The surveys are conducted with critical opinion formers (including politicians, media, business and NGOs) across key geographies (UK, Europe, Africa, the US and Asia).

Favourability towards Barclays:

Barclays favourability score 2013/2014

(Source: YouGov Barclays reputation tracker)

Mean score

Operates openly and transparently

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Supervision and regulation

Supervision of the Group

The Group s operations, including its overseas offices, subsidiaries and associates, are subject to a significant body of rules and regulations that are a condition for authorisation to conduct banking and financial services business. These apply to business operations, affect financial returns, include reserve and reporting requirements, and prudential and conduct of business regulations. These requirements are set by the relevant central banks and regulatory authorities that authorise, regulate and supervise the Group in the jurisdictions in which it operates. The requirements reflect global standards developed by, amongst others, the Basel Committee on Banking Supervision and the International Organization of Securities Commissions. They also reflect requirements imposed directly by, or derived from, EU legislation.

In the UK, the Bank of England has responsibility for monitoring the UK financial system as a whole. The day-to-day regulation and supervision of the Group is divided between the Prudential Regulation Authority (PRA) which is established as part of the Bank of England and the Financial Conduct Authority (FCA).

In addition, the Financial Policy Committee (FPC) of the Bank of England has significant influence on the prudential requirements that may be imposed on the banking system through powers of direction and recommendation. The FPC has direction powers over sectoral capital requirements which it can set in relation to exposures to specific sectors judged to pose a risk to the financial system as a whole. The government has also proposed to make the FPC responsible for the Basel III countercyclical capital buffer, introduced in the EU under the Capital Requirements Directive and Regulation (collectively known as CRD IV).

The Financial Services and Markets Act 2000 (as amended)(FSMA) remains the principal statute under which financial institutions are regulated in the UK. Barclays Bank PLC is authorised under FSMA to carry on a range of regulated activities within the UK. It is also authorised and subject to solo and consolidated prudential supervision by the PRA and subject to conduct regulation and supervision by the FCA.

In its role as supervisor, the PRA seeks to maintain the safety and soundness of financial institutions with the aim of strengthening, but not guaranteeing, the protection of customers and the financial system. The PRA s continuing supervision of financial institutions is conducted through a variety of regulatory tools, including the collection of information by way of prudential returns, reports obtained from skilled persons, visits to firms and regular meetings with management to discuss issues such as performance, risk management and strategy.

The regulation and supervision of conduct matters is the responsibility of the FCA. FCA regulation of the Group is carried out through a combination of continuous assessment over rolling two-year periods; regular thematic 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; and responding to crystallised risks, seeking to ensure remediation as appropriate.

Global regulatory developments

The regulatory change generated by the financial crisis is having and will continue to have a substantial impact on all financial institutions. Regulatory change is being pursued at a number of levels; globally notably through the G20, Financial Stability Board (FSB) and Basel Committee on Banking Supervision (BCBS), regionally through the European Union and nationally, especially in the UK and US. Further changes to prudential requirements and further refinements to the definitions of capital and liquid assets may affect the Group s planned activities and could increase costs and contribute to adverse impacts on the Group s earnings. Similarly, increased requirements in relation to capital markets activities and to market conduct requirements may affect the Group s planned activities and could increase costs and thereby contribute to adverse impacts on the Group s earnings.

The programme of reform of the global regulatory framework that was agreed by G20 Heads of Government in April 2009 has continued to be taken forward during 2014.

The FSB has been designated by the G20 as the body responsible for co-ordinating the delivery of the global reform programme in relation to the financial services industry. It has focused particularly on the risks posed by systemically important financial institutions. In 2011, G20 Heads of Government adopted FSB proposals to reform the regulation of globally systematically important financial institutions (G-SIFIs). A key element of this programme is that G-SIFIs should be capable of being resolved without recourse to taxpayer support. Barclays has been designated a G-SIFI by the FSB. G-SIFIs will be subject to a number of requirements, including additional loss absorption capacity above that required by Basel III standards (see below). The surcharges rise in increments from 1% to 2.5% of risk-weighted assets (with an empty category of 3.5% for institutions that increase the extent of the systemic risk they pose which is intended to discourage institutions from developing their business in a way that heightens their systemic nature). This additional buffer must be met with common equity.

In its November 2014 list of G-SIFIs, the FSB confirmed Barclays position in a category that will require it to meet a 2% surcharge. The additional loss absorbency requirements will apply to those financial institutions identified in November 2014 as globally systemically important and will be phased in starting from January 2016, with full implementation by January 2019. G-SIFIs must also meet the higher supervisory expectations for data aggregation capabilities by January 2016. In the EU the requirements for a systemic risk buffer will be implemented through the CRD.

The BCBS issued the final guidelines on Basel III capital and liquidity standards in June 2011, with revisions to counterparty credit risk in July and November 2011. Regulatory liquidity revisions were agreed in January 2013 to the definitions of high quality liquid assets and net cash outflows for the purpose of calculating the Liquidity Coverage Ratio, as well as establishing a timetable for phasing-in the standard from January 2016. Amendments to the Basel III leverage ratio and liquidity frameworks were issued in January 2014. The requirements of Basel III as a whole are subject to a number of transitional provisions that run to the end of 2018. The Group is, however, primarily subject to the EU s implementation of the Basel III standard through CRD IV (see below).

The BCBS also maintains a number of active workstreams that will affect the Group. These include a fundamental review of the trading book where a second consultation on enhanced capital standards was issued in October 2013 and further work on large exposures. The Committee also continues to focus on the consistency of risk weighting of assets and explaining the variations between banks. The final standard for measuring and controlling large exposures were published by the Basel Committee in April 2014 to take effect in 2019. Also in April 2014, the Basel Committee published the final standard for calculating regulatory capital for banks exposure to central counterparties (CCPs). In conjunction with the International Organization of Securities Commissions, the BCBS issued enhanced standards for margin requirements for non-centrally cleared derivatives in September 2013. The BCBS also issued risk management guidelines related to anti-money laundering and terrorist financing in January 2014. In October 2014, the BCBS published a consultation on a revised standardised approach for measuring operational risk.

In November 2014 the FSB issued a consultative document which set out its proposals to enhance the loss-absorbing capacity of global systemically important banks (GSIBs), such that there is sufficient loss absorbing and recapitalisation capacity available in resolution to implement an orderly resolution which minimises the impact on financial stability, ensures the continuity of critical functions and avoids exposing taxpayers to losses. The FSB proposes to achieve this by setting a new minimum requirement for total loss absorbing capacity (TLAC). A specific minimum amount of TLAC of between 16% and 20% of a GSIB s risk-weighted assets and at least twice the Basel III Tier 1 leverage ratio would have to be met. The proposal states that GSIBs will not be expected to meet TLAC requirements before 1 January 2019. Comments on the consultative document were due in February 2015, and the FSB is expected to finalize its proposal in 2015.

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Supervision and regulation

Also in November 2014 Barclays adhered to a protocol which was developed by the International Swaps and Derivatives Association (ISDA) in coordination with the FSB to support cross-border resolution and reduce systemic risk. By adhering to this protocol Barclays is able, in ISDA Master Agreements and related credit support agreements entered into with other adherents, to opt in to different resolution regimes such that cross-default and direct default rights that would otherwise arise under the terms of such agreements would be stayed temporarily (and in some circumstances overridden) on the resolution of one of the parties.

European Union developments

The EU continues to develop its regulatory structure in response to the financial and Eurozone crises. At the December 2012 meeting of EU Finance Ministers it was agreed to establish a single supervisory mechanism within the Eurozone. The European Central Bank (ECB) has had responsibility for the supervision of the most significant credit institutions, financial holding companies or mixed financial holding companies within the Eurozone since November 2014. The ECB may extend its supervision to institutions of significant relevance that have established subsidiaries in more than one participating member state and with significant cross-border assets or liabilities.

Notwithstanding the new responsibilities of the ECB, the European Banking Authority (EBA), along with the other European Supervisory Authorities, remains charged with the development of a single rulebook for the EU as a whole and with enhancing co-operation between national supervisory authorities. The European Securities Markets Authority (ESMA) has a similar role in relation to the capital markets and to banks and other firms doing investment and capital markets business. The progressive reduction of national discretion on the part of national regulatory authorities within the EU may lead to the elimination of prudential arrangements that have been agreed with those authorities. This may serve to increase or decrease the amount of capital and other resources that the Group is required to hold. The overall effect is not clear and may only become evident over a number of years. The EBA and ESMA each have the power to mediate between and override national authorities under certain circumstances. Responsibility for day to day supervision remains with national authorities and for banks, like the Group, that are incorporated in countries that will not participate in the single supervisory mechanism, is expected to remain so.

Basel III and (from 2016) the capital surcharge for systemic institutions have been implemented in the EU by CRD IV. The provisions of CRD IV either entered into force automatically on, or had to be implemented in member states by, 1 January 2014. Much of the ongoing implementation is expected to be done through binding technical standards being developed by the EBA, that are intended to ensure a harmonised application of rules through the EU which are still largely in the process of being developed and adopted.

A significant addition to the EU legislative framework for financial institutions has been the Bank Recovery and Resolution Directive (BRRD) which establishes a framework for the recovery and resolution of EU credit institutions and investment firms. The BRRD is intended to implement many of the requirements of the FSB s Key Attributes of Effective Resolution Regimes for Financial Institutions . The BRRD was formally passed into EU law in April 2014. All of the provisions of the BRRD had to be implemented in the law of EU Member States by 1 January 2015 except for those relating to bail-in which will have to be implemented in Member States by 1 January 2016.

As implemented, the BRRD gives resolution authorities powers to intervene in and resolve a financial institution that is no longer viable, including through the transfers of business and, when implemented in relevant member states, creditor financed recapitalisation (bail-in within resolution) that allocates losses to shareholders and unsecured and uninsured creditors in their order of seniority, at a regulator determined point of non-viability that may precede insolvency. The concept of bail-in will affect the rights of senior unsecured creditors subject to any bail-in in the event of a resolution of a failing bank.

The BRRD also stipulates that firms will need a minimum percentage of liabilities in a form that allows them to be subject to bail-in (which will have to be co-ordinated with the FSB s TLAC proposals mentioned above). The BRRD also requires the development of recovery and resolution plans at group and firm level. The BRRD sets out a harmonised set of resolution tools across the EU, including the power to impose a temporary stay on the rights of creditors to terminate, accelerate or close out contracts. There are also significant funding implications for financial institutions, which include the establishment of pre-funded resolution funds of 1% of covered deposits to be built up over 10 years, although the proposal also envisages that national deposit guarantee schemes may be able to fulfil this function (see directly below).

The Directive on Deposit Guarantee Schemes was recast and replaced by a new directive which has been in force since July 2014. The directive provides that national deposit guarantee schemes should be pre-funded, with the funds to be raised over a number of years. This would be a significant change for UK banks where levies are currently raised as needed after failure. The funds of national deposit guarantee scheme are to total 0.8% of the covered deposits of its members by the date 10 years after the entry into force of the recast directive.

In relation to both resolution funds and the funds required by the Directive on Deposit Guarantee Schemes, there may be scope for the UK to use the Bank Levy to meet pre-funding obligations, although whether this will happen and the manner in which this might operate remains unclear.

In October 2012, a group of experts set up by the European Commission to consider possible reform of the structure of the EU banking sector presented its report. Among other things, the group recommended the mandatory separation of proprietary trading and other high-risk trading activities from other banking activities. The European Commission issued proposals to implement these recommendations in January 2014. These proposals would apply to G-SIFIs and envisage, amongst other things: (i) a ban on proprietary trading in financial instruments and commodities; (ii) giving supervisors the power and, in certain instances, the obligation to require the transfer of other trading activities deemed to be high risk to separate legal trading entities within the group; and (iii) rules on the economic, legal, governance, and operational links between the separated trading entity and the rest of the banking group. Contemporaneously, the European Commission also adopted proposals to enhance the transparency of shadow banking, especially in relation to securities financing transactions. These proposals have still yet to be considered formally by the European Parliament and by the Council. Their impact, if they are adopted, remains to be determined.

The European Market Infrastructure Regulation (EMIR) has introduced new requirements to improve transparency and reduce the risks associated with the derivatives market. These requirements have come into force progressively through 2013 and 2014, although some requirements are still to be brought in. When it is fully in force, EMIR will require entities that enter into any form of derivative contract, including interest rate, foreign exchange, equity, credit and commodity derivatives; to report specified details of every derivative contract that they enter to a trade repository; implement new risk management standards for all bilateral over-the-counter derivatives trades that are not cleared by a central counterparty; and clear, through a central counterparty, over-the-counter derivatives that are subject to a mandatory clearing obligation. EMIR has potential operational and financial impacts on the Group, including collateral requirements. Lower capital requirements for cleared trades are only available if the central counterparty through which the trade is cleared is recognised as a qualifying central counterparty which has been authorised or recognised under EMIR (in accordance with binding technical standards).

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Proposals to amend the Markets in Financial Instruments Directive (known as MiFID II) were agreed in January 2014. These amendments take the form of a directive and a regulation, and will affect many of the investment markets in which the Group operates and the instruments in which it trades, and how it transacts with market counterparties and other customers. Changes to the MiFID regime include the introduction of a new type of trading venue (the organised trading facility), to capture non-equity trading that falls outside the current regime. Investor protections have been strengthened, and new curbs imposed on high frequency and commodity trading. Pre-and post-trade transparency has been increased, and a new regime for third country firms introduced. The changes also include new requirements for non-discriminatory access to trading venues, central counterparties, and benchmarks, and harmonised supervisory powers and sanctions across the EU. Implementation is not expected until late 2016 and many of the provisions of MiFID II and its accompanying regulation will be implemented by means of technical standards to be drafted by ESMA. Some of the impacts on the Group will not be clear until these technical standards have been adopted.

Structural reform of banking groups

In addition to providing for the bail-in stabilisation power referred to above, the Banking Reform Act requires, amongst other things: (i) the separation of the retail and SME deposit-taking activities of UK banks in the UK and branches of UK banks in the European Economic Area (EEA) into a legally distinct, operationally separate and economically independent entity, which will not be permitted to undertake a range of activities (so called ring-fencing); (ii) the increase of the loss-absorbing capacity of ring-fenced banks and UK headquartered global systemically important banks to levels higher than required under CRD IV and (iii) preference to deposits protected under the Financial Services Compensation Scheme if a bank enters insolvency.

The Banking Reform Act also implements key recommendations of the Parliamentary Commission on Banking Standards. Recommendations that have been implemented include: (i) the establishment of a reserve power for the PRA to enforce full separation of UK banks under certain circumstances; (ii) the creation of a senior managers regime for senior individuals in the banking and investment banking sectors to ensure better accountability for decisions made; (iii) the establishment of a criminal offence of causing a financial institution to fail; and (iv) the establishment of a regulator for payment systems.

The Banking Reform Act is primarily an enabling statute which provides HM Treasury with the requisite powers to implement the policy underlying the legislation through secondary legislation. Secondary legislation relating to the ring-fencing of banks has now been passed. Parts of the secondary legislation became effective on 1 January 2015 and the rest will come into effect on 1 January 2019 by which date UK banks will be required to be compliant with the structural reform requirements.

Regulation in the United Kingdom

Recent developments in banking law and regulation in the UK have been dominated by legislation designed to ring-fence the retail and SME deposit-taking business of large banks. The content and the impact of this legislation are outlined above. The Banking Reform Act put in place a framework for this ring-fencing and secondary legislation passed in 2014 elaborated on the operation and application of the ring-fence. It is expected that rules will be consulted on and made by the PRA and FCA during 2015 and 2016 which will further determine how ring-fenced banks will be permitted to operate.

In addition to, and complementing an EU-wide stress testing exercise conducted on a sample of EU banks by the EBA, and in response to recommendations from the FPC, the Bank of England conducted a variant of the EU-wide stress test in 2014. The UK variant test explored particular UK macroeconomic vulnerabilities facing the UK banking system. Key parameters of the test including the design of the UK elements of the stress scenario were designed by the Bank of England and approved by the FPC and the PRA. Also responding to an FPC recommendation, the Bank of England and PRA have developed an approach to annual stress testing of the UK banking system and the individual institutions within it. The first such exercise took place in 2014.

