

# Our decision making considers developments in the external environment...

## Summary

**As a consumer, corporate and investment bank with operations around the world, Barclays is impacted by a wide range of macroeconomic, political, regulatory and accounting, technological, social and environmental developments. We continue to live in a period of significant change and uncertainty, which requires us to be vigilant in our review and assessment of the operating environment and as nimble as possible in the delivery of our strategy.**

Global economic growth has been modest in recent years and 2016 was characterised by ongoing uncertainty with periods of volatility in global markets and a continuation of the low interest rate environment. A low growth, low interest rate environment makes income growth more challenging.

We experienced significant developments in the global political environment in 2016, including the UK's vote to leave the EU in June and the presidential election in the US in November. Significant policy uncertainty remains around the implications of these events and there is further potential political change in 2017 with several major European countries holding elections. We remain alert to the risks, including those posed by policy-induced disruptions of global trade and investment, as well as the impact of current and potential geopolitical tensions. However, we do not see these events impacting the broad direction of our strategy set out in March 2016 to be a leading transatlantic bank with global reach.

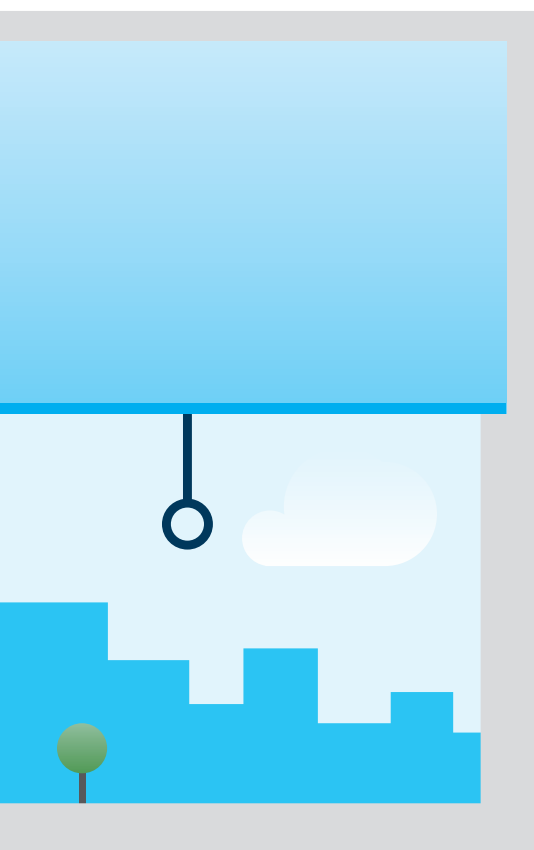
Over recent years a significant objective of change in financial regulation has been to create a stronger banking environment through enhancing capital, liquidity and funding in the sector. A sounder banking environment has been further supported by an increased focus on stress testing, with the UK regulatory authorities completing their third comprehensive stress testing of the sector in November 2016. A key element of the regulatory agenda, known as Structural Reform, requires banks to 'ring-fence' certain activities and these requirements, particularly in the UK and US, were reflected in our strategy update in March 2016. The implementation of these changes requires significant focus and we continue to execute our approach in accordance with regulatory timelines. An additional consideration relates to future accounting changes, specifically the introduction of IFRS9 in 2018 which will see significant change in the accounting for impairment.

