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As I indicated last year, Barclays is one of the largest restructuring situations in bank history. While this was partly a consequence of the Global Financial Crisis, it was also partly a consequence of the doubling of the balance sheet and the seven-fold increase in derivatives across 2007 and 2008, immediately prior to the full onset of the Global Financial Crisis.

This, together with the subsequent designation of the Group as globally systemic, and the consequent more than doubling of minimum regulatory capital ratios, meant the need substantially to re-capitalise the Group, and resulted in a considerable proportion of our portfolio becoming economically non-viable in the post-crisis environment.

The consequent recapitalisation involved the urgent raising of capital in 2008 (now the subject of charges by the Serious Fraud Office), a substantial reduction in capital and balance sheet usage, and the disposal of a considerable portion of our international network.

Since the crisis, we have refocused the business, halving the balance sheet by £1 trillion and the staff by some 80,000, through the disposal of Non-Core assets. We are also creating a new UK ring-fenced bank from scratch, resolving and continuing to resolve multiple large legacy conduct matters, as well as preparing the Group for Brexit.

The enormous impact all of this has had on the business, the Board and management, is a sobering lesson.

Over the past 6 years, reasonable underlying operating profits have been fully eroded in the process. Over this period, we saw £15.1bn in litigation and conduct charges, £2.4bn in bank levies, £10.1bn in losses from Non-Core, a £2.5bn loss from the sell-down of Barclays Africa, and £7.1bn in taxes (at an average rate of 65%). All of this, totalling £35.6bn over the six years, resulted in an aggregate attributable loss of £1.0bn over the same period. Imagine if all the underlying profits had gone to shareholders and to investment in growth.

Clearly, shareholders would prefer we declared higher dividends, but it should be remembered over the same period, we paid £5bn in dividends out of negative attributable profits.

While the bulk of our historical challenges are behind us, we do continue to face some residual challenges. These include the historical residential mortgage backed securities matter in the US, the Serious Fraud Office prosecution in the UK as well as the consequence of Brexit. This said, depending on their scale and pacing, we believe we have the capacity to deal with them over time.

So, while a number of challenges remain, the launch of the ring-fenced bank Barclays UK expected at the beginning of April this year largely draws a line on large-scale restructuring. We look forward to a more traditional business pattern, including the return to a more normal dividend pattern, planned to begin with the 2018 financial year.

Turning to the 2017 financial year itself, this was another critical year for Barclays. Good progress was made on a significant number of fronts. The closure of the Non-Core business from the start of July marked a significant milestone. This business was formed in 2014 in order to deliver the divestment of our non-strategic assets and businesses, releasing capital to support strategic growth in our Core business and to strengthen the Group's capital position. At its peak, the business comprised approximately £121bn of RWAs, representing 28% of the Group's total at the time and it has been a significant achievement to reduce this to just c.£23bn by the time of its closure.

We also implemented the difficult decision to sell down our shareholding in Barclays Africa in 2017. The changing regulatory requirements for global banks resulted in higher hurdles, making the ownership of the profitable African business uneconomic. Therefore, we successfully sold down 33.7% of our remaining BAGL shareholding in the first half of the year. We now own a residual 14.9% of the issued share capital, consistent with regulatory commitments.

2017 also saw us make significant progress in terms of creating the new ring-fenced bank as required by UK legislation. This has been an enormous undertaking as we are in effect creating a new bank comprising some 24 million customers. We remain on track to set up this bank in the second quarter of 2018.

As part of our Structural Reform requirements a Group Service Company has been successfully established which provides a wide range of operations, technology and functional services to the Group as a whole.

We continued with our Brexit preparations to ensure that Barclays can preserve our access to the EU markets for our customers and clients. Barclays Bank Ireland, where we have a banking license and have operated for nearly 40 years, will provide us with a natural base from which we can continue to provide products and services which require an EU presence.

As shareholders are aware, during 2017 Barclays disclosed a whistleblowing incident involving allegations made in connection with the hiring of a senior management team member. After an internal investigation, the Board determined that CEO Jes Staley believed, mistakenly but in good faith, that it was permissible to identify the author. A detailed announcement on the issue was made in April and the matter is now the subject of an external investigation.

Despite the very significant achievements and milestones passed during the year, our financial performance in 2017 highlights that further progress is required to deliver acceptable returns to our shareholders. Profit before tax was £3.5bn, and although this was a 10% increase on prior year, return on tangible equity was a negative 3.6% on a statutory basis. Excluding litigation and conduct, the loss on sale of our BAGL stake and a re-measurement of DTAs, largely from US tax reform, return on tangible equity was 5.6%.

Fortunately, the losses we experienced last year from Non-Core, as well as the costs of structural reform, are unlikely to be repeated going forward, and this, together with the profit improvement programme in the core business, should contribute towards improving returns.

Accordingly, the focus of management and the Board's attention is on performance, particularly that of the Corporate and Investment Bank in Barclays International. There, performance in Markets, and in particular Macro and Equities, was weak, driven by difficult market conditions. There have been significant management changes and action is being taken to improve profitability in this area.

Barclays Consumer, Cards and Payments saw profits decline by 22% but still produced a respectable 16.7% return on tangible equity. Barclays UK's profits were marginally up on the previous year generating 9.8% return on tangible equity.

Share price performance in 2017 was disappointing, with the share price falling from 223p to 203p over the calendar year. We are working to reverse this in 2018. Delivering quality earnings above the cost of equity as well as returning to higher dividend levels, are necessary to generate a meaningful recovery in the share price. This is the priority for 2018 and beyond.

The ultimate resolution of legacy conduct and litigation issues will allow underlying profit to fall to the bottom line to the benefit of shareholders. This, together with the resolution of the whistleblowing issue, will also help remove some uncertainty which is overshadowing the company.

The past few years have been a really tough period for the Board and management, and bottom line results can obscure the real underlying progress that is being made. I would therefore like to thank the Board, the management team and all our staff for the enormous efforts they are making to secure our recovery.

Finally, I would thank shareholders for their patience, and believe it will be rewarded. The situation is more complex and difficult than we had envisaged, and is taking longer than we hoped, but shareholders can rest assured that we will continue to strive to deliver the performance and value creation that their patience deserves.

John McFarlane
Chairman