Both the PRA and the FCA have continued to develop and apply a more assertive approach to supervision and the application of existing standards. This may include application of standards that either anticipate or go beyond requirements established by global or EU standards, whether in relation to capital, leverage and liquidity, resolvability and resolution of matters of conduct. In December 2013, the PRA published its requirements to implement the new European capital regime, clarifying key policy issues that affect the minimum level of Common Equity Tier 1 (CET1) capital which banks need to maintain. The PRA has required banks to meet a 4.5% Pillar 1 CET1 requirement since 1 January 2015, which is up from 4% in 2014. Similarly, the required Pillar 1 Tier 1 capital ratio has been 6% since 1 January 2015, an increase from the previous level of 5.5%. The PRA has also required UK banks to bring CET1 in line with the end-point definition from 1 January 2014 rather than benefiting from transitional arrangements. Additionally, the PRA has expected eight major UK banks and building societies including Barclays, to meet a 7% CET1 capital ratio and a 3% Tier 1 leverage ratio (after taking into account adjustments to risk-weighted assets and CET1 capital deemed necessary by the PRA) since 1 January 2014, except where as in the case for Barclays the PRA has agreed a plan with the firm to meet the standards over a longer time frame. Barclays agreed with the PRA that it would meet this requirement by end-June 2014 at the latest and now meets this requirement.

The FCA has retained an approach to enforcement based on credible deterrence that has continued to see significant growth in the size of regulatory fines. The FCA has focused strongly on conduct risk and on customer outcomes and will continue to do so. This has included a focus on the design and operation of products, the behaviour of customers and the operation of markets. This may impact both the incidence of conduct costs and increase the cost of remediation. On 1 April 2014 the FCA took over the regulation of consumer credit in the UK. This is likely to lead to a regulatory regime for consumer credit which is considerably more intensive and intrusive than was the case when consumer credit was regulated by the Office of Fair Trading.

In June 2014 the Fair and Effective Markets Review was established by the Chancellor of the Exchequer. The aim of this review will be to conduct a forward-looking assessment of the way wholesale financial markets operate, and propose solutions in order to restore trust in those markets in the wake of a number of recent high profile abuses, and to influence the international debate on trading practices. In connection with the review, a consultation was launched in October 2014 examining what needs to be done to reinforce confidence in the fairness and effectiveness of the Fixed Income, Currency and Commodities markets. Representatives from the PRA, the Bank of England, the FCA and HM Treasury are taking part in the review and the final recommendations are due to be presented in June 2015.

In July 2014 the FCA consulted on new accountability mechanisms for individuals working in banks, including the introduction of a new Senior Managers Regime (aimed at a limited number of individuals with senior management responsibilities within a firm) and a Certification Regime (aimed at assessing and monitoring the fitness and propriety of a wider range of employees who could pose a risk of significant harm to the firm or any of its customers). This represents the implementation of recommendations made by the Parliamentary Committee on Banking Standards in

this area.

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Resolution of UK banking groups

The Banking Act 2009 (the Banking Act) provides a regime to allow the Bank of England (or, in certain circumstances, HM Treasury) to resolve failing banks in the UK, in consultation with the PRA and HM Treasury as appropriate. Under the Banking Act the Bank of England is given powers to: (i) make share transfer instruments pursuant to which all or some of the securities issued by a UK bank may be transferred to a commercial purchaser; and (ii) the power to transfer all or some of the property, rights and liabilities of a UK bank to a commercial purchaser or a bridge bank , which is a company wholly owned by the Bank of England. In addition, under the Banking Act HM Treasury is given the power to take a bank into temporary public ownership by making one or more share transfer orders in which the transferee is a nominee of HM Treasury or a company wholly owned by HM Treasury. A share transfer instrument or share transfer order can extend to a wide range of securities including shares and bonds issued by a UK bank (including Barclays Bank PLC) or its holding company (Barclays PLC) and warrants for such shares and bonds. Certain of these powers also extend to companies within the same group as a UK bank.

The Banking Act also gives the authorities powers to override events of default or termination rights that might otherwise be invoked as a result of the exercise of the resolution powers. The Banking Act powers apply regardless of any contractual restrictions and compensation that may be payable in the context of both share transfer orders and property appropriation.

The resolution powers described above have recently been supplemented with a bail-in power introduced under the Banking Reform Act. This power allows for the cancellation or modification of one or more liabilities (with the exception of excluded liabilities). Excluded liabilities include (amongst other things): deposits protected under a deposit insurance scheme, secured liabilities (to the extent that they are secured), client assets and assets with an original maturity of less than seven days which are owed to a credit institution or investment firm. The Bank of England s new bail-in powers were brought into force with effect from 1 January 2015. Measures specifying the minimum amount of liabilities eligible for bail-in which a bank must hold will come into effect in 2016. From 20 February 2015 UK banks and their parents will be required to include in debt instruments, issued by them under the law of a non-EEA country, terms under which the relevant creditor recognises that the liability is subject to the exercise of bail-in powers by the Bank of England. Similar terms will be required in contracts governing other liabilities of UK banks and their parents if those liabilities are governed by the law of a non-EEA country, are not excluded liabilities under the Banking Act 2009 and are issued, entered into or arise after 31 December 2015.

The Banking Act also gives the Bank of England the power to override, vary, or impose contractual obligations between a UK bank, its holding company and its group undertakings, in order to enable any transferee or successor bank to operate effectively after any of the resolution tools have been applied. There is also power for HM Treasury to amend the law (excluding provisions made by or under the Banking Act) for the purpose of enabling it to use the regime powers effectively, potentially with retrospective effect.

The Financial Services Act 2010, amongst other things, requires the UK regulators to make rules about remuneration and to require regulated firms to have a remuneration policy that is consistent with effective risk management. The

Banking Act also amended FSMA to allow the FCA to make rules requiring firms to operate a collective consumer redress scheme to deal with cases of widespread failure by regulated firms to meet regulatory requirements, that may have created consumer detriment.

The PRA has made rules that require authorised firms to draw up recovery plans and resolution packs. Recovery plans are designed to outline credible recovery actions that authorised firms could implement in the event of severe stress in order to restore their business to a stable and sustainable condition. The resolution pack contains detailed information on the authorised firm in question which will be used to develop resolution strategies for that firm, assess its current level of resolvability against the strategy, and to inform work on identifying barriers to the implementation of operational resolution plans.

In addition to establishing the FPC, PRA and FCA, the Financial Services Act 2012 amongst other things clarifies responsibilities between HM Treasury and the Bank of England in the event of a financial crisis by giving the Chancellor of the Exchequer powers to direct the Bank of England where public funds are at risk and there is a serious threat to financial stability. The Financial Services Act 2012 also establishes the objectives and accountabilities of the FPC, PRA and FCA; amends the conditions which need to be met by a firm before it can be authorised; gives the FPC, PRA and FCA additional powers, including powers of direction over unregulated parent undertakings (such as Barclays PLC) where this is necessary to ensure effective consolidated supervision of the Group; and a power for the FCA to make temporary product intervention rules for a maximum period of six months, if necessary without consultation. The Financial Services Act 2013 also created a new criminal offence relating to the making of a false or misleading statement, or the creation of a false or misleading impression, in connection with the setting of a benchmark.

Compensation schemes

Banks, insurance companies and other financial institutions in the UK are subject to a single compensation scheme (the Financial Services Compensation Scheme   FSCS) which operates when an authorised firm is unable or is likely to be unable to meet claims made against it by its customers because of its financial circumstances. Most deposits made with branches of Barclays Bank PLC within the EEA are covered by the FSCS. Most claims made in respect of investment business will also be protected claims if the business was carried on from the UK or from a branch of the bank or investment firm in another EEA member state. The FSCS is funded by levies on authorised UK firms such as Barclays Bank PLC. In the event that the FSCS raises those funds more frequently or significantly increases the levies to be paid by firms, the associated costs to the Group may have a material impact on the Group s results.

Influence of European legislation

Financial regulation in the UK is to a significant degree shaped and influenced by EU legislation. This provides the structure of the European Single Market, an important feature of which is the framework for the regulation of authorised firms. This framework is designed to enable a credit institution or investment firm authorised in one EU member state to conduct banking or investment business through the establishment of branches or by the provision of services on a cross-border basis in other member states without the need for local authorisation. Barclays operations in Europe are authorised and regulated by a combination of both home and host regulators.

Regulation in Africa

Barclays operations in South Africa, including Barclays Africa Group Limited, are supervised and regulated mainly by the South African Reserve Bank (SARB), the Financial Services Board (SAFSB) as well as the Department of Trade and Industry (DTI). The SARB oversees the banking industry and follows a risk-based approach to supervision, whilst the SAFSB oversees financial services such as insurance and investment business and focuses on enhancing consumer protection and regulating market conduct. The DTI regulates consumer credit through the National Credit Act (NCA) 2005, as well as other aspects of consumer protection not regulated under the jurisdiction of the SAFSB

through the Consumer Protection Act (CPA) 2008. It is intended that regulatory responsibilities in South Africa will in future be divided between the SARB which will be responsible for prudential regulation and the SAFSB will be responsible for matters of market conduct. The transition to twin peaks regulation will commence in 2015. Barclays operations in other African countries are primarily supervised and regulated by the central banks in the jurisdictions where Barclays has a banking presence. In some African countries, the conduct of Barclays operations and the non-banking activities are also regulated by financial market authorities.

Regulation in the United States

In the United States, Barclays PLC, Barclays Bank PLC and their US subsidiaries are subject to a comprehensive regulatory framework involving numerous statutes, rules and regulations, including the International Banking Act of 1978, the Bank Holding Company Act of 1956 (BHC Act), the USA PATRIOT Act of 2001 and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (DFA). This legislation regulates the activities of Barclays, including its US banking subsidiaries and the US branches of Barclays Bank PLC, as well as imposing prudential restrictions, such as limits on extensions of credit by the Barclays Bank PLC s US branches and the US banking subsidiaries to a single borrower and to affiliates. The New York and Florida branches of Barclays Bank PLC are subject to extensive federal and state supervision and regulation by the Board of Governors of the Federal Reserve System (FRB) and, as applicable, the New York State Department of Financial Services and the Florida Office of Financial Regulation. Barclays Bank Delaware, a Delaware chartered commercial bank, is subject to supervision and regulation by the Federal Deposit Insurance Corporation (FDIC), the Delaware Office of the State Bank Commissioner and the Consumer Financial Protection Bureau. The deposits of Barclays Bank Delaware are insured by the FDIC. Barclays Wealth Trustees (US) NA is an uninsured non-depository trust company chartered and supervised by the Office of the Comptroller of the Currency. The licensing authority of each US branch of Barclays Bank PLC has the authority, in certain circumstances, to take possession of the business and property of Barclays Bank PLC located in the state of the office it licenses or to revoke or suspend such licence. Such circumstances generally include violations of law, unsafe business practices and insolvency.

Barclays PLC and Barclays Bank PLC are bank holding companies registered with the FRB, which exercises umbrella supervisory authority over Barclays US operations. Barclays is required to implement by July 2016 a US intermediate holding company (IHC) which will hold substantially all of Barclays US subsidiaries and assets (including Barclays Capital Inc. and Barclays Bank Delaware, other than Barclays US branches and certain other assets and subsidiaries). This IHC will also be a US bank holding company and generally regulated as such under the BHC Act. As part of this supervision, the IHC will also generally be subject to the enhanced prudential supervision requirements under the DFA as US bank holding companies of similar size, including US Basel III-based regulatory capital and leverage, liquidity stress-testing and risk management requirements. Barclays PLC and Barclays Bank PLC have each elected to be treated as a financial holding company under the BHC Act. Financial holding companies may generally engage in a broader range of financial and related activities, including underwriting and dealing in all types of securities, than are permitted to registered bank holding companies that do not maintain financial holding company status. Financial holding companies such as Barclays PLC and Barclays Bank PLC are required to meet or exceed certain capital ratios and be deemed to be well managed . Barclays Bank Delaware and Barclays Wealth Trustees (US) NA are each required to meet certain capital requirements and be deemed to be well managed . In addition, Barclays Bank Delaware must have at least a satisfactory rating under the Community Reinvestment Act of 1977 (CRA). Entities ceasing to meet any of these requirements, are allotted a period of time in which to restore capital levels or the management or CRA rating. Should Barclays PLC or Barclays Bank PLC fail to meet the above requirements, during the allotted period of time they could be prohibited from engaging in new types of financial activities or making certain types of

acquisitions in the US. If the capital level or rating is not restored, the Group may ultimately be required by the FRB to cease certain activities in the United States. More generally, Barclays US activities and operations may be subject to other requirements and restrictions by the FRB under its supervisory authority, including with respect to safety and soundness.

Under the Federal Deposit Insurance Act, as amended by the DFA, Barclays is required to act as a source of financial strength for Barclays Bank Delaware. This could, among other things, require Barclays to inject capital into Barclays Bank Delaware if it fails to meet applicable regulatory capital requirements.

A major focus of US government policy relating to financial institutions in recent years has been combating money laundering and terrorist financing and enforcing compliance with US economic sanctions. Regulations applicable to US operations of Barclays Bank PLC and its subsidiaries impose obligations to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing and to ensure compliance with US economic sanctions against designated foreign countries, nationals and others. Failure of a financial institution to maintain and implement adequate programmes to combat money laundering and terrorist financing or to ensure economic sanction compliance could have serious legal and reputational consequences for the institution.

Barclays US securities broker/dealer, investment advisory and investment banking operations 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 self-regulatory organisations (SROs) as part of a comprehensive scheme of regulation of all aspects of the securities and commodities business under the US federal and state securities laws. Similarly, Barclays US commodity futures and options-related operations are subject to ongoing supervision and regulation by the Commodity Futures Trading Commission (CFTC), the National Futures Association and other SROs.

The credit card activities of the Group in the US are subject to the Credit Card Accountability, Responsibility and Disclosure Act of 2009 which prohibits certain pricing and marketing practices for consumer credit card accounts.

The DFA became law in July 2010. Although many of the DFA rules have been adopted and implemented, a number of rules have not yet been adopted, or have been adopted but not fully implemented. In addition, the rules that have been adopted and implemented have, for the most part, only recently become effective and their impact, in many cases, cannot yet be fully evaluated. Therefore, the full scale of the DFA s impact on the Group continues to remain unclear. In addition, market practices and structures may change in response to the requirements of the DFA in ways that are difficult to predict but that could impact Barclays business. Nonetheless, certain provisions of the DFA are particularly likely to have a significant effect on the Group, including:

¡ *Structural Reform:* On 18 February 2014, the FRB issued a final rule implementing certain enhanced prudential standards of Section 165 of the DFA for certain foreign banking organisations, such as Barclays.

The rule s specific requirements depend on the amount of assets of the foreign banking organisation both inside and outside the United States, with the most stringent requirements imposed on foreign banking organizations with over $50bn in US non-branch assets. Barclays is subject to the most stringent requirements of the rule, including the requirement to create a US intermediate holding company (IHC) structure to hold its US banking and non-banking subsidiaries. The IHC will be subject to supervision and regulation by the FRB as if it were a US bank holding company of comparable size. Barclays Bank PLC s US branches will be subject to certain separate requirements, including with respect to liquidity.

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The consolidated IHC will be subject to a number of additional supervisory and prudential requirements, including: (i) FRB regulatory capital requirements and leverage limits; (ii) mandatory stress testing of capital levels by the FRB, and submission of a capital plan to the FRB; (iii) supervisory approval of, and limitations on, capital distributions by the IHC to Barclays Bank PLC; (iv) additional substantive liquidity requirements, including requirements to conduct monthly internal liquidity stress tests for the IHC (and also, separately, for Barclays Bank PLC s US branch network), and to maintain a 30-day buffer of highly liquid assets; (v) other liquidity risk management requirements, including compliance with liquidity risk management standards established by the FRB, and maintenance of an independent function to review and evaluate regularly the adequacy and effectiveness of the liquidity risk management practices of Barclays combined US operations; and (vi) overall risk management requirements, including a US risk committee and a US chief risk officer.

¡ *Restrictions on proprietary trading and fund-related activities:* In December 2013, the relevant US regulatory agencies, including the FRB, the FDIC, the SEC, and the CFTC, finalised the rule implementing the requirements of Section 619 of the DFA the so-called Volcker Rule . The Volcker Rule, once fully effective, will prohibit banking entities, including Barclays PLC, Barclays Bank PLC and their various subsidiaries and affiliates from undertaking certain proprietary trading activities (but will allow activities such as underwriting, market making and risk-mitigation hedging) and will limit the sponsorship of, and investment in, private equity funds (including non-conforming real estate and credit funds) and hedge funds, in each case broadly defined, by such entities. These restrictions are subject to certain exceptions and exemptions, including those listed above as well as exemptions applicable to transactions and investments occurring solely outside of the United States. The rule will also require Barclays to develop an extensive compliance and monitoring programme (both inside and outside of the United States), subject to various executive officer attestation requirements, addressing proprietary trading and covered fund activities, and it is therefore expected that compliance costs will increase. The final rule is highly complex and its full impact will not be known with certainty until market practices and structures develop under it. Subject entities are generally required to be in compliance with the prohibition on proprietary trading and the requirement to develop an extensive compliance program by July 2015 (with certain provisions subject to possible extensions). More specifically, in December 2014, the FRB extended the compliance period through July 2016 for investments in and relationships with covered funds that were in place prior to 31 December 2013, and indicated that it intends to further extend the compliance period through July 2017.