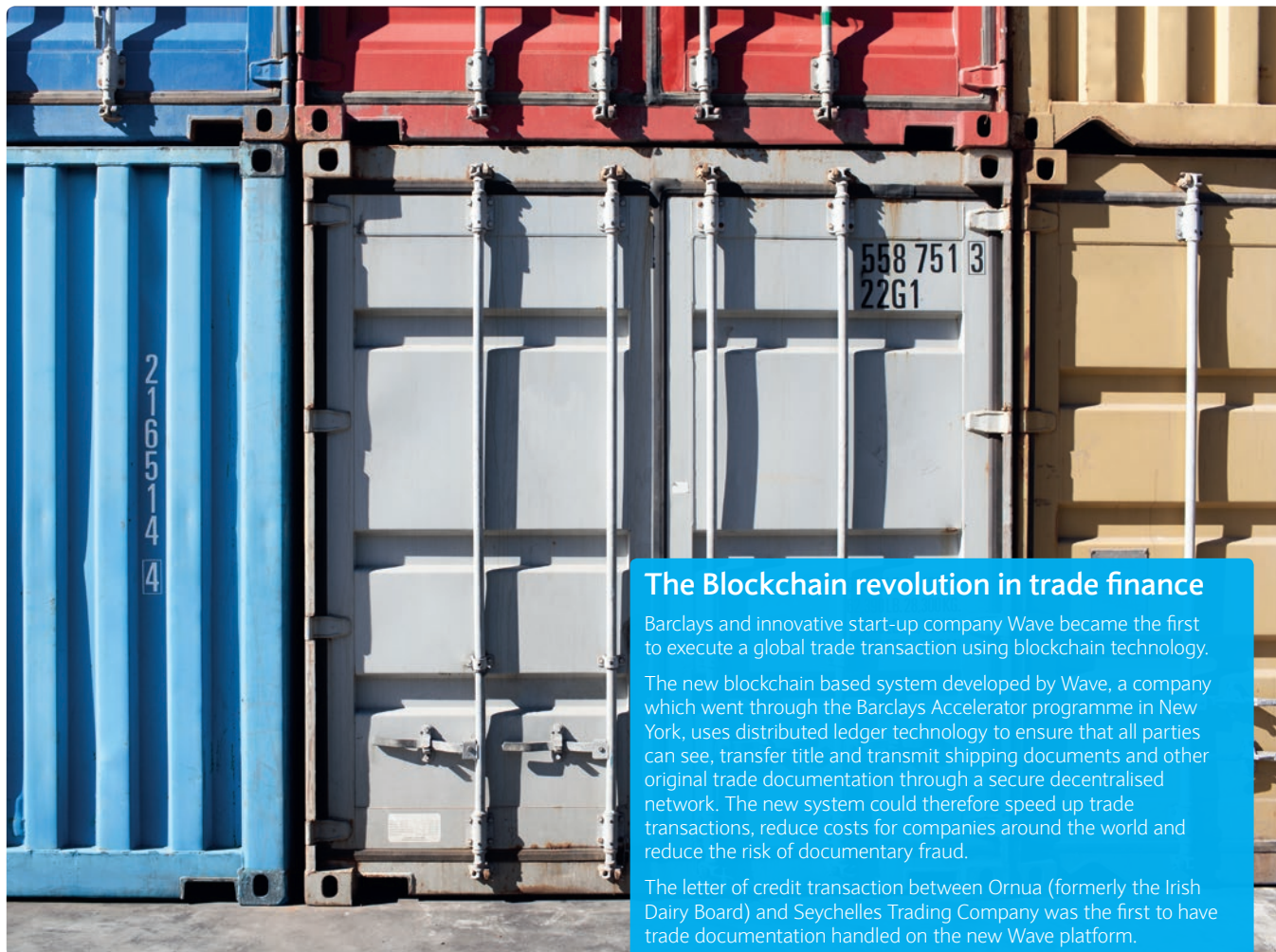
Regulatory scrutiny around conduct remains in sharp focus and we continue to embed a conduct-focused culture across the organisation, through the delivery of our strategy, in order to drive positive outcomes for all our stakeholders. We are also working to put legacy conduct issues behind us and the FCA's proposed deadline of the end of June 2019 for PPI complaints, although not yet confirmed, is a significant development.

Technological change continues at pace, significantly impacting customer expectations and leading to the ongoing review of established banking operating models and systems.