¡ *Resolution plans:* The DFA requires bank holding companies with total consolidated assets of $50bn or more to submit to the FRB and the FDIC, and regularly update, a plan for a rapid and orderly resolution to be used if the bank holding company or any of its material subsidiaries experiences material financial distress or failure. Non-US banking organisations that are treated as bank holding companies under US law, such as Barclays, are required to submit such plans with respect to their US operations if they have more than $50bn in US non-bank assets. As required, Barclays submitted its most recent annual US resolution plan to the US regulators on 1 July 2014.

¡

Regulation of derivatives markets: Among the changes mandated by the DFA is a requirement that many types of derivatives that used to be traded in the over-the counter markets be traded on an exchange or swap execution facility and centrally cleared through a regulated clearing house. In addition, many participants in these markets are required to register with the CFTC as swap dealers or major swap participants and/or with the SEC as security-based swap dealers or major security-based swap participants and be subject to CFTC and SEC regulation and oversight. Barclays Bank PLC has registered as a swap dealer. Entities required to register are subject to business conduct, record-keeping and reporting requirements and will be subject to capital and margin requirements. In addition, the CFTC, pursuant to the DFA, has proposed rules on position limits on derivatives on physical commodities. Once adopted and implemented, these rules will limit the size of positions that can be held by an entity, or a group of entities under common ownership or control, in futures and over-the-counter derivatives, subject to certain exemptions. These rules could restrict trading activity, reducing trading opportunities and market liquidity, and potentially increasing the cost of hedging transactions and the volatility of the relevant markets. It is also possible that registration, execution, clearing and compliance requirements as well as other additional regulations (certain of which still are not final), and the related expenses and requirements, will increase the cost of and restrict participation in the derivative markets, thereby increasing the costs of engaging in hedging or other transactions and reducing liquidity and the use of the derivative markets. Barclays Bank PLC and its subsidiaries and affiliates may be exposed to these effects whether or not these subsidiaries are required to register in the capacities described. The new regulation of the derivative markets could adversely affect the business of Barclays Bank PLC and its affiliates in these markets and could make it more difficult and expensive to conduct hedging and trading activities.

¡ *Risk retention requirements for securitisations:* The US federal banking agencies were required by the DFA to develop rules whereby, subject to certain exceptions, any sponsor of an asset-backed security (ABS) transaction must retain, generally, not less than five percent of the credit risk of any asset that the sponsor, through the issuance of ABS, transfers, sells or conveys to a third party. The rule was adopted in October 2014, and becomes effective one year after publication in the federal register for residential mortgage-backed securitisations and two years after publication for all other securitisation types. It is largely in line with expectations, but will have some impact on the participation by the Group s US operations in such transactions.

¡ *Consumer Financial Protection Bureau (CFPB):* The CFPB s mission is to protect consumers of financial products including credit card and deposit customers. The CFPB has the authority to examine and take enforcement action against any US bank with over $10bn in total assets, such as Barclays Bank Delaware, with respect to its compliance with Federal laws and regulations regarding the provision of consumer financial services, and with respect to unfair, deceptive or abusive acts and practices. The CFPB has initiated several high-profile public actions against financial companies, including major credit card issuers. Settlements of those actions have included monetary penalties, customer remediation requirements, and commitments to modify business practices.

¡ *Liquidity Coverage Ratio in the US:* During 2014, the US Federal bank regulatory agencies, including the FRB, issued final rules implementing the U.S. Liquidity Coverage Ratio that are generally consistent with the Basel Committee s framework, but with certain modifications, which include accelerated transitional provisions and more stringent requirements related to both the range of assets that qualify as high-quality liquid assets, and expected cash outflow assumptions for certain types of funding. While the US Liquidity Coverage Ratio does not currently apply to Barclays or the IHC, the FRB has indicated it is considering applying the US Liquidity Coverage Ratio to the IHC in the future.

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Financial review

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A review of the performance of Barclays, including the key performance indicators, and our businesses contribution to the overall performance of the Group.

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Financial review

Key Performance Indicators

2016 Transform targets

On 8 May 2014, Barclays announced revised Transform targets based on the results of an updated strategic review. There are six primary 2016 targets as outlined below. Three of these targets relate to performance of the Group with regards to capital, leverage and dividends; two relate to the Core business, focusing on sustainable returns and cost management; while the final target is specific to minimising the Non-Core dilution on the Group s return on equity (RoE). These measures formed the basis of the Key Performance Indicators (KPIs) in 2014 and are used by management in order to assess financial performance. In addition, the Group adjusted RoE and CRD IV fully loaded CET1 ratio are included as the Group Balanced Scorecard measures.

Group Transform targets

Definition	Why it is important and how the Group performed	
CRD IV fully loaded 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.	The Group s capital management objective is to maximise shareholders value by prudently optimising the level, mix and distribution to businesses of its capital resources while maintaining sufficient capital resources to: ensure the Group is well capitalised relative to its minimum regulatory capital requirements set by the PRA and other regulatory authorities; meet the Group s risk appetite; and support the Group s credit rating.	2014: 10.3% 2013: 9.1% 2016 Target: > 11.0%
In the context of CRD IV, the fully loaded CET1 ratio is a measure of capital that is predominantly common equity as defined by the Capital Requirements Regulation.	The Group s CRD IV fully loaded CET1 ratio increased to 10.3% (2013: 9.1%) mainly driven by a £40.6bn reduction in RWAs to £402bn, demonstrating good progress on the Non-Core run-down, and capital growth to £41.5bn (2013:	

£40.4bn). Including the sale of the Spanish business, completed on 2 January 2015, the fully loaded CRD IV CET1 ratio would have increased to 10.5% as at 31 December 2014.

Transform target:

>11.0% CRD IV CET1 ratio on a fully loaded basis in 2016.

BCBS 270 fully loaded leverage ratio

From 30 June 2014, Barclays adopted the January 2014 BCBS 270 rules for leverage exposure as the primary measure to manage leverage exposure for the Group, and ultimately derive the related leverage ratio for the Group. These rules supersede the previously recognised PRA leverage basis, with the PRA also adopting the BCBS based metric as the primary measure.

The ratio is calculated as fully loaded Tier 1 Capital divided by BCBS 270 fully loaded leverage exposure.

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 BCBS 270 leverage ratio increased to 3.7% (30 June 2014: 3.4%), reflecting a reduction in the BCBS 270 leverage exposure of £120bn to £1,233bn and an increase in Tier 1 Capital to £46.0bn (30 June 2014: £45.4bn). Tier 1 Capital includes £4.6bn of Additional Tier 1 (AT1) securities.

Transform target:

BCBS 270 leverage ratio > 4.0% by 2016.

2014: 3.7%

2016 Target: > 4.0%

Dividend payout ratio

It is the Group s policy to declare and pay dividends on a quarterly basis. In a normal year, there will be three equal payments in June, September and December, and a final variable payment in March.

The ability to pay dividends to shareholders demonstrates the financial strength of the Group.

2014 dividend per share of 6.5p (2013: 6.5p) resulted in a dividend payout ratio of 37.6% (2013: 42.5%).

Transform target:

Adjusted dividend per share

2014: 6.5p

2013: 6.5p

2012: 6.5p

The dividend payout ratio is the percentage of earnings paid to shareholders in dividends and is calculated as a proportion of dividends paid relative to adjusted earnings per share as determined by the Board.

40%-50% dividend payout ratio over time. We expect to target a 40% payout ratio in the short term as we focus on capital accretion.

Adjusted dividend payout ratio

2014: 38%

2013: 42%

2012: 18%

2016 Target: 40%-50%

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Core and Non-Core Transform targets

Definition	Why it is important and how the Group performed	
Return on average shareholders equity (RoE) RoE is calculated as profit for the year attributable to ordinary equity holders of the parent, divided by average shareholders equity for the year excluding non-controlling and other equity interests. Shareholders equity is made up of share capital, retained earnings and other reserves.	This measure indicates the return generated by the management of the business based on shareholders equity. Achieving a target RoE demonstrates the organisation s ability to execute its strategy and align management s interests with shareholders . RoE lies at the heart of the Group s capital allocation and performance management process.	**Core** 2014: 9.2% 2013: 11.3% 2012: 10.1% 2016 Core Target: >12%
Adjusted RoE excludes post tax adjusting items for movements in own credit, gains on US Lehman acquisition assets, the gain on disposal of the investment in BlackRock, Inc., provisions for PPI and interest rate hedging redress, goodwill impairment, provision for ongoing investigations and litigation relating to Foreign Exchange, the loss on announced sale of the Spanish business and the Education, Social Housing and Local Authority (ESHLA) valuation revision. Average shareholders equity for adjusted RoE excludes the impact of own credit on retained earnings.	Adjusted RoE for the Group increased to 5.1% (2013: 4.1%). RoE for the Core business decreased to 9.2% (2013: 11.3%), while the RoE dilution on the Group s returns in the Non-Core business decreased to 4.1% (2013: 7.2%). RoE for the Core business excluding costs to achieve Transform was 10.9% (2013: 12.7%).	**Non-Core dilution** 2014: 4.1% 2013: 7.2% 2012: 1.1% 2016 Non-Core dilution Target: < 3%
	Transform target: deliver a return on equity for the Core business of > 12% by 2016, while reducing the	**Group adjusted** 2014: 5.1%

Non-Core dilution on the Group s RoE to < 3%.

2013: 4.1%

2012: 9.0%

Operating expenses excluding costs to achieve Transform

Defined as adjusted total operating expenses excluding costs to achieve Transform.

Adjusted operating expenses exclude provisions for PPI and interest rate hedging redress, provision for ongoing investigations and litigation relating to Foreign Exchange and goodwill impairment.

Barclays views operating expenses as a key strategic battleground for banks over the next decade. Those who actively manage costs and control them effectively will gain a strong competitive advantage.

Adjusted operating expenses excluding costs to achieve Transform of £1,165m (2013: £1,209m) decreased 10% to £16,904m. Operating expenses in the Core business excluding costs to achieve Transform of £953m (2013: £671m) decreased 8% to £15,105m.

Transform target: Core operating expenses excluding costs to achieve Transform of < £14.5bn in 2016.

Core

2014: £15,105m

2013: £16,377m

2012: £16,472m

2016 Core Target: <£14,500m

Group adjusted

2014: £16,904m

2013: £18,684m

2012: £18,562m

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Consolidated summary income statement

For the year ended 31 December	2014 £m	2013[a] £m	2012 £m	2011 £m	2010 £m
Continuing operations					
Net interest income	**12,080**	11,600	11,654	12,201	12,523
Non-interest income net of claims and benefits on insurance contracts	**13,648**	16,296	17,707	16,312	18,526
Adjusted total income net of insurance claims	**25,728**	27,896	29,361	28,513	31,049
Own credit gain/(charge)	**34**	(220)	(4,579)	2,708	391
Gain on US Lehman acquisition assets[a]	**461**	259			
ESHLA valuation revision	**(935)**				
Gain/(loss) on disposal of BlackRock, Inc. investment			227	(58)	
Gains on debt buy-backs				1,130	
Statutory total income net of insurance claims	**25,288**	27,935	25,009	32,292	31,440
Adjusted credit impairment charges and other provisions	**(2,168)**	(3,071)	(3,340)	(3,802)	(5,672)
Impairment of BlackRock, Inc. investment				(1,800)	
Statutory credit impairment charges and other provisions	**(2,168)**	(3,071)	(3,340)	(5,602)	(5,672)
Adjusted operating expenses	**(18,069)**	(19,893)	(18,562)	(19,289)	(19,794)
Provisions for PPI and interest rate hedging redress	**(1,110)**	(2,000)	(2,450)	(1,000)	
Provision for ongoing investigations and litigation relating to Foreign Exchange	**(1,250)**				
Goodwill impairment		(79)		(597)	(243)
Statutory operating expenses	**(20,429)**	(21,972)	(21,012)	(20,886)	(20,037)
Adjusted other net income/(expense)	**11**	(24)	140	60	58
Loss on announced sale of the Spanish business	**(446)**				
(Losses)/gains on acquisitions and disposals				(94)	210
Statutory other net (expense)/income	**(435)**	(24)	140	(34)	268
Statutory profit before tax	**2,256**	2,868	797	5,770	5,999
Statutory taxation	**(1,411)**	(1,571)	(616)	(1,902)	(1,500)
Statutory profit after tax	**845**	1,297	181	3,868	4,499
Statutory profit/(loss) attributable to equity holders of the parent	**(174)**	540	(624)	2,924	3,514
Statutory profit attributable to non-controlling interests	**769**	757	805	944	985
Statutory profit attributable to other equity interests	**250**				

	845	1,297	181	3,868	4,499
Selected statutory financial statistics					
Basic earnings/(loss) per share	**(0.7p)**	3.8p	(4.8p)	22.9p	28.1p
Diluted earnings/(loss) per share	**(0.7p)**	3.7p	(4.8p)	21.9p	26.5p
Dividends per ordinary share	**6.5p**	6.5p	6.5p	6.0p	5.5p
Return on average tangible shareholders equity	**(0.3%)**	1.2%	(1.4%)	7.1%	9.0%
Return on average shareholders equity	**(0.2%)**	1.0%	(1.2%)	5.9%	7.4%
Adjusted profit before tax	**5,502**	4,908	7,599	5,482	5,641
Adjusted taxation	**(1,704)**	(1,963)	(2,159)	(1,299)	(1,370)
Adjusted profit after tax	**3,798**	2,945	5,440	4,183	4,271
Adjusted profit attributable to equity holders of the parent	**2,779**	2,188	4,635	3,239	3,286
Adjusted profit attributable to non-controlling interests	**769**	757	805	944	985
Adjusted profit attributable to other equity interests	**250**				
	3,798	2,945	5,440	4,183	4,271
Selected adjusted financial statistics					
Basic earnings per share	**17.3p**	15.3p	35.5p	25.3p	26.3p
Dividend payout ratio	**38%**	42%	18%	24%	21%
Return on average tangible shareholders equity	**5.9%**	4.8%	10.6%	8.1%	8.5%
Return on average shareholders equity	**5.1%**	4.1%	9.0%	6.7%	6.9%

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.

Note

a 2013 adjusted income and profit before tax have been restated to exclude the Q213 £259m gain relating to assets not yet received from the US Lehman acquisition to aid comparability given its material nature in the current year.

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Income statement commentary

2014 compared to 2013

Statutory profit before tax decreased to £2,256m (2013: £2,868m), adjusted profit before tax increased 12% to £5,502m.

Statutory total income net of insurance claims decreased 9% to £25,288m including adjusting items for an own credit gain of £34m (2013: loss of £220m), a £461m (2013: £259m) gain on the US Lehman acquisition assets and a valuation revision of £935m (2013: £nil) relating to changes in discount rates applied in the valuation methodology of the ESHLA loan portfolio held at fair value.

Adjusted total income net of insurance claims decreased 8% to £25,728m, reflecting a 54% reduction in BNC following assets and securities run-down, and business disposals, a 12% reduction in the Investment Bank, driven by a decrease in the Markets business, particularly Macro, and a 9% reduction in Africa Banking, due to adverse currency movements, partially offset by growth in Barclaycard and PCB.

Net interest income increased 4% to £12,080m, with higher net interest income in PCB, the Investment Bank and Barclaycard, partially offset by reductions in Africa Banking, Head Office and BNC. Net interest income for PCB, Barclaycard and Africa Banking increased 4% to £11,435m driven by strong savings income growth in PCB, and volume growth in Barclaycard, partially offset by a reduction in Africa Banking due to currency movements. This resulted in a net interest margin of 4.08% (2013: 4.02%).

Credit impairment charges improved 29% to £2,168m, with a loan loss rate of 46bps (2013: 64bps). This reflected the non-recurrence of impairments on single name exposures, impairment releases on the wholesale portfolio, and improved performance in Europe within BNC. Within the Core business there were lower impairments in PCB due to the improving UK economic environment, particularly impacting Corporate Banking which benefitted from one-off releases and lower defaults from large UK corporate clients, and reduced impairments in the Africa Banking South Africa mortgages portfolio.

As a result, statutory net operating income for the Group decreased 7% to £23,120m. Net adjusted operating income excluding movements in own credit, the gains on US Lehman acquisition assets and the ESHLA valuation revision decreased 5% to £23,560m.

Statutory operating expenses reduced 7% to £20,429m. This includes adjusting items for an additional PPI redress provision of £1,270m, resulting in a full year net charge of £1,110m (2013: £2,000m) in relation to PPI and interest rate hedging redress, £1,250m (2013: £nil) provision for ongoing investigations and litigation relating to Foreign Exchange and goodwill impairment of £nil (2013: £79m). Adjusted operating expenses decreased 9% to £18,069m, driven by savings from Transform programmes, including a 5% reduction in headcount and currency movements. Total compensation costs decreased 8% to £8,891m, with the Investment Bank reducing 9% to £3,620m, reflecting

reduced headcount, and lower deferred and current year bonus charges. Costs to achieve Transform were £1,165m (2013: £1,209m) and the UK bank levy was £462m (2013: £504m).

The statutory cost: income ratio increased to 81% (2013: 79%). The adjusted cost: income ratio excluding movements in own credit, the gains on US Lehman acquisition assets, provisions for PPI and interest rate hedging redress, the provision for ongoing investigations and litigation relating to Foreign Exchange, the ESHLA valuation revision and goodwill impairment decreased to 70% (2013: 71%).

Statutory other net expense increased to £435m (2013: £24m) including an adjusting item for a loss on the announced sale of the Spanish business of £446m, which completed on 2 January 2015. In addition, accumulated currency translation reserve losses of approximately £100m will be recognised on completion in Q115.

The tax charge was £1,411m (2013: £1,571m) on statutory profit before tax of £2,256m (2013: £2,868m), representing an effective tax rate of 62.5% (2013: 54.8%). The effective tax rate on adjusted profit before tax decreased to 31.0% (2013: 40.0%). 2013 included a charge of £440m relating to the write-down of deferred tax assets in Spain.

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Income statement commentary

2013 compared to 2012

Statutory profit before tax increased to £2,868m (2012: £797m) and adjusted profit before tax decreased 35% to £4,908m.

Statutory total income net of insurance claims increased 12% to £27,935m including adjusting items for an own credit loss of £220m (2012: £4,579m), £259m (2012: £nil) gain on US Lehman acquisition assets and a gain on disposal of investment in Blackrock, Inc. of £nil (2012: £227m). Adjusted total income net of insurance claims decreased 5% to £27,896m reflecting a 29% reduction in BNC, a 6% reduction in the Investment Bank, driven by a decrease in the Markets business, particularly Macro, and a 6% reduction in Africa Banking, due to currency movements partially offset by growth in Barclaycard and PCB.

Net interest income was broadly stable at £11,600m (2012: £11,654m), with lower net interest income in BNC, Head Office and Africa Banking offset by increases in Barclaycard, the Investment Bank and PCB. Net interest income for PCB, Barclaycard and Africa Banking increased 3% to £10,967m driven by growth in customer assets, partially offset by contributions from Group structural hedging activities.

Credit impairment charges improved 8% to £3,071m, with a loan loss rate of 64bps (2012: 70bps). This reflected lower impairments in the wholesale businesses and improved arrears rates in Africa Banking, particularly on South Africa home loans. This, however, was partially offset by the non-recurrence of impairment releases in 2012 in PCB and Barclaycard, and the Edcon acquisition in Africa Banking.

As a result, statutory net operating income for the Group after impairment charges increased 15% to £24,864m. Adjusted net operating income excluding movements in own credit, the gain on US Lehman acquisition assets and the gain on disposal of investment in Blackrock Inc. decreased 5% to £24,825m.

Statutory operating expenses increased 5% to £21,972m including adjusting items for an additional PPI and interest rate hedging provision of £2,000m (2012: £2,450m) based on an updated best estimate of future redress and associated costs and goodwill impairment of £79m (2012: £nil). Adjusted operating expenses increased 7% to £19,893m, reflecting £1,209m (2012: £nil) of costs to achieve Transform, £220m provisions for litigation and regulatory penalties in Q413 in the Investment Bank, mainly relating to the US residential mortgage-related business and UK bank levy of £504m (2012: £345m).

The statutory cost: income ratio decreased to 79% (2012: 84%). The adjusted cost: income ratio excluding movements in own credit, the gain on US Lehman acquisition assets, the gain on disposal of investment in Blackrock Inc., provisions for PPI and interest rate hedging products redress, and goodwill impairment increased to 71% (2012: 63%).

The tax charge was £1,571m (2012: £616m) on statutory profit before tax of £2,868m (2012: £797m), representing a statutory effective tax rate of 54.8% (2012: 77.3%). The effective tax rate on adjusted profit before tax increased to 40.0% (2012: 28.4%), mainly due to a charge of £440m reflecting the write-down of deferred tax assets in Spain. The

adjusted effective tax rate excluding the write-down was 31.0% (2012: 28.4%), which primarily reflected profits outside the UK taxed at local statutory tax rates that are higher than the UK statutory tax rates of 23.25% (2012: 24.5%) and the impact of the increase in the non-deductible UK bank levy to £504m (2012: £345m).

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Financial review

Consolidated summary balance sheet

As at 31 December	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Assets					
Cash and balances at central banks	**39,695**	45,687	86,191	106,894	97,630
Items in the course of collection from other banks	**1,210**	1,282	1,473	1,812	1,384
Trading portfolio assets	**114,717**	133,069	146,352	152,183	168,867
Financial assets designated at fair value	**38,300**	38,968	46,629	36,949	41,485
Derivative financial instruments	**439,909**	350,300	485,140	559,010	446,330
Available for sale investments	**86,066**	91,756	75,109	68,491	65,110
Loans and advances to banks	**42,111**	39,422	41,799	48,576	38,875
Loans and advances to customers	**427,767**	434,237	430,601	437,355	433,918
Reverse repurchase agreements and other similar secured lending	**131,753**	186,779	176,522	153,665	205,772
Other assets	**36,378**	22,128	22,535	23,745	23,972
Total assets	**1,357,906**	1,343,628	1,512,351	1,588,680	1,523,343
Liabilities					
Deposits from banks	**58,390**	55,615	77,345	90,905	77,907
Items in the course of collection due to other banks	**1,177**	1,359	1,587	969	1,321
Customer accounts	**427,704**	431,998	390,828	371,806	352,122
Trading portfolio liabilities	**45,124**	53,464	44,794	45,887	72,693
Financial liabilities designated at fair value	**56,972**	64,796	78,561	87,997	97,729
Derivative financial instruments	**439,320**	347,118	480,987	548,944	432,313
Debt securities in issue	**86,099**	86,693	119,525	129,736	156,623
Subordinated liabilities	**21,153**	21,695	24,018	24,870	28,499
Repurchase agreements and other similar secured borrowings	**124,479**	196,748	217,178	207,292	225,534
Other liabilities	**31,530**	20,193	17,542	16,315	18,362
Total liabilities	**1,291,948**	1,279,679	1,452,365	1,524,721	1,463,103
Equity					
Called up share capital and share premium	**20,809**	19,887	12,477	12,380	12,339
Other equity instruments	**4,322**	2,063			
Other reserves	**2,724**	249	3,674	3,837	1,754
Retained earnings	**31,712**	33,186	34,464	38,135	34,743

Total equity excluding non-controlling interests	**59,567**	55,385	50,615	54,352	48,836
Non-controlling interests	**6,391**	8,564	9,371	9,607	11,404
Total equity	**65,958**	63,949	59,986	63,959	60,240
Total liabilities and equity	**1,357,906**	1,343,628	1,512,351	1,588,680	1,523,343
Net tangible asset value per share	**285p**	283p	349p	381p	346p
Net asset value per ordinary share	**335p**	331p	414p	446p	401p
Number of ordinary shares of Barclays PLC (in millions)	**16,498**	16,113	12,243	12,199	12,182
Year-end United States dollar exchange rate	**1.56**	1.65	1.62	1.54	1.55
Year-end Euro exchange rate	**1.28**	1.20	1.23	1.19	1.16
Year-end South African rand exchange rate	**18.03**	17.37	13.74	12.52	10.26

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Financial review

Balance sheet commentary

Total assets

Total assets increased £14bn to £1,358bn.

Cash and balances at central banks and items in the course of collection from other banks decreased £6bn to £41bn, as the cash contribution to the Group liquidity pool was reduced.

Trading portfolio assets decreased £18bn to £115bn due to a reduction in debt securities and other eligible bills driven by a decrease in trading activity in the Investment Bank and exiting of positions in BNC. This was partially offset by an increase in equity securities and traded loans.

Financial assets designated at fair value decreased £1bn to £38bn reflecting decreases in equity securities, partially offset by increases in loans and advances at fair value due to fair value movements, and increased debt securities related to acquisitions.

Derivative financial instrument assets increased £90bn to £440bn, consistent with the movement in derivative financial instrument liabilities, which increased £92bn to £439bn, driven by an increase in interest rate derivatives of £78bn, reflecting a reduction in the major forward interest rates, and an increase in foreign exchange derivatives of £14bn due to strengthening of USD against major currencies.

Available for sale investments decreased £6bn to £86bn primarily driven by exiting of positions in BNC and settlements in respect of US Lehman acquisition assets.

Total loans and advances decreased £4bn to £470bn due to £7bn growth in PCB and £5bn growth in Barclaycard, offset by the £13bn reclassification of loans to other assets relating to the Spanish business which is held for sale and a £4bn decrease in BNC driven by a run-off of assets in Europe retail.

Reverse repurchase agreements and other similar secured lending decreased £55bn to £132bn primarily driven by lower matched book trading due to balance sheet deleveraging.

Total liabilities

Total liabilities increased £12bn to £1,292bn.

Deposits from banks increased £3bn to £58bn primarily driven by an £8bn increase in cash collateral due to higher derivative mark to market, offset by a £5bn decrease as a result of the reclassification of the Spanish business to other liabilities.

Customer accounts decreased £4bn to £428bn as a result of the reclassification of £8bn in relation to the Spanish business to other liabilities and £9bn reduction in settlement balances. These decreases were partially offset by a £9bn increase in cash collateral balances due to higher derivative mark to market and £5bn growth within PCB and Barclaycard.

Trading portfolio liabilities decreased £8bn to £45bn primarily due to reductions in debt securities and other eligible bills following assets and securities run-down, and business disposals. Further reductions in US treasuries and Euro bond positions were driven by client demand. These reductions were partially offset by increased equity securities.

Financial liabilities designated at fair value decreased £8bn to £57bn primarily reflecting trade maturities, buybacks and unwinding of existing notes due to reduced funding requirements.

Derivative financial instrument liabilities increased £92bn to £439bn in line with the increase in derivative financial assets.

Debt securities in issue decreased £1bn to £86bn due to the non-renewal of commercial paper, partially offset by increased issuance of certificates of deposit.

Subordinated liabilities decreased £1bn to £21bn due to redemptions of fixed and floating rate subordinated notes, Reserve Capital Instruments and Tier One Notes, partially offset by the issuance of subordinated notes and fair value hedge movements.

Repurchase agreements and other similar secured borrowings decreased £72bn to £124bn primarily driven by lower matched book trading due to balance sheet deleveraging and from lower financing requirements as a result of a decrease in long positions.

Shareholders equity

Total shareholders equity increased £2.0bn to £66.0bn.

Share capital and share premium increased by £0.9bn to £20.8bn due to the issuance of shares under employee share schemes and the Barclays PLC scrip dividend programme. Other equity instruments increased by £2.3bn to £4.3bn due to issuance of equity accounted AT1 securities to investors in exchange for the cancellation of preference shares and subordinated debt instruments.

The available for sale reserve increased £0.4bn to £0.6bn driven by £5.3bn of gains from changes in the fair value on government bonds held in the liquidity pool, partially offset by £4.1bn of losses from related hedging, and £0.6bn of net gains transferred to net profit.

The cash flow hedging reserve increased £1.5bn to £1.8bn driven by £2.7bn of gains in the fair value of interest rate swaps held for hedging purposes as forward interest rates decreased, partially offset by £0.7bn of gains transferred to net profit and £0.4bn of tax.

The currency translation reserve increased £0.6bn to a debit balance of £0.6bn largely due to the strengthening of USD against GBP.

Non-controlling interests decreased £2.2bn to £6.4bn, primarily due to a movement in preference shares. £1.5bn of Barclays Bank plc preference shares were bought back and cancelled as part of the AT1 exchange exercise. An additional £0.7bn of preference shares were redeemed on their first call date.

Net tangible asset value per share increased to 285p (2013: 283p). This increase was mainly attributable to upward movements in the cash flow hedging reserve, available for sale reserve and currency translation reserve.

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Analysis of results by business

All disclosures in this section are unaudited unless otherwise stated.

Segmental analysis (audited)

nalysis of adjusted results by business

	Personal and Corporate Banking £m	Barclaycard £m	Africa Banking £m	Investment Bank[b] £m	Head Office £m	Barclays Core £m	Barclays Non-Core £m	Group adjusted results £m
or the year nded 1 December 014								
otal income net f insurance laims	8,828	4,356	3,664	7,588	242	24,678	1,050	25,728
redit mpairment harges and ther provisions	(482)	(1,183)	(349)	14		(2,000)	(168)	(2,168)
et operating ncome	8,346	3,173	3,315	7,602	242	22,678	882	23,560
perating xpenses	(5,005)	(1,727)	(2,246)	(5,633)	(123)	(14,734)	(1,708)	(16,442)
K bank levy	(70)	(29)	(45)	(218)	(9)	(371)	(91)	(462)
osts to achieve ransform	(400)	(118)	(51)	(374)	(10)	(953)	(212)	(1,165)
ther ncome/(losses)[a]	14	40	11		(3)	62	(51)	11
rofit/(loss) efore tax from ontinuing perations	2,885	1,339	984	1,377	97	6,682	(1,180)	5,502
	285.0	41.3	55.5	455.7	49.1	886.5	471.5	1,357.9

Total assets (£bn)								
For the year ended 31 December 2013								
Total income net of insurance claims	8,723	4,103	4,039	8,596	142	25,603	2,293	27,896
Credit impairment charges and other provisions	(621)	(1,096)	(479)	22	3	(2,171)	(900)	(3,071)
Net operating income	8,102	3,007	3,560	8,618	145	23,432	1,393	24,825
Operating expenses	(5,460)	(1,786)	(2,451)	(6,172)	(113)	(15,982)	(2,198)	(18,180)
UK bank levy	(66)	(22)	(42)	(236)	(29)	(395)	(109)	(504)
Costs to achieve Transform	(384)	(49)	(26)	(190)	(22)	(671)	(538)	(1,209)
Other income/(losses)[a]	41	33	8		4	86	(110)	(24)
Profit/(loss) before tax from continuing operations	2,233	1,183	1,049	2,020	(15)	6,470	(1,562)	4,908
Total assets (£bn)	278.5	34.4	54.9	438.0	26.6	832.4	511.2	1,343.6
For the year ended 31 December 2012								
Total income net of insurance claims	8,579	3,816	4,314	9,104	341	26,154	3,207	29,361
Credit impairment charges and other provisions	(626)	(1,000)	(695)	(50)	(7)	(2,378)	(962)	(3,340)
Net operating income	7,953	2,816	3,619	9,054	334	23,776	2,245	26,021
Operating expenses	(5,456)	(1,669)	(2,584)	(6,361)	(139)	(16,209)	(2,008)	(18,217)
UK bank levy	(49)	(15)	(34)	(139)	(26)	(263)	(82)	(345)
Other income[a]	7	29	18		21	75	65	140
Profit before tax from continuing operations	2,455	1,161	1,019	2,554	190	7,379	220	7,599
	215.7	32.9	64.9	398.5	148.4	860.3	651.8	1,512.4

Total assets
(£bn)

Notes

a Other income/(losses) 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 2013 adjusted income and profit before tax have been restated to exclude the Q213 £259m gain relating to assets not yet received from the US Lehman acquisition to aid comparability given its material nature in the current year. December 2013 and December 2012 US Lehman acquisition assets and RWAs of £1.6bn and £1.9bn respectively have been restated for the reclassification of these assets from the Investment Bank to Head Office to more accurately reflect responsibility for the resolution of this matter.

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Analysis of results by business

All disclosures in this section are unaudited unless otherwise stated.