**“One of the key benefits of digitisation and the growth in mobile banking has been improved customer and client experiences as transactions and interactions become faster and more convenient.”**

However, the rapid speed of innovation also presents challenges. We have seen agile, digital players entering the market while new avenues for increasingly sophisticated fraudulent and criminal activity have been created. We continue to develop new technology and invest in digital and mobile capabilities to improve and differentiate our offering, while remaining constantly vigilant to, and investing in, fraud prevention, cyber risk, IT security and the appropriate management of data.





### The Blockchain revolution in trade finance

Barclays and innovative start-up company Wave became the first to execute a global trade transaction using blockchain technology.

The new blockchain based system developed by Wave, a company which went through the Barclays Accelerator programme in New York, uses distributed ledger technology to ensure that all parties can see, transfer title and transmit shipping documents and other original trade documentation through a secure decentralised network. The new system could therefore speed up trade transactions, reduce costs for companies around the world and reduce the risk of documentary fraud.

The letter of credit transaction between Ornuu (formerly the Irish Dairy Board) and Seychelles Trading Company was the first to have trade documentation handled on the new Wave platform.



For further information, see [newsroom.barclays.co.uk/r/3396/barclays\\_and\\_wave\\_complete\\_world\\_first\\_blockchain\\_trade](https://newsroom.barclays.co.uk/r/3396/barclays_and_wave_complete_world_first_blockchain_trade)

During 2016 there has been activity to further the financial sector's understanding of the potential financial, operational and strategic implications of climate change. In addition, there has been an increase in the level of interest in companies' responses to climate change, largely driven by the ratification of the UN Climate Change Conference requirements and publication of draft recommendations by the Financial Stability Board's Taskforce on Climate-related Financial Disclosures for annual reports.



Developments in the external environment present both opportunities and risks. Without active risk management to address these external factors our long-term goals could be adversely impacted. Our approach to risk management and material existing and emerging risks to the Group's future performance are outlined in the Risk Review section on page 137.

## Our business model

...we create value for our stakeholders and deliver broader economic benefits to society...

### Summary

**Barclays PLC Group operates via two clearly defined divisions – Barclays UK and Barclays International – with a diversified business model that we believe helps to enhance our resilience to changes in the external environment.**

For further information on our divisions see:

**Barclays UK** – pages 26 to 31

**Barclays International** – pages 32 to 35

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

- the strength and reputation of our brand – serving customers and clients for over 325 years
- a strong, well-funded and diversified balance sheet
- customer and client relationships
- our geographic focus: firmly anchored in the two financial centres of London and New York, with global reach
- a track record of successfully innovating for customers and clients
- the skills and expertise of our people and the shared values which inform the way we work and how we act.



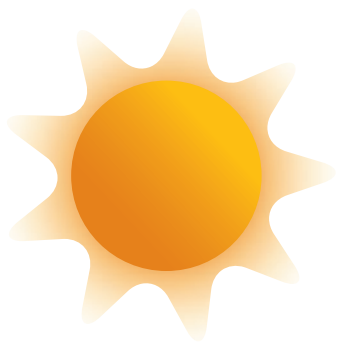
### We aim to provide superior services to help customers and clients create, grow and protect wealth in a sustainable way

Barclays' customers and clients include: individuals, small and medium-sized businesses, corporates, financial institutions and banks, and institutions and governments

We offer:

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



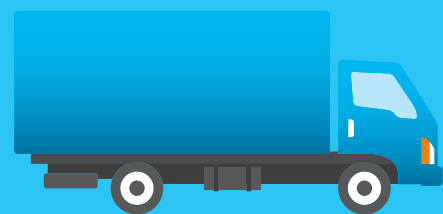
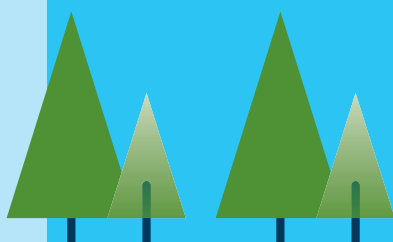


## We support our stakeholders via a commercially successful business that generates long-term sustainable returns

- Our services generate income via net interest income and non-interest income, including fees and commissions as well as trading and investment income through our wholesale activities.
- We are a large financial institution and provide diversification by business line, geography and customer; supported by a conservative risk profile. We believe this diversification and prudence enhances our resilience.