Adjusted results reconciliation

	2014			2013			2012		
	Group adjusted results	Adjusting items	Group statutory results	Group adjusted results	Adjusting items	Group statutory results	Group adjusted results	Adjusting items	Group statutory results
For the year ended 31 December	£m	£m	£m	£m	£m	£m	£m	£m	£m
Total income net of insurance claims	25,728	(440)	25,288	27,896	39	27,935	29,361	(4,352)	25,009
Credit impairment charges and other provisions	(2,168)		(2,168)	(3,071)		(3,071)	(3,340)		(3,340)
Net operating income	23,560	(440)	23,120	24,825	39	24,864	26,021	(4,352)	21,669
Operating expenses	(16,442)	(2,360)	(18,802)	(18,180)	(2,079)	(20,259)	(18,217)	(2,450)	(20,667)
UK bank levy	(462)		(462)	(504)		(504)	(345)		(345)
Costs to achieve Transform	(1,165)		(1,165)	(1,209)		(1,209)			
Other income/(losses)[a]	11	(446)	(435)	(24)		(24)	140		140
Profit/(loss) before tax from continuing operations	5,502	(3,246)	2,256	4,908	(2,040)	2,868	7,599	(6,802)	797

Adjusted profit reconciliation

	2014	2013	2012
For the year ended 31 December	£m	£m	£m
Adjusted profit before tax	5,502	4,908	7,599
Own credit	34	(220)	(4,579)
Gain on disposal of BlackRock, Inc. investment			227
Goodwill impairment		(79)	
Provisions for PPI and interest rate hedging redress	(1,110)	(2,000)	(2,450)
Gains on US Lehman acquisition assets	461	259	
Provision for ongoing investigations and litigation relating to Foreign Exchange	(1,250)		
Loss on announced sale of the Spanish business	(446)		
ESHLA valuation revision	(935)		
Statutory profit before tax	2,256	2,868	797

Income by geographic region (audited)

Adjusted[b,c]	Statutory

	2014	2013	2012	2014	2013	2012
	£m	£m	£m	£m	£m	£m
Continuing operations						
UK[b]	**12,357**	11,681	12,040	**11,456**	11,461	7,461
Europe	**2,896**	4,019	4,457	**2,896**	4,019	4,457
Americas[c]	**5,547**	6,775	7,327	**6,008**	7,034	7,554
Africa and Middle East	**4,152**	4,137	4,472	**4,152**	4,137	4,472
Asia	**776**	1,284	1,065	**776**	1,284	1,065
Total	**25,728**	27,896	29,361	**25,288**	27,935	25,009

Statutory income from individual countries which represent more than 5% of total income (audited)[d]

	2014	2013	2012
	£m	£m	£m
Continuing operations			
UK	**11,456**	11,461	7,461
US	**5,866**	6,760	7,333
South Africa	**2,915**	2,884	3,700

Notes

a Other income/(losses) 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 UK adjusted income excludes the impact of an own credit gain of £34m (2013: £220m loss; 2012: £4,579m loss) and ESHLA valuation revision of £935m (2013: £nil; 2012: £nil).

c Americas adjusted income excludes the gains on US Lehman acquisition assets of £461m (2013: £259m; 2012: £nil) and gain on disposal of the investment in BlackRock, Inc. of £nil (2013: £nil; 2012: £227m gain).

d Total income net of insurance claims based on counterparty location. Income from each single external customer does not amount to 10% or greater of the Group s total income net of insurance claims.

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Barclays Core

The Group s activities have been resegmented into Core and Non-Core business units as part of the Group strategy update announced in May 2014. The Core business is the future of Barclays and consists of the following five business areas.

- **Personal and Corporate Banking** (PCB) comprises personal banking, mortgages, wealth & investment management, and corporate banking. Through these businesses we serve the needs of our customers and clients in the UK and in selected international markets. Managing these businesses together helps to drive product and customer segment capabilities as well as cost synergies through platform integration and leveraging expertise, particularly within digital channels.

- **Barclaycard** is an international payments services provider for consumer and business customers including credit cards and consumer lending.

- The **Africa Banking** business is managed under three primary businesses: Retail and Business Banking (RBB); Wealth, Investment Management and Insurance (WIMI); Corporate and Investment Banking (CIB) as well as an Africa Head Office function.

- The **Investment Bank** now consists of origination-led and returns-focused markets and banking businesses.

- **Head Office** comprises head office and central support functions, businesses in transition and consolidation adjustments.

	2014	2013	2012
	£m	£m	£m

Income statement information			
Total income net of insurance claims	**24,678**	25,603	26,154
Credit impairment charges and other provisions	**(2,000)**	(2,171)	(2,378)
Net operating income	**22,678**	23,432	23,776
Operating expenses	**(14,734)**	(15,982)	(16,209)
UK bank levy	**(371)**	(395)	(263)
Costs to achieve Transform	**(953)**	(671)	
Total operating expenses	**(16,058)**	(17,048)	(16,472)
Other net income	**62**	86	75
Profit before tax	**6,682**	6,470	7,379
Attributable profit	**3,864**	4,078	4,120
Balance sheet information			
Risk weighted assets[a]	**£326.6bn**	£332.6bn	n/a
Average allocated tangible equity[b]	**£34.6bn**	£28.4bn	£33.2bn
Average allocated equity[b]	**£42.3bn**	£36.0bn	£40.8bn
Key facts			
Number of employees (full time equivalent)	**123,400**	129,700	127,700
Performance measures			
Return on average tangible equity[b]	**11.3%**	14.4%	12.4%
Return on average equity[b]	**9.2%**	11.3%	10.1%
Cost: income ratio	**65%**	67%	63%
Loan loss rate (bps)	**49**	55	63

Notes

a RWAs are on a CRD IV fully loaded basis. CRD IV rules came into effect in 2013; therefore no 2012 comparatives are available.
b 2012 returns calculated using average allocated equity based on CRD III RWAs and capital deductions.

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Analysis of results by business

Personal and Corporate Banking

£8,828m

total income

£2,885m

profit before tax

2014 compared to 2013

Profit before tax increased 29% to £2,885m driven by 3% growth in Personal income, lower impairment due to the improving economic environment in the UK, and the continued reduction in operating expenses due to progress on the Transform strategy. This resulted in a 2.2% increase in return on average equity to 11.9%. In Personal, income increased £119m alongside significant cost reductions, with the net closure of 72 branches as part of ongoing branch network optimisation, as well as investment in the customer experience across multiple channels. Corporate increased both loans and deposits, and Wealth undertook a substantial reorganisation to reduce the number of target markets while simplifying operations.

Total income increased 1% to £8,828m. Personal income increased 3% to £4,159m due to balance growth and improved savings margins, partially offset by lower fee income. Corporate income was broadly in line at £3,592m (2013: £3,620m), with balance growth in both lending and deposits, offset by margin compression. Wealth income was broadly in line at £1,077m (2013: £1,063m) driven by growth in the UK business, offset by client and market exits as part of the reorganisations in the US and EU businesses, and lower fee income.

Net interest income increased 7% to £6,298m driven by lending and deposit growth and margin improvement. Net interest margin improved 9bps to 3.00% primarily due to the launch of a revised overdraft proposition, which recognises the majority of overdraft income as net interest income as opposed to fee income, and higher savings margins within Personal and Wealth. These factors were partially offset by lower Corporate deposit margins.

	2014	2013	2012
	£m	£m	£m
Income statement information			
Net interest income	**6,298**	5,893	5,730
Net fee and commission income	**2,443**	2,723	2,777
Other income	**87**	107	72
Total income	**8,828**	8,723	8,579
Credit impairment charges and other provisions	**(482)**	(621)	(626)
Net operating income	**8,346**	8,102	7,953
Operating expenses	**(5,005)**	(5,460)	(5,456)
UK bank levy	**(70)**	(66)	(49)
Costs to achieve Transform	**(400)**	(384)	
Total operating expenses	**(5,475)**	(5,910)	(5,505)
Other net income	**14**	41	7
Profit before tax	**2,885**	2,233	2,455
Attributable profit	**2,058**	1,681	1,703
Balance sheet information			
Loans and advances to customers at amortised cost	**£217.0bn**	£212.2bn	£203.8bn
Total assets	**£285.0bn**	£278.5bn	£215.7bn
Customer deposits	**£299.2bn**	£295.9bn	£256.4bn
Risk weighted assets[a]	**£120.2bn**	£118.3bn	n/a
Average allocated tangible equity[b]	**£13.1bn**	£13.2bn	£11.4bn
Average allocated equity[b]	**£17.5bn**	£17.3bn	£15.4bn

Notes

a RWAs are on a CRD IV fully loaded basis. CRD IV rules came into effect in 2013; therefore no 2012 comparatives are available.

b 2012 returns calculated using average allocated equity based on CRD III RWAs and capital deductions.

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Net fee and commission income reduced 10% to £2,443m due to the launch of the revised overdraft proposition and lower transactional income in Wealth.

Credit impairment charges improved 22% to £482m and the loan loss rate reduced 7bps to 21bps due to the improving economic environment in the UK, particularly impacting Corporate which benefited from one-off releases and lower defaults from large UK Corporate clients.

Total operating expenses reduced 7% to £5,475m reflecting savings realised from Transform programmes relating to restructuring of the branch network and technology improvements to increase automation.

Loans and advances to customers increased 2% to £217.0bn due to mortgage growth and Corporate loan growth.

Total assets increased 2% to £285.0bn driven by the growth in loans and advances to customers.

Customer deposits increased to £299.2bn (2013: £295.9bn).

RWAs increased 2% to £120.2bn primarily driven by growth in mortgage and Corporate lending.

2013 compared to 2012

Profit before tax decreased 9% to £2,233m.

Total income increased 2% to £8,723m driven by mortgage growth, the contribution from Barclays Direct (previously ING Direct UK, acquired during Q113) and UK Corporate income, partially offset by lower fee income.

Net interest income increased 3% to £5,893m driven by strong mortgage growth and the contribution from Barclays Direct.

Net fee and commission income declined 2% to £2,723m primarily due to lower fee income from Personal customers.

Credit impairment charges were broadly in line at £621m (2012: £626m) and the loan loss rate reduced 2bps to 28bps, due to lower charges against large UK Corporate clients, partially offset by the non-recurrence of provision releases in 2012 relating to unsecured lending and mortgages.

Total operating expenses increased 7% to £5,910m largely due to costs to achieve Transform of £384m (2012: £nil) and an increase in UK bank levy to £66m (2012: £49m).

	2014	2013	2012
	£m	£m	£m
Key facts			
Average LTV of mortgage lending[a]	**52%**	56%	59%
Average LTV of new mortgage lending[a]	**65%**	64%	65%
Number of branches	**1,488**	1,560	1,593
Number of employees (full time equivalent)	**45,600**	50,100	50,500
Performance measures			
Return on average tangible equity[b]	**15.8%**	12.7%	15.0%
Return on average equity[b]	**11.9%**	9.7%	11.1%
Cost: income ratio	**62%**	68%	64%
Loan loss rate (bps)	**21**	28	30

Notes

a Average LTV of mortgage portfolio and new mortgage lending calculated on the balance weighted basis.
b 2012 returns calculated using average allocated equity based on CRD III RWAs and capital deductions.

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Analysis of results by business

Barclaycard

£4,356m

total income

£1,339m

profit before tax

2014 compared to 2013

Profit before tax increased 13% to £1,339m. Strong growth in 2014 was delivered through a diversified consumer and merchant business model, with customer numbers increasing to 30m (2013: 26m) and asset growth across all geographies generating a 6% increase in income. Growth has been managed on a well-controlled cost base, with the business focusing on scale through insourcing of services, consolidation of sites and digitalisation, resulting in an improvement in the cost to income ratio to 43% (2013: 45%). The business focus on risk management is reflected in stable 30-day delinquency rates and falling loan loss rates. The diversified and scaled business model has allowed the business to deliver a strong return on average equity of 16.0% (2013: 15.5%).

Total income increased 6% to £4,356m reflecting growth in the UK consumer and merchant, Germany and US businesses, partially offset by depreciation of average USD against GBP.

Net interest income increased 8% to £3,044m driven by volume growth. Net interest margin decreased to 8.75% (2013: 8.99%) due to a change in product mix and the impact of promotional offers, particularly in the US, partially offset by lower funding costs.

Net fee and commission income increased 2% to £1,286m due to growth in payment volumes.

	2014	2013	2012
	£m	£m	£m
Income statement information			
Net interest income	**3,044**	2,829	2,632
Net fee and commission income	**1,286**	1,256	1,166
Other income	**26**	18	18
Total income	**4,356**	4,103	3,816
Credit impairment charges and other provisions	**(1,183)**	(1,096)	(1,000)
Net operating income	**3,173**	3,007	2,816
Operating expenses	**(1,727)**	(1,786)	(1,669)
UK bank levy	**(29)**	(22)	(15)
Costs to achieve Transform	**(118)**	(49)	
Total operating expenses	**(1,874)**	(1,857)	(1,684)
Other net income	**40**	33	29
Profit before tax	**1,339**	1,183	1,161
Attributable profit	**938**	822	812
Balance sheet information			
Loans and advances to customers at amortised cost	**£36.6bn**	£31.5bn	£28.8bn
Total assets	**£41.3bn**	£34.4bn	£32.9bn
Customer deposits	**£7.3bn**	£5.1bn	£2.7bn
Risk weighted assets[a]	**£39.9bn**	£35.7bn	n/a
Average allocated tangible equity[b]	**£4.7bn**	£4.1bn	£3.4bn
Average allocated equity[b]	**£5.9bn**	£5.3bn	£4.5bn

Notes

a RWAs are on a CRD IV fully loaded basis. CRD IV rules came into effect in 2013; therefore no 2012 comparatives are available.

b 2012 returns calculated using average allocated equity based on CRD III RWAs and capital deductions.

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Credit impairment charges increased 8% to £1,183m due to asset growth and enhanced coverage for forbearance. Delinquency rates remained broadly stable and the loan loss rate reduced 24bps to 308bps.

Total operating expenses increased 1% to £1,874m driven by higher costs to achieve Transform of £118m (2013: £49m), partially offset by depreciation of average USD against GBP, VAT refunds and savings from Transform programmes, including insourcing of services, consolidation of sites and digitalisation.

Loans and advances to customers increased 16% to £36.6bn reflecting growth across all geographies, including the impact of promotional offers and the acquisition of portfolios in the US.

Total assets increased 20% to £41.3bn due to the increase in loans and advances to customers.

Customer deposits increased 43% to £7.3bn driven by the deposits funding strategy in the US.

RWAs increased 12% to £39.9bn primarily driven by the growth in loans and advances to customers.

2013 compared to 2012

Profit before tax increased 2% to £1,183m.

Total income increased 8% to £4,103m reflecting net lending growth. UK income, including both the consumer and merchant sides of payments, increased 4% to £2,583m reflecting net lending growth and lower funding costs. International income increased 15% to £1,520m reflecting strong growth in the US and Germany.

Net interest income increased 7% to £2,829m driven by volume growth. The impact of promotional offers and a change in product mix, with growth through the US partner portfolio, were offset by lower funding costs.

Net fee and commission income improved 8% to £1,256m due to increased payment volumes, predominantly in the US and UK.

Credit impairment charges increased 10% to £1,096m primarily driven by volume growth and non-recurrence of provision releases in 2012 with the loan loss rate remaining broadly stable at 332bps (2012: 328bps). Delinquency rates fell in the UK and US consumer cards businesses.

Total operating expenses increased 10% to £1,857m reflecting net lending growth, higher operating losses and costs to achieve Transform of £49m (2012: £nil).

		2014	2013	2012
		£m	£m	£m
Key facts				
30 days arrears rates	UK cards	**2.5%**	2.4%	2.5%
30 days arrears rates	US cards	**2.1%**	2.1%	2.4%
Number of employees (full time equivalent)		**12,200**	11,000	10,000
Performance measures				
Return on average tangible equity[a]		**19.9%**	19.9%	23.7%
Return on average equity[a]		**16.0%**	15.5%	18.0%
Cost: income ratio		**43%**	45%	44%
Loan loss rate (bps)		**308**	332	328

Note

a 2012 returns calculated using average allocated equity based on CRD III RWAs and capital deductions.

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Financial review

Analysis of results by business

Africa Banking

£3,664m

total income net of insurance claims

£984m

profit before tax

2014 compared to 2013

On a reported basis[a], total income net of insurance claims decreased 9% to £3,664m and profit before tax decreased 6% to £984m. Based on average rates, the ZAR depreciated against GBP by 18% in 2014. The deterioration was a significant contributor to the movement in the reported results of Africa Banking. The discussion of business performance below is based on results on a constant currency basis[b] unless otherwise stated.

Profit before tax increased 13% to £984m, reflecting good growth in Corporate and Investment Banking (CIB) and Retail and Business Banking (RBB). CIB experienced strong income growth, driven by the corporate banking business outside South Africa, and improved investment banking trading performance across Africa. Continued progress was made on the RBB South Africa turnaround strategy, with increased net fee and commission income growth in the second half of the year, and Wealth, Investment Management and Insurance (WIMI) delivered strong growth outside South Africa due to expansion initiatives.

Total income net of insurance claims increased 7% to £3,664m.

Net interest income increased 9% to £2,093m, primarily driven by higher average loans and advances to customers in CIB and growth in customer deposits in RBB in South Africa. Net interest margin on a reported basis[a] increased 14bps to 5.95% following the rise in the South African benchmark interest rate and the favourable impact of higher deposit margins, partially offset by lower rates outside South Africa.

Net fee and commission income increased 2% to £1,086m mainly reflecting increased RBB transactions in South Africa.

Credit impairment charges decreased 14% to £349m and on a reported basis the loan loss rate improved 35bps to 93bps, driven by reduced impairments in the South Africa mortgages portfolio and business banking, partially offset by increased impairments in the card portfolio.

				Constant currency[b]	
	2014	2013	2012	**2014**	2013
	£m	£m	£m	**£m**	£m
Income statement information					
Net interest income	**2,093**	2,245	2,313	**2,093**	1,912
Net fee and commission income	**1,086**	1,254	1,384	**1,086**	1,067
Net trading income	**250**	260	328	**250**	219
Net premiums from insurance contracts	**337**	374	432	**337**	316
Other income	**68**	91	65	**68**	78
Total income	**3,834**	4,224	4,522	**3,834**	3,592
Net claims and benefits incurred under insurance contracts	**(170)**	(185)	(208)	**(170)**	(157)
Total income net of insurance claims	**3,664**	4,039	4,314	**3,664**	3,435
Credit impairment charges and other provisions	**(349)**	(479)	(695)	**(349)**	(406)
Net operating income	**3,315**	3,560	3,619	**3,315**	3,029
Operating expenses	**(2,246)**	(2,451)	(2,584)	**(2,246)**	(2,098)
UK bank levy	**(45)**	(42)	(34)	**(45)**	(42)
Costs to achieve Transform	**(51)**	(26)		**(51)**	(23)
Total operating expenses	**(2,342)**	(2,519)	(2,618)	**(2,342)**	(2,163)
Other net income	**11**	8	18	**11**	7
Profit before tax	**984**	1,049	1,019	**984**	873
Attributable profit	**360**	356	347	**360**	289
Balance sheet information					
Loans and advances to customers at amortised cost	**£35.2bn**	£34.9bn	£41.2bn	**£ 35.2bn**	£ 33.6bn
Total assets	**£55.5bn**	£54.9bn	£64.9bn	**£ 55.5bn**	£ 52.8bn
Customer deposits	**£35.0bn**	£34.6bn	£39.7bn	**£ 35.0bn**	£ 33.3bn
Risk weighted assets[c]	**£38.5bn**	£38.0bn	n/a		
Average tangible equity	**£2.8bn**	£3.2bn	£3.5bn		
Average equity	**£3.9bn**	£4.4bn	£4.9bn		

Notes

a Reported basis represents results in GBP using actual exchange rates.
b Constant currency results are calculated by converting ZAR results into GBP using the average 2014 exchange rate for the income statement and the closing 2014 exchange rate for the balance sheet to eliminate the impact of movement in exchange rates between the two periods.
c RWAs are on a CRD IV fully loaded basis. CRD IV rules came into effect in 2013; therefore no 2012 comparatives are available.

Total operating expenses increased 8% to £2,342m largely reflecting inflationary increases, resulting in higher staff costs, and increased investment spend on key initiatives, including higher costs to achieve Transform of £51m (2013: £23m), partially offset by savings from Transform programmes.

Loans and advances to customers increased 5% to £35.2bn primarily driven by strong corporate banking growth across Africa in CIB and limited growth in RBB, mainly due to a modest reduction in the South Africa mortgages portfolio.

Total assets increased 5% to £55.5bn due to the increase in loans and advances to customers.

Customer deposits increased 5% to £35.0bn reflecting strong growth in the South African RBB business.

RWAs increased 1% to £38.5bn on a reported basis, primarily driven by growth in loans and advances to customers, partially offset by the depreciation of ZAR against GBP.

2013 compared to 2012

Based on average rates, the ZAR depreciated against GBP by 16% in 2013. The deterioration was a significant contributor to the movement in the reported results of Africa Banking.

Profit before tax increased 3% to £1,049m. When excluding the impact of the depreciation of average ZAR against GBP, profit before tax increased approximately 19%.

Total income net of insurance claims declined 6% to £4,039m reflecting adverse currency movements and continued pressure on RBB transaction volumes, partially offset by strong balance sheet growth in CIB and the impact from the full-year inclusion of the Edcon card portfolio acquired in the second half of 2012.

Net interest income decreased 3% to £2,245m due to adverse currency movements, partially offset by the benefit from the inclusion of the Edcon card portfolio for the full year and the impact of growth in loans and advances to customers in CIB and RBB.

Net fee and commission income declined 9% to £1,254m due to adverse currency movements, partially offset by the benefit from the full-year inclusion of the Edcon card portfolio and modest growth in RBB fee and commission income.

Credit impairment charges decreased 31% to £479m driven by favourable currency movements and lower provisions on the South African home loans recovery book and business banking portfolio, partially offset by increased impairment in the card business, reflecting the inclusion of the Edcon portfolio for the full year and an increase in the loan loss rate on the remaining portfolio. The total loan loss rate improved 30bps to 128bps.

Total operating expenses decreased 4% to £2,519m reflecting favourable currency movements, partially offset by higher staff costs driven by inflationary pressures and increased incentives, increased investment spend on key initiatives including costs to achieve Transform of £26m (2012: £nil) and the inclusion of the Edcon card portfolio for the full year.

	2014	2013	2012
	£m	£m	£m
Key facts			
Average LTV of mortgage portfolio[a]	**59.9%**	62.3%	65.6%
Average LTV of new mortgage lending[a]	**74.8%**	74.9%	75.3%
Number of distribution points	**1,349**	1,396	1,451
Number of employees (full time equivalent)	**45,000**	45,900	45,000
ZAR/£ Period end	**18.03**	17.37	13.74
ZAR/£ Average	**17.84**	15.10	13.03
Performance measures			
Return on average tangible equity[b]	**12.9%**	11.3%	10.0%
Return on average equity[b]	**9.3%**	8.1%	7.2%
Cost: income ratio	**64%**	62%	61%
Loan loss rate (bps)	**93**	128	158

Notes

a Average LTV of mortgage portfolio and new mortgage lending calculated on the balance weighted basis for South Africa.
b 2012 returns calculated using average allocated equity based on CRD III RWAs and capital deductions.

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Financial review

Analysis of results by business

Investment Bank

£7,588m

total income

£1,377m

profit before tax

2014 compared to 2013

Profit before tax decreased 32% to £1,377m. The Investment Bank continues to make progress on its origination-led strategy, building on leading positions in its home markets of the UK and US, while driving cost savings and RWA efficiencies. The business is focused on a simpler product set in Markets, which will enable it to build on existing strengths and adapt to regulatory developments. The business continued to execute this strategy despite difficult market-making conditions and continued low levels of activity. This has particularly impacted credit and interest rate products, resulting in an income decline across the Markets businesses. This decline was partially offset by improved banking performance and significant cost reductions as a result of savings from Transform programmes.

Total income decreased 12% to £7,588m, including the impact of depreciation of average USD against GBP. Banking income increased 2% to £2,528m. Investment Banking fee income decreased 2% to £2,111m driven by lower debt underwriting fees, partially offset by higher financial advisory and equity underwriting fees. Lending income increased to £417m (2013: £325m) due to lower fair value losses on hedges and higher net interest and fee income.

Markets income decreased 18% to £5,040m. Credit decreased 17% to £1,044m driven by reduced volatility and client activity, with lower income in distressed credit, US high yield and US high grade products. Equities decreased 11% to £2,046m due to declines in cash equities and equity derivatives, reflecting lower client volumes, partially offset by higher income in equity financing. Macro decreased 24% to £1,950m reflecting subdued client activity in rates and lower volatility in currency markets in the first half of the year.

	2014	2013[a]	2012
	£m	£m	£m
Income statement information			
Net interest income	**647**	393	209
Net fee and commission income	**3,087**	3,232	3,024
Net trading income	**3,735**	4,969	5,903
Net investment income	**119**	2	(37)
Other income			5
Total income	**7,588**	8,596	9,104
Credit impairment releases/(charges) and other provisions	**14**	22	(50)
Net operating income	**7,602**	8,618	9,054
Operating expenses	**(5,633)**	(6,172)	(6,361)
UK bank levy	**(218)**	(236)	(139)
Costs to achieve Transform	**(374)**	(190)	
Total operating expenses	**(6,225)**	(6,598)	(6,500)
Profit before tax	**1,377**	2,020	2,554
Attributable profit	**397**	1,308	1,235
Balance sheet information			
Loans and advances to banks and customers at amortised cost[b]	**£106.3bn**	£104.5bn	£93.2bn
Trading portfolio assets	**£94.8bn**	£96.6bn	£94.8bn
Derivative financial instrument assets	**£152.6bn**	£108.7bn	£116.9bn
Derivative financial instrument liabilities	**£160.6bn**	£116.6bn	£123.2bn
Reverse repurchase agreements and other similar secured lending	**£64.3bn**	£78.2bn	£70.5bn
Total assets[a]	**£455.7bn**	£438.0bn	£398.5bn
Risk weighted assets[a,c]	**£122.4bn**	£124.4bn	n/a
Average allocated tangible equity[d]	**£14.6bn**	£15.3bn	£12.0bn
Average allocated equity[d]	**£15.4bn**	£15.9bn	£12.6bn

Notes

a 2013 adjusted income and profit before tax have been restated to exclude the Q213 £259m gain relating to assets not yet received from the US Lehman acquisition to aid comparability given its material nature in the current year. In addition, December 2013 and December 2012 US Lehman acquisition assets and RWAs of £1.6bn and £1.9bn respectively, have been restated for the reclassification of these assets from the Investment Bank to Head Office to more accurately reflect responsibility for the resolution of this matter.

b As at 31 December 2014 loans and advances included £86.4bn (2013: £84.1bn) of loans and advances to customers (including settlement balances of £25.8bn (2013: £33.2bn) and cash collateral of £32.2bn (2013: £25.6bn)) and loans and advances to banks of £19.9bn (2013: £20.4bn) (including settlement balances of £2.7bn (2013: £4.4bn) and cash

collateral of £6.9bn (2013: £6.4bn)).

c RWAs are on a CRD IV fully loaded basis. CRD IV rules came into effect in 2013; therefore no 2012 comparatives are available.

d 2012 returns calculated using average allocated equity based on CRD III RWAs and capital deductions.

Net credit impairment release of £14m (2013: £22m) arose from a number of single name exposures.

Total operating expenses decreased 6% to £6,225m reflecting a 9% reduction in compensation costs to £3,620m, savings from Transform programmes, including business restructuring, continued rationalisation of the technology platform and real estate infrastructure, and depreciation of average USD against GBP. This was partially offset by increased costs to achieve Transform of £374m (2013: £190m) and litigation and conduct charges.

Loans and advances to customers and banks increased 2% to £106.3bn driven by an increase in cash collateral and lending, partially offset by a reduction in settlement balances due to reduced activity.

Derivative financial instrument assets and liabilities increased 40% to £152.6bn and 38% to £160.6bn respectively, driven by decreases in predominantly GBP, USD and EUR forward interest rates, and strengthening of USD against major currencies.

Reverse repurchase agreements and other similar secured lending decreased 18% to £64.3bn due to decreased match book trading and funding requirements.

Total assets increased 4% to £455.7bn due to an increase in derivative financial instrument assets, partially offset by a decrease in reverse repurchase agreements and other similar secured lending, and financial assets at fair value.

RWAs decreased 2% to £122.4bn primarily driven by risk reductions in the trading book, partially offset by the implementation of a revised credit risk model for assessing counterparty probability of default.

2013 compared to 2012

Profit before tax decreased 21% to £2,020m.

Total income decreased 6% to £8,596m, including the impact of appreciation of average USD against GBP.

Banking income increased 16% to £2,485m. Within Banking, Investment Banking fee income increased 6% to £2,160m driven by increased equity underwriting fees, with debt underwriting and financial advisory largely in line. Lending income increased to £325m (2012: £109m) driven by lower fair value losses on hedges and higher net interest and fee income.

Markets income decreased 12% to £6,134m. Credit and Macro income decreased 10% to £1,257m and 28% to £2,580m respectively, driven by securitised products and rates as market uncertainty around central banks tapering of quantitative easing programmes impacted activity. Europe and the US were particularly impacted, while Asia benefited from improved currency income. The prior year benefitted from the European Long Term Refinancing Operation (LTRO) in H112, the ECB bond buying programme and reduced benchmark interest rates in H212. Equities increased 13% to £2,297m reflecting higher commission income and increased client volumes.

Net credit impairment release of £22m (2012: charge of £50m) arose from a number of single name exposures.

Total operating expenses increased 2% to £6,598m, including an increase due to higher UK bank levy of £236m (2012: £139m) following an increase in the rate, appreciation of average USD against GBP, costs to achieve Transform of £190m (2012: £nil), partly offset by lower litigation and conduct charges.

	2014 £m	2013 £m	2012 £m
Key facts			
Number of employees (full time equivalent)	**20,500**	22,600	22,100
Performance measures			
Return on average tangible equity[a]	**2.8%**	8.5%	10.1%
Return on average equity[a]	**2.7%**	8.2%	9.6%
Cost: income ratio	**82%**	77%	71%
Analysis of total income			
Investment banking fees	**2,111**	2,160	2,042
Lending	**417**	325	109
Banking	**2,528**	2,485	2,151
Credit	**1,044**	1,257	1,402
Equities	**2,046**	2,297	2,025
Macro	**1,950**	2,580	3,559
Markets	**5,040**	6,134	6,986
Banking and Markets	**7,568**	8,619	9,137
Other[b]	**20**	(23)	(33)
Total income	**7,588**	8,596	9,104

Notes

a 2012 returns calculated using average allocated equity based on CRD III RWAs and capital deductions.
b 2013 adjusted income and profit before tax have been restated to exclude the Q213 £259m gain relating to assets not yet received from the US Lehman acquisition to aid comparability given its material nature in the current year. In addition, December 2013 and December 2012 US Lehman acquisition assets and RWAs of £1.6bn and £1.9bn respectively, have been restated for the reclassification of these assets from the Investment Bank to Head Office to more accurately reflect responsibility for the resolution of this matter.

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Financial review

Analysis of results by business

Head Office

2014 compared to 2013

Profit before tax of £97m improved from a loss of £15m in 2013.

Net operating income increased to £242m (2013: £145m) predominantly due to net gains of £88m from foreign exchange recycling arising from the restructure of group subsidiaries.

Total operating expenses decreased £22m to £142m mainly due to a reduction in UK bank levy to £9m (2013: £29m), the non-recurrence of costs associated with the Salz Review and the establishment of the Transform programme in the prior year, partially offset by increased litigation and conduct charges.

Total assets increased £22.5bn to £49.1bn reflecting an increase in the Group liquidity pool assets.

RWAs decreased £10.6bn to £5.6bn, including receipt of certain US Lehman acquisition assets and a £6.9bn revision to 2013 RWAs following full implementation of CRD IV reporting, as disclosed in the 30 June 2014 Results Announcement.

Negative average allocated equity reduced to £0.4bn (2013: £7.0bn) as the Group moved towards the allocation rate of 10.5% fully loaded CRD IV CET1 ratio during the year, resulting in a reduction in excess equity allocated to businesses.

2013 compared to 2012

Loss before tax of £15m moved from a profit of £190m in 2012.

Net operating income decreased 57% to £145m predominantly due to the non-recurrence of gains related to hedges of employee share awards in Q112 of £235m.

Total operating expenses were broadly in line at £164m (2012: £165m), reflecting the non-recurrence of the £97m penalty arising from the industry-wide investigation into the setting of inter-bank offered rates recognised in 2012, mainly offset by costs to achieve Transform of £22m (2012: £nil) and regulatory investigation and legal costs.

	2014	2013[a]	2012
	£m	£m	£m
Income statement information			
Total income	**242**	142	341
Credit impairment releases/(charges) and other provisions		3	(7)
Net operating income	**242**	145	334
Operating expenses	**(123)**	(113)	(139)
UK bank levy	**(9)**	(29)	(26)
Cost to achieve Transform	**(10)**	(22)	
Total operating expenses	**(142)**	(164)	(165)
Other net (expense)/income	**(3)**	4	21
Profit/(loss) before tax	**97**	(15)	190
Attributable profit/(loss)	**112**	(89)	23
Balance sheet information			
Total assets[a]	**£49.1bn**	£26.6bn	£148.4bn
Risk weighted assets[a,b]	**£5.6bn**	£16.2bn	n/a
Average allocated tangible equity	**£(0.6)bn**	£(7.4)bn	£2.9bn
Average allocated equity	**£(0.4)bn**	£(7.0)bn	£3.4bn
Key facts			
Number of employees (full time equivalent)	**100**	100	100

Notes

a US Lehman acquisition assets and RWAs for December 2013 and December 2012 of £1.6bn and £1.9bn respectively have been restated for the reclassification of these assets from the Investment Bank to Head Office to more accurately reflect responsibility for the resolution of this matter.

b RWAs are on a CRD IV fully loaded basis. CRD IV rules came into effect in 2013; therefore no 2012 comparatives are available.

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Barclays Non-Core

£1,050m

total income net of insurance claims

£1,180m

loss before tax

Barclays Non-Core (BNC) groups together businesses and assets that are no longer strategically attractive to Barclays and are being managed under three broad categories:

- Businesses, including all of Europe Retail;
- Securities and Loans, incorporating Investment Bank portfolio assets and the Education and Social Housing and Local Authority (ESHLA) loan portfolio; and

¡ Derivatives, including the traded legacy derivatives portfolio.