## We aim to deliver broad value from the way we do business, including:

- superior service to enable customers and clients to achieve their ambitions
- challenging and fulfilling careers for our people in a values-driven organisation
- long-term sustainable returns for our investors
- we work together with regulators to help reduce risk in the industry and provide a more sustainable banking landscape over the long term
- employment and growth in the economies in which we operate
- engagement with governments and society to address societal issues and needs.



...where success for us is to be a leading, diversified, transatlantic bank.

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## Summary

**Our goal is to become the bank of choice by providing superior services to customers and clients and supporting our stakeholders via a commercially successful business that generates long-term sustainable returns.**

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The strategy of Barclays PLC Group is to build on our strength as a transatlantic consumer, corporate and investment bank, anchored in our two homes markets of the UK and US, with global reach. Our two clearly defined divisions, Barclays UK and Barclays International, provide diversification by business line, geography and customer, enhancing financial resilience and helping to contribute to the delivery of consistent returns through the business cycle. We have a strong core business with exciting prospects, well positioned to deliver long-term value for our shareholders.

Consistent with the objective of delivering long-term sustainable value for all our stakeholders, we have developed our Shared Growth Ambition – our approach to citizenship and the sustainability of the business model we operate. The aim is to make decisions and do business that provides our clients and customers, and the communities which we serve, with access to a prosperous future.

The delivery of our strategy is underpinned by the energy, commitment and passion of our people, and we are clear on our common purpose: to help people achieve their ambitions, in the right way. Our shared values inform the way we work and how we act, guiding the choices we make every day.

### Building the Barclays of the future

In March 2016 we announced the following actions to materially progress our restructuring and lay the foundations for increased stability and improved performance:

- the creation of two clearly defined divisions, Barclays UK and Barclays International, consistent with the regulatory requirements of ring-fencing in the UK
- the sell-down of our 62.3% stake in Barclays Africa Group Limited (BAGL) to a non-controlling, regulatory deconsolidated, position
- a one-time increase to Barclays Non-Core, with a plan to accelerate the run down.

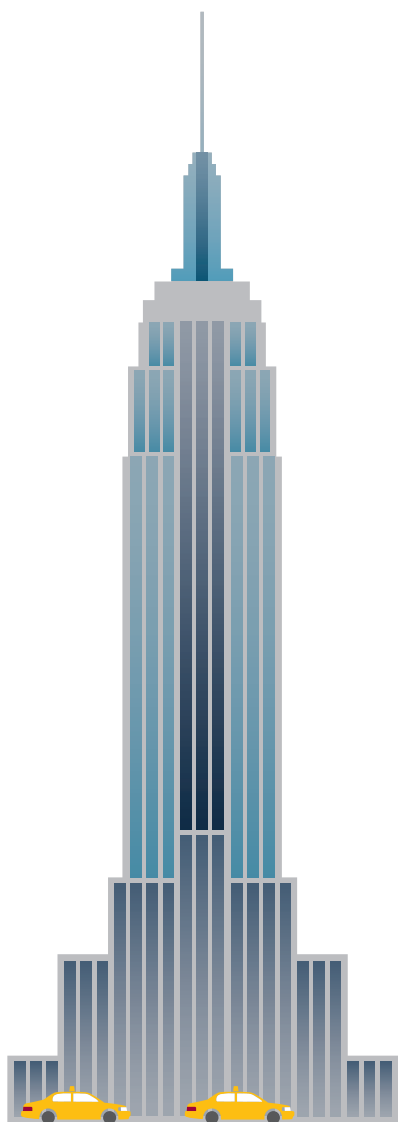
The priorities that emerged from our March 2016 announcement can be broadly summarised as:

- simplifying our core business
- accelerating the run down of our Non-Core operations
- continuing to address our remaining legacy conduct issues and improving our control environment.