2014 compared to 2013

Loss before tax reduced 24% to £1,180m as Barclays Non-Core (BNC) made good progress in exiting and running-down certain businesses and securities during 2014. This drove a £34.6bn reduction in RWAs, making substantial progress towards the BNC target reductions as outlined in the Group Strategy Update on 8 May 2014.

Total income net of insurance claims reduced 54% to £1,050m. Businesses income reduced 27% to £1,101m due to the sale and run-down of legacy portfolio assets and the rationalisation of product offerings within the European retail business. Securities and Loans income reduced 82% to £117m primarily driven by the active run-down of securities, fair value losses on wholesale loan portfolios and the non-recurrence of prior year favourable market movements on certain securitised products, partially offset by a £119m gain on the sale of the UAE retail banking portfolio. Derivatives income reduced £321m to an expense of £168m reflecting the funding costs of the traded legacy derivatives portfolio and the non-recurrence of fair value gains in the prior year.

Credit impairment charges improved 81% to £168m due to the non-recurrence of impairments on single name exposures, impairment releases on the wholesale portfolio as a result of confirmation on Spanish government subsidies in the renewable energy sector, and improved performance in Europe, primarily due to improved recoveries and delinquencies in the mortgages portfolio.

	2014	2013	2012
	£m	£m	£m
Income statement information			
Net interest income	**214**	307	680
Net fee and commission income	**466**	383	368
Net trading income	**120**	1,327	1,546
Net investment income	**164**	302	620
Net premiums from insurance contracts	**290**	306	386
Other income/(expense)	**106**	(8)	(1)
Total income	**1,360**	2,617	3,599
Net claims and benefits incurred under insurance contracts	**(310)**	(324)	(392)
Total income net of insurance claims	**1,050**	2,293	3,207
Credit impairment charges and other provisions	**(168)**	(900)	(962)
Net operating income	**882**	1,393	2,245
Operating expenses	**(1,708)**	(2,198)	(2,008)
UK bank levy	**(91)**	(109)	(82)
Costs to achieve Transform	**(212)**	(538)	
Total operating expenses	**(2,011)**	(2,845)	(2,090)
Other net (expense)/income	**(51)**	(110)	65
(Loss)/profit before tax	**(1,180)**	(1,562)	220
Attributable (loss)/profit	**(1,085)**	(1,890)	515

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Financial review

Analysis of results by business

Barclays Non-Core continued

Total operating expenses improved 29% to £2,011m reflecting savings from Transform programmes, including lower headcount and the results of the previously announced European retail restructuring. In addition, costs to achieve Transform reduced 61% to £212m.

Loans and advances to banks and customers reduced 22% to £63.9bn due to a £12.9bn reclassification of loans relating to the Spanish business, which was held for sale, and a reduction in Europe retail driven by a run-off of assets.

Trading portfolio assets reduced 48% to £15.9bn due to the sale and run-down of legacy portfolio assets.

Derivative financial instrument assets and liabilities increased 19% to £285.4bn and 21% to £277.1bn respectively, driven by decreases in major forward interest rates.

Total assets decreased 8% to £471.5bn with reduced reverse repurchase agreements and other similar secured lending, and trading portfolio assets, due to the run-down of legacy portfolio assets, offset by an increase in derivative financial instrument assets. BCBS 270 leverage exposure reduced to £277bn.

RWAs decreased £34.6bn to £75.3bn and average allocated equity decreased £3.7bn to £13.4bn, reflecting the disposal of businesses, run-down and exit of securities and loans, and derivative risk reductions.

2013 compared to 2012

Loss before tax of £1,562m moved from a profit of £220m in 2012.

Total income net of insurance claims decreased 29% to £2,293m. Businesses income reduced 20% to £1,498m primarily driven by increased funding costs and reduced trading income from legacy portfolio assets. Securities and Loans decreased 44% to £642m primarily driven by reduced income from legacy products and wholesale loan portfolios. Derivatives income decreased 13% to £153m reflecting reduced income from the traded legacy derivatives portfolio, partially offset by hedging activities.

Credit impairment charges decreased 6% to £900m primarily driven by ongoing action to reduce exposure to the property and construction sector and the impact of changes concerning government subsidies in the renewable energy sector in Spain, partially offset by a charge against single name exposures.

Operating expenses increased 36% to £2,845m reflecting costs to achieve Transform of £538m (2012: £nil), primarily due to the significant downsizing of the European retail distribution network, and increased litigation and conduct charges.

Other net expense of £110m moved from net income of £65m in 2012 due to a valuation adjustment recognised in respect of contractual obligations to trading partners based in locations affected by European retail distribution network restructuring plans.

	2014	2013	2012
	£m	£m	£m
Balance sheet information			
Loans and advances to banks and customers at amortised cost[a]	**£63.9bn**	£81.9bn	£99.1bn
Loans and advances to customers at fair value	**£18.7bn**	£17.6bn	£20.2bn
Trading portfolio assets	**£15.9bn**	£30.7bn	£45.2bn
Derivative financial instrument assets	**£285.4bn**	£239.3bn	£364.9bn
Derivative financial instrument liabilities	**£277.1bn**	£228.3bn	£354.6bn
Reverse repurchase agreements and other similar secured lending	**£49.3bn**	£104.7bn	£98.6bn
Total assets	**£471.5bn**	£511.2bn	£651.8bn
Customer deposits	**£21.6bn**	£29.3bn	£31.9bn
Risk weighted assets[b]	**£75.3bn**	£109.9bn	n/a
Average allocated tangible equity	**£13.2bn**	£16.8bn	£10.5bn
Average allocated equity	**£13.4bn**	£17.1bn	£10.8bn
Key facts			
Number of employees (full time equivalent)	**8,900**	9,900	11,400
Performance measures			
Return on average tangible equity[c]	**(5.4%)**	(9.6%)	(1.8%)
Return on average equity[c]	**(4.1%)**	(7.2%)	(1.1%)
Loan loss rate (bps)	**31**	107	93
Analysis of total income			
Businesses	**1,101**	1,498	1,876
Securities and Loans	**117**	642	1,155
Derivatives	**(168)**	153	176
Total income	**1,050**	2,293	3,207

Notes

a As at 31 December 2014 loans and advances included £51.6bn (2013: £70.8bn) of loans and advances to customers (including settlement balances of £1.6bn (2013: £2.6bn) and cash collateral of £22.1bn (2013: £14.5bn)) and loans

and advances to banks of £12.3bn (2013: £11.1bn) (including settlement balances of £0.3bn (2013: £0.8bn) and cash collateral of £11.3bn (2013: £9.5bn)).

b RWAs are on a CRD IV fully loaded basis. CRD IV rules came into effect in 2013; therefore no 2012 comparatives are available.

c Return on average equity and average tangible equity for Barclays Non-Core represents its impact on the Group, being the difference between Barclays Group returns and Barclays Core returns.

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Returns and equity by business

Returns on average equity and average tangible equity are calculated as profit for the year attributable to ordinary equity holders of the parent (adjusted for the tax credit recorded in reserves in respect of coupons on other equity instruments) divided by average allocated equity or average allocated tangible equity for the period as appropriate, excluding non-controlling and other equity interests for businesses, apart from Africa Banking (see below). Allocated equity has been calculated as 10.5% of CRD IV fully loaded risk weighted assets for each business, adjusted for CRD IV fully loaded capital deductions, including goodwill and intangible assets, reflecting the assumptions the Group uses for capital planning purposes. The excess of allocated Group equity, caused by the fully loaded CRD IV CET1 ratio being below 10.5% on average in the period, is allocated as negative equity to Head Office. Allocated tangible equity is calculated using the same method, but excludes goodwill and intangible assets.

For Africa Banking, the equity used for return on average equity is Barclays   share of the statutory equity of the BAGL entity (together with that of the Barclays Egypt and Zimbabwe businesses which remain outside the BAGL corporate entity), as well as Barclays   goodwill on acquisition of these businesses. The tangible equity for return on tangible equity uses the same basis, but excludes both the Barclays   goodwill on acquisition and the goodwill and intangibles held within the BAGL statutory equity.

Return on average equity

	2014	2013	2012[c]
	%	%	%
Personal and Corporate Banking	**11.9%**	9.7%	11.1%
Barclaycard	**16.0%**	15.5%	18.0%
Africa Banking	**9.3%**	8.1%	7.2%
Investment Bank	**2.7%**	8.2%	9.6%
Barclays Core excluding Head Office	**8.9%**	9.7%	10.9%
Head Office[a]	**0.3%**	1.6%	(0.8%)
Barclays Core	**9.2%**	11.3%	10.1%
Barclays Non-Core[a]	**(4.1%)**	(7.2%)	(1.1%)
Barclays Group adjusted total	**5.1%**	4.1%	9.0%

Return on average tangible equity

	2014	2013	2012[c]

	%	%	%
Personal and Corporate Banking	**15.8%**	12.7%	15.0%
Barclaycard	**19.9%**	19.9%	23.7%
Africa Banking	**12.9%**	11.3%	10.0%
Investment Bank	**2.8%**	8.5%	10.1%
Barclays Core excluding Head Office	**10.8%**	11.6%	13.4%
Head Office[a]	**0.5%**	2.8%	(1.0%)
Barclays Core	**11.3%**	14.4%	12.4%
Barclays Non-Core[a]	**(5.4%)**	(9.6%)	(1.8%)
Barclays Group adjusted total	**5.9%**	4.8%	10.6%

Profit/(loss) attributable to ordinary equity holders of the parent[b]

	2014	2013	2012
	£m	£m	£m
Personal and Corporate Banking	**2,075**	1,681	1,703
Barclaycard	**943**	822	812
Africa Banking	**360**	356	347
Investment Bank	**415**	1,308	1,235
Head Office	**112**	(89)	23
Barclays Core	**3,905**	4,078	4,120
Barclays Non-Core	**(1,072)**	(1,890)	515
Barclays Group adjusted total	**2,833**	2,188	4,635

Notes

a Return on average equity and average tangible equity for Head Office and Barclays Non-Core represents their impact on Barclays Core and the Group respectively. This does not represent the return on average equity and average tangible equity of Head Office or the Non-Core business.

b The profit after tax attributable to other equity holders of £250m (2013: £nil; 2012: £nil) is offset by a tax credit recorded in reserves of £54m (2013: £nil; 2012: £nil) allocated across the businesses. The net amount of £196m, along with NCI, is deducted from profit after tax in order to calculate return on average tangible shareholders equity and return on average shareholders equity. Hence, 2014 attributable profit of £2,779m has been adjusted for the tax credit recorded in reserves of £54m (2013: £nil; 2012: £nil).

c 2012 returns calculated using average allocated equity based on CRD III RWAs and capital deductions.

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Financial review

Analysis of results by business

Margins analysis

	Year ended 31 December 2014			Year ended 31 December 2013		
	Net interest income	Average customer assets	Net interest margin	Net interest income	Average customer assets	Net interest margin
	£m	£m	%	£m	£m	%
Personal and Corporate Banking	6,298	210,026	3.00	5,893	202,497	2.91
Barclaycard	3,044	34,776	8.75	2,829	31,459	8.99
Africa Banking	2,093	35,153	5.95	2,245	38,640	5.81
Total Personal and Corporate Banking, Barclaycard and Africa Banking	11,435	279,955	4.08	10,967	272,596	4.02
Investment Bank	647			393		
Head Office and Other Operations	(216)			(67)		
Barclays Core	11,866			11,293		
Barclays Non-Core	214			307		
Group net interest income	12,080			11,600		

Total PCB, Barclaycard and Africa Banking net interest income increased 4% to £11.4bn due to an increase in average customer assets to £280.0bn (2013: £272.6bn) with growth in PCB mortgages and Barclaycard, partially offset by reductions in Africa Banking as the ZAR depreciated against GBP. Net interest margin increased 6bps to 4.08% primarily due to higher savings margins in PCB, and in Africa following the rise in the South African benchmark interest rate and the favourable impact of higher deposit margins. This was partially offset by a decrease in Barclaycard due to the impact of promotional offers and a change in product mix, partially offset by lower funding costs.

Group net interest income increased to £12.1bn (2013: £11.6bn) including structural hedge contributions of £1.6bn (2013: £1.6bn). Equity structural hedge income increased as the weighted average life of the hedge was extended. This

was offset by lower product structural hedges driven by the maintenance of the hedge in a continuing low rate environment.

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Presentation of information

Barclays approach to disclosures

The Group aims to continually enhance its disclosures and their usefulness to the readers of the financial statements in the light of developing market practice and areas of focus. Consequently Barclays disclosures go beyond the minimum standards required by accounting standards and other regulatory requirements.

Barclays continue to support the recommendations and guidance made by the Enhanced Disclosure Taskforce (EDTF). The EDTF was formed by the Financial Stability Board with a remit to broaden and deepen the risk disclosures of global banks in a number of areas, including liquidity and funding, credit risk and market risk. Barclays has fully adopted the recommendations across the Annual Report and Pillar 3 report.

In line with the Financial Reporting Council s guidance on Clear and Concise reporting, for 2014 Barclays has focused reporting on material items and sought to reorganise information to aid users understanding.

It is Barclays view that best in class disclosures will continue to evolve in light of ongoing market and stakeholder engagement with the banking sector. Barclays are committed to engaging with a published Code for Financial Reporting Disclosure (the Code). The Code sets out five disclosure principles together with supporting guidance which states that UK banks will:

¡ Provide high quality, meaningful and decision-useful disclosures;

¡ Review and enhance their financial instrument disclosures for key areas of interest;

¡ Assess the applicability and relevance of good practice recommendations to their disclosures acknowledging the importance of such guidance;

¡ Seek to enhance the comparability of financial statement disclosures across the UK banking sector; and

¡ Clearly differentiate in their annual reports between information that is audited and information that is unaudited.

British Bankers Association (BBA) Code for Financial Reporting Disclosure

Barclays has adopted the BBA Code for Financial Reporting Disclosure and has prepared the 2014 Annual Report and Accounts in compliance with the Code.

Statutory Accounts

The consolidated accounts of Barclays PLC and its subsidiaries are set out on pages 255 to 259 along with the accounts of Barclays PLC itself on pages 260 and 261. The accounting policies on pages 262 to 264 and the Notes commencing on page 262 apply equally to both sets of accounts unless otherwise stated.

Capital Requirements Country-by Country Reporting

HM Treasury has transposed the requirements set out under CRD IV and issued the Capital Requirements Country-by-Country Reporting Regulations 2013, effective 1 January 2014. The legislation requires Barclays PLC to publish additional information in respect of the year ended 31 December 2014. This information is available on the Barclays s website: barclays.com/citizenship/reports-and-publications/ country-snapshot.html

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Independent Auditors report

Independent auditors report to the members of Barclays PLC

Report on the financial statements

Our opinion

In our opinion:

- ¡ Barclays PLC s Group financial statements and Parent Company financial statements (the financial statements) give a true and fair view of the state of the Group s and the Parent Company s affairs as at 31 December 2014 and of the Group s and the Parent Company s profit and cash flows for the year then ended;
- ¡ The Group and Parent Company financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- ¡ The financial statements 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.

What we have audited

Barclays PLC s financial statements comprise:

- ¡ The Consolidated and Parent Company balance sheets as at 31 December 2014;
- ¡ The Consolidated and Parent Company income statements and the Consolidated statement of comprehensive income for the year then ended;
- ¡ The Consolidated and Parent Company cash flow statements for the year then ended;
- ¡ The Consolidated and Parent Company statements of changes in equity for the year then ended; and

¡ The notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRS as adopted by the European Union.

Our audit approach

Summary

The judgements that have the most effect on the nature, extent and timing of our audit procedures materiality, scoping and the key areas of audit focus are summarised here and explained in detail below.

Materiality	Overall group materiality: £330 million which represents 5% of adjusted profit before taxation (defined on page 230) excluding costs to achieve Transform. The use of this measure of profit mitigates the effects of volatility and aligns our audit with the measures that management use to focus on the underlying performance and position of the Group.
Scoping	We changed the way in which we scoped our audit following the Group s re-segmentation of its business during the year. We audited the complete financial information of each of the four core Business Units. In addition we audited the adjusting items and cost to achieve Transform in full. For Barclays Non-Core and Head Office, we performed work over specific financial statement lines.
Areas of focus	The areas of focus for our audit to which we allocated the greatest amount of our resources and effort were: ¡ Valuation of complex or illiquid financial instruments held at fair value ¡ Impairment of loans and receivables ¡ Provisions for the cost of conduct remediation ¡ Litigation and regulatory claims ¡ Provisions for uncertain tax positions ¡ IT systems and controls; and

¡ Re-segmentation

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Independent Auditors report

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)).

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. We looked at where the Directors made subjective judgements, in particular in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as areas of focus in the table below. This is not a complete list of all risks identified by our audit. For each of the areas of focus we have set out how we developed our audit to address these specific areas in order to provide an opinion on the financial statements as a whole; the comments made on the results of our procedures should be read in this context. All of these areas of focus were discussed with the Board Audit Committee. Their report on those matters that they considered to be significant financial statement reporting issues is set out on pages 41 to 43.

Area of focus		How our audit addressed the area of focus and what we found
Valuation of complex or illiquid trading portfolio assets and liabilities, financial assets and liabilities and derivative financial instruments held at fair value	We focused on this area because for some of these assets and liabilities the external evidence supporting the Group s valuations was limited because of the lack of a liquid market and the Directors judgement was required. In particular we focused on the principal judgements and assumptions over the	We assessed and tested the design and operating effectiveness of the controls over valuations and model approval. In those cases where the external information supporting the Group s valuations was limited and the Directors judgement was required, we examined the Group s internal price verification processes and controls that test those judgemental valuations against other information which, while not always directly comparable, may be indicative of

valuation of assets and liabilities with unobservable parameters. This included:

¡ The revision in the current year of the basis of valuation of the £17.4bn Education, Social Housing and Local Authority (ESHLA) loan portfolio which is held at fair value; and

¡ The derivative valuation adjustments made by management including those made to reflect the costs of funding of uncollateralised derivatives and counterparty credit risk.

See Notes 14 to 18 to the financial statements on pages 275 to 295.

the appropriate valuation. Where the Group used external pricing sources we examined the processes and controls operated by those sources.

We determined that we could rely on the controls operated by the Group and the external pricing sources for the purposes of our audit.

In addition we tested material valuations in detail and sought additional external evidence. We assessed the methodologies used, and the judgements and assumptions made, in evaluating unobservable valuation parameters.

We made our own examination of collateral disputes, market auctions and gains and losses on disposals and other events which could provide evidence about the appropriateness of the Group s valuations. For the more significant financial instruments, we evaluated the valuation models used by the Group or made our own valuations and compared the results of our work to that of the Group. In some cases, this resulted in a different valuation to that calculated by management; but in our view the differences were within a reasonable range of outcomes in the context of the inherent uncertainties disclosed in the financial statements.

In relation to the particular matters set out opposite:

¡ We considered the appropriateness of the revision in ESHLA valuation methodology in the light of the changes in the current year, and we examined the revised

methodology, seeking corroborative evidence for assumptions made where these were available;

- We assessed the methodology for the derivative valuation adjustments and compared it with our knowledge of current and emerging practice; the methodology, which is consistent with that used in previous years, was acceptable, but there is, as yet, no clearly accepted market practice; and

- We examined relevant transactions to corroborate the methodology for the derivative valuation adjustments and the assumptions made; and we found some comparable transactions, albeit limited in number.

Overall, in our view, in the context of the inherent uncertainties as disclosed in the financial statements, these valuations were within a reasonable range of outcomes.

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Area of focus		How our audit addressed the area of focus and what we found
Impairment of the carrying value of loans and advances to banks and to customers held at amortised cost	We focused on this area because the Directors make complex and subjective judgements over both timing of recognition of impairment and the estimation of the size of any such impairment.	We assessed and tested the design and operating effectiveness of the controls over impairment data and calculations. These controls included those over the identification of which loans and advances were impaired and the calculation of the impairment provisions. We determined that we could rely on these controls for the purposes of our audit.
	In the Investment Bank and for Corporate Banking the material portion of impairment is individually calculated. For Personal Banking and Barclaycard the material portion of the impairment is calculated on a modelled basis for portfolios of loans and advances.	In addition, we examined a sample of loans and advances which had not been identified by management as potentially impaired and formed our own judgement as to whether that was appropriate including using external evidence in respect of the relevant counterparties. We found no material exceptions in these tests.
	In particular we focused on:	
	¡ The principal assumptions underlying the calculation of impairment for portfolios of loans and advances, the operation of the models to make those calculations and the application of adjustments to the results produced by those models;	Where impairment was individually calculated, we tested a sample of loans and advances to ascertain whether the loss event (that is the point at which impairment is recognised) had been identified in a timely manner including, where relevant, how forbearance had been considered. Where impairment had been identified, we examined the forecasts of future cash flows prepared by management to support the
	¡ How impairment events that have not yet resulted in a payment default are identified	

and measured; and

¡ The possible effects of the fall in global oil prices on the creditworthiness of relevant counterparties.

See Notes 7 and 20 to the financial statements on pages 268 and 297 respectively and the relevant parts of the Risk review to which they are cross-referred.

calculation of the impairment, challenging the assumptions and comparing estimates to external evidence where available. We found no material exceptions in these tests.

Where impairment was calculated on a modelled basis, we tested the basis and operation of those models and the data and assumptions used. Our work included the following:

¡ We compared the principal assumptions made with our own knowledge of other practices and actual experience;

¡ We tested the operation of the models used to calculate the impairment including, in some cases, rebuilding those models or building our own models independently and comparing the results;

¡ We considered the potential for impairment to be affected by events which were not captured by management s models and evaluated how management had responded to these by making further adjustments where appropriate; and

¡ We increased the extent of our sample of loans to counterparties whose business was sensitive to movements in the oil price.

In the case of some impairment provisions, we formed a different view from that of management, but in our view the differences were within a reasonable range of outcomes in the context of the overall loans and advances and the uncertainties disclosed in the financial statements.

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Independent Auditors report

Area of focus		How our audit addressed the area of focus and what we found
Provisions for the cost of conduct remediation	We focused on this area because the Directors have made provisions that require significant judgement in relation to the amount of current and potential future claims from customers for losses or damages associated with inappropriate business activities. In particular, we focused on the provision for £1.1bn Payment Protection Insurance redress (PPI). See Note 27 to the financial statements on pages 303 to 305.	We assessed and tested the design and operating effectiveness of the Directors controls over the calculation of the provisions for the cost of conduct remediation. We determined that we could rely on these controls for the purposes of our audit. In view of the significant judgements involved, we also examined the more material provisions in detail and sought additional external evidence. In relation to PPI, we examined the history of claim volumes and settlement amounts and assessed whether the assumptions underpinning the provision calculations, including future claims volumes and settlement amounts, were appropriate. This assessment considered the latest information available including regulatory inspections and communications and our knowledge of other such redress settlements. As set out in the notes to the financial statements, because such assumptions concern future events, the calculations of the provisions are inherently uncertain. We considered the sensitivity of the provision to possible variations in those assumptions. This could result in different amounts for some provisions to those calculated by management, but in our view these

differences were within a reasonable range of outcomes in the context of the degree of uncertainty.

Litigation and regulatory claims	We focused on this area because the Group is subject to challenge in respect of a number of legal, regulatory and competition matters, many of which are beyond its control. Consequently, the Directors make judgements about the incidence and quantum of such liabilities arising from litigation and regulatory or competition claims which are subject to the future outcome of legal or regulatory processes. In particular the Group has recognised a provision of £1,250m in the year for certain aspects of ongoing investigations involving certain authorities and litigation relating to Foreign Exchange. See Note 29 to the financial statements on pages 306 to 314.	We assessed and tested the design and operating effectiveness of the controls over the identification and reporting of legal, regulatory and competition matters. We determined that we could rely on these controls for the purposes of our audit. In view of the significant judgements required, we also examined the more material provisions in detail and sought additional evidence. We evaluated the Group s assessment of the nature and status of litigation, claims and assessments and discussed them with Group management including in-house counsel for certain of the more significant cases. We examined the Group s conclusions with respect to the provisions and disclosures made for significant cases, both considering the correspondence between the Group and its external legal counsel and independently communicating with certain of those external legal counsel. As set out in the financial statements, the outcome of such cases are dependent on the future outcome of continuing legal and regulatory processes and consequently the calculations of the provisions are subject to inherent uncertainty. In our view, the provisions had been arrived at based on the information currently available to the Group and after proper consideration of the legal advice received by the Group.

Provision for uncertain tax positions	We focused on this area because the Group is subject to taxation in many jurisdictions and, in many cases, the ultimate tax treatment is uncertain and is not determined until resolved with the relevant tax authority. Consequently, the Directors make judgements about the incidence and quantum of tax liabilities which are subject to the future outcome of assessments by the relevant tax authorities and potentially associated legal processes. See Note 10 to the financial statements on pages 271 to 273.	We examined the correspondence between the Group and the relevant tax authorities and between the Group and its external advisers. We examined the matters in dispute and used our knowledge of the law of the relevant tax jurisdictions and other similar taxation matters to assess the available evidence and the provisions made by management. As set out in the financial statements, since the settlement of the Group s tax position is subject to future negotiation with various tax authorities, the calculations of the provisions are subject to inherent uncertainty. In our view, the provisions were within a reasonable range of outcomes in the context of that uncertainty.

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Area of focus		How our audit addressed the area of focus and what we found
IT systems and controls	We focused on this area because the Group s financial accounting and reporting systems are heavily dependent on complex systems and there is a risk that automated accounting procedures and related IT dependent manual controls are not designed and operating effectively.	We assessed and tested the design and operating effectiveness of the controls over the continued integrity of the IT systems that are relevant to financial reporting. We examined the framework of governance over the Group s IT organisation and the controls over program development and changes, access to programs and data and IT operations, including compensating controls where required. Where necessary we also carried out direct tests of certain aspects of the security of the Group s IT systems including access management and segregation of duties. The combination of the tests of the controls and the direct tests that we carried out gave us sufficient evidence to enable us to rely on the continued and proper operation of the Group s IT systems for the purposes of our audit.
Re-segmentation	During the year the Group redefined the segments of the business for the purposes of financial reporting. As a consequence we paid particular attention to the following matters as part of our audit:	Our audit work focused on the following areas: ¡ We tested the restatement of the prior period financial information; we did not find any material discrepancies with the

¡ That prior period financial information has been accurately restated in a manner consistent with the current year;

principles used in the current year;

¡ The consistent application of the adjustments, allocations and other judgements necessary to divide the investment banking activities between the Investment Bank and Barclays Non-Core segments; and

¡ We tested the division of the investment banking activities for the full year; we did not find any material discrepancies with the principles adopted to define the new segments at the time of the restatement;

¡ Whether there were any implication for impairment or the estimation of the fair value of assets or businesses because previous expectations for them may no longer hold true following the re-segmentation.

¡ We examined the valuation and impairment judgements of assets and businesses for which previous expectations may no longer hold true following the re-segmentation; we found no material exceptions; and

¡ In particular we examined the accounting treatment of the Group s contracted sale of Barclays Bank SAU in Spain which was included in Barclays Non-Core; we concur with the treatment adopted.

How we developed the audit scope

We calibrated the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic and segmental structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

During the year the Group re-segmented its business into five core operating segments: Personal and Corporate Banking, Investment Bank, Africa Banking, Barclaycard and Head Office together with Barclays Non-Core. For the purposes of planning our audit, we identified all six segments as components in the Group audit (the components).

In establishing our overall approach to audit the Group, we considered the significance of these components to the financial statements, our assessment of risk within each component, the overall coverage across the Group achieved by our procedures, as well as the risk associated with less significant components not brought into the normal scope of our audit.

We determined the type of work for each component that needed to be performed by us in relation to activity within the UK, or by other PwC network firms operating under our instruction in relation to activity outside the UK. Where the work was performed by those other firms, we determined the level of involvement we needed to have in their audit work to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole. We also visited other PwC network firms to corroborate that our audit plan was appropriately actioned.

Of the six components, we performed an audit of the complete financial information of each of Personal and Corporate Banking, Investment Bank, Africa Banking and Barclaycard due to their size and their risk characteristics and each of the adjusting items. We also carried out specific audit procedures on certain financial statement line items in each of the remaining two components: Barclays Non-Core and Head Office.

In aggregate, our audit procedures accounted for:

Components	Proportion of Total Income	Proportion of Total Assets
Audit of the complete financial information of full scope components and adjusting items	80%	55%
Specific audit procedures for certain financial line items of the other two components	2%	31%
Out of scope	18%	14%
Total	**100%**	**100%**

This, together with additional procedures performed at the Group level, gave us the evidence we needed for our opinion on the Group financial statements as a whole.

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Independent Auditors report

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	£330 million (2013: £310 million).
How we determined it	5% of adjusted profit before taxation excluding cost to achieve Transform. The adjusting items, as defined by management on page 230 are as follows: own credit, the gain on US Lehman acquisition assets, the provision for PPI and interest rate hedging redress, the provision for ongoing investigations and litigation relating to Foreign Exchange, the loss on the announced sale of the Spanish business, the ESHLA valuation revision and goodwill impairment.
Rationale for benchmark applied	The removal of these items mitigated undue volatility in determining our materiality and provided a more stable basis of determining materiality, focusing on the underlying profitability of the Group.

We agreed with the Board Audit Committee that we would report to them misstatements identified during our audit above £15 million (2013: £15 million) as well as any misstatements below that amount that, in our view, warranted reporting for qualitative reasons. In performing our audit we allocated materiality levels to our components. These are less than the overall group materiality.

Going concern

Under the Listing Rules we are required to review the Directors statement, set out on page 73, in relation to going concern. We have nothing to report having performed our review.

As noted in the Directors statement, the Directors have concluded that it is appropriate to prepare the Group s and Parent Company s financial

statements using the going concern basis of accounting. The going concern basis presumes that the Group and Parent Company have adequate resources to remain in operation, and that the Directors intend them to do so, for at least one year from the date the financial statements were signed. In drawing this conclusion, the Directors have considered the regulatory capital position of the Group as well as the funding and liquidity position of the Group.

As part of our audit we have concluded that the Directors use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group s and the Parent Company s ability to continue as a going concern.

Other required reporting

Consistency of other information

Companies Act 2006 opinion

In our opinion, the information given in the Strategic Report and the Directors Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:	Exceptions to report arising from this responsibility
Information in the Annual Report is:	None

¡

Materially inconsistent with the information in the audited financial statements; or

Apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and Parent Company acquired in the course of performing our audit; or

Otherwise misleading.

¡	The statement given by the Directors on page 73, in accordance with provision C.1.1 of the UK Corporate Governance Code (the Code), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group s and Parent Company s performance, business model and strategy is materially inconsistent with our knowledge of the Group and Parent Company acquired in the course of performing our audit.	None
¡	The section of the Annual Report on page 41, as required by provision C.3.8 of the Code, describing the work of the Board Audit Committee does not appropriately address matters communicated by us to the Board Audit Committee.	None

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Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:	Exceptions to report arising from this responsibility
¡ We have not received all the information and explanations we require for our audit; or	None
¡ 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	None
¡ 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.	None

Directors remuneration

Directors remuneration report Companies Act 2006 opinion

In our opinion, the part of the Directors Remuneration Report required to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Parent Company s compliance with ten provisions of the UK Corporate Governance Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors Responsibility Statement set out on page 73, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board s Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company s members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

¡ Whether the accounting policies are appropriate to the Group s and the Parent Company s circumstances and have been consistently applied and adequately disclosed;

¡ The reasonableness of significant accounting estimates made by the Directors; and

¡ The overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Andrew Ratcliffe (Senior Statutory Auditor)

for and on behalf of

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

2 March 2015

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Independent Registered Public Accounting Firm s report

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Barclays PLC

In our opinion, the accompanying consolidated balance sheets and the related consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated cash flow statements present fairly, in all material respects, the financial position of Barclays PLC and its subsidiaries at 31 December 2014 and 31 December 2013, and the results of their operations and their cash flows for each of the three years in the period ended 31 December 2014 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of 31 December 2014, based on criteria established in *Internal Control Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in management s report on internal control over financial reporting in the Directors Report appearing on page 68 of the Annual Report to Shareholders. Our responsibility is to express opinions on these financial statements and on the Company s internal control over financial reporting based on our integrated audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the

risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Notes 1 and 46 to the consolidated financial statements, the Company changed the manner in which it offsets certain financial instruments in 2014.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those

policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP

London, United Kingdom

2 March 2015

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Consolidated financial statements

Consolidated income statement

For the year ended 31 December	Notes	2014 £m	2013 £m	2012 £m
Continuing operations				
Interest income	3	**17,363**	18,315	19,211
Interest expense	3	**(5,283)**	(6,715)	(7,557)
Net interest income		**12,080**	11,600	11,654
Fee and commission income	4	**9,836**	10,479	10,213
Fee and commission expense	4	**(1,662)**	(1,748)	(1,677)
Net fee and commission income		**8,174**	8,731	8,536
Net trading income	5	**3,331**	6,553	3,347
Net investment income	6	**1,328**	680	844
Net premiums from insurance contracts		**669**	732	896
Other income		**186**	148	332
Total income		**25,768**	28,444	25,609
Net claims and benefits incurred on insurance contracts		**(480)**	(509)	(600)
Total income net of insurance claims		**25,288**	27,935	25,009
Credit impairment charges and other provisions	7	**(2,168)**	(3,071)	(3,340)