### Simplifying our core business

Our two divisions represent a balanced business mix that we believe helps to enhance our resilience to developments in the external environment, while remaining focused on helping our customers and clients achieve their ambitions.

Barclays UK is our UK consumer and business bank differentiated by scale and proven digital capability. Barclays UK will become the ring-fenced bank for the UK during 2018, providing transactional, lending and investment products and services to over 24 million Personal, Wealth and Business Banking customers and clients. For further information on Barclays UK's performance, please see page 26.







## Non-Core run-down

In 2016, Barclays completed the sale of its Retail Banking, Wealth and Investment Management and part of its Corporate Banking business in Portugal which serves small and medium-sized enterprises to Bankinter S.A. Barclays also completed the sale of its insurance business in Portugal to Bankinter Seguros de Vida S.A. Seguros y Reaseguros, which operates an insurance joint-venture with Mapfre S.A.

Completion of this transaction was further progress towards completing the restructuring of Barclays, resulting in a further decrease in risk weighted assets of £1.8bn. The sale is also expected to reduce Group annualised costs by c.£70m.



For further information, see [newsroom.barclays.com/r/3331/accelerated\\_run-down\\_of\\_barclays\\_non\\_core\\_continues\\_sale](https://www.barclays.com/newsroom/barclays.com/r/3331/accelerated_run-down_of_barclays_non_core_continues_sale)

Barclays International is our diversified transatlantic wholesale and consumer bank which will be housed within Barclays Bank PLC, the future non-ring-fenced bank. We seek to compete in markets where we have the competitive advantage and provide best-in-class service to our clients and customers. On 1 July 2016 our US Intermediate Holding Company (IHC) became operational, as part of Barclays International. For further information on Barclays International's performance, please see page 32.

Our objective is to maintain solid investment grade ratings for our rated entities.

Barclays UK and Barclays International will be supported by a Group Service Company, a subsidiary which houses the majority of Barclays' Group Functions and the Chief Operating Office, which includes Operations and Technology.

Further details on the structure of the Group under Structural Reform can be found in the Supervision and Regulation section on page 236.

We are also reducing our stake in Barclays Africa Group Limited to a non-controlling, regulatory deconsolidated position, subject to required approvals. Having completed the first sell-down, to 50.1%, in 2016, we expect to continue to reduce our ownership and will execute this change in our investment responsibly.

### Accelerating the run down of our Non-Core operations

Our Non-Core businesses act as a significant drag on Group profitability and exiting these businesses will enable us to focus on a simplified Group, centred on our key areas of strength. Over the year we have continued to run down our Non-Core business, reducing risk weighted assets and strengthening our Common Equity Tier 1 ratio in the process.



We have made strong progress in executing our strategy and are fully committed to the early closure of Non-Core in June 2017. For further details please refer to the Non-Core Performance Review on page 36.

### Continuing to address remaining legacy conduct issues and improving our control environment

We are working hard to resolve our remaining legacy conduct matters as soon as is practical, while improving our control environment.

We aspire to be one of the world's most respected and well-regarded banks. We put our customers and clients at the heart of everything we do and seek to strengthen trust in the profession of banking, using transparency and integrity to engender the trust of our customers, clients and wider society.



## Our strategy

...where success for us is to be a leading, diversified, transatlantic bank.



### Unreasonable Impact

Barclays and Unreasonable Group have partnered to launch Unreasonable Impact, the world's first international network of accelerators focused on scaling up entrepreneurial solutions that will help employ thousands worldwide while solving some of our most pressing societal challenges. The programme supports the scale of growth-stage ventures by providing entrepreneurs with the resources, mentorship, and global network of support that they need to rapidly create jobs in high impact sectors such as clean energy, waste management and sustainable agriculture.



For further information, see [unreasonableimpact.com](http://unreasonableimpact.com